



NEWSLETTER

FEBRUARY 2012 – ISSUE 40

THE ROLE OF HUMAN RESOURCE BRANCHES IN HEALTHY ORGANIZATIONS

In every organization, responsibility for human resource (HR) management must ultimately lie with the most senior manager, most notably the Chief Executive Officer (CEO). However, given the increasing complexities of managing HR in today's information societies, CEOs will very likely depend greatly on directors overseeing HR policies and programs for guidance, monitoring and evaluation.

The concern for intangible assets and their values can be traced back many years, but this concern gained popularity in the late 1960s and early 1970s in the form of human resources accounting.¹ Although interest diminished in the early 1980s, human resources accounting (HRA) enjoyed renewed emphasis in the late 1980s and continued strong throughout the 1990s. HRA was originally defined as a process designed to identify, measure, and communicate information about human resources in order to facilitate effective management within an organization. — Dr. Jack J. Phillips²

In the past, organizations tended to regard HR primarily as a cost item on their balance sheets. Today they must view the critical importance of benefits to the bottom line derived from good HR policies and management. Human capital is what drives the productivity and success of modern organizations. The competition for skilled and experienced knowledge workers has never been as great and as important as it is in today's world, particularly with the growing globalization of workforces. HR branches are now responsible to deal with legislative requirements surrounding human rights, labour standards (including pay equity and equal pay for work of equal value), persons with disabilities, employment equity, diversity, etc. HR branches must also deal with a variety of issues surrounding recruitment, retention, succession and retirement. Some suggest that the pinnacle of human resources power was in the 1970s and had given way to marketing and information technologies in terms of importance.

"In some companies, the top dog in HR is a member of the senior management team and reports to the CEO and there's a close relationship to the CEO," Jacoby says. "That person is respected by other senior managers and has some influence on decisions." But that's not universal, he says. "There are still many companies where the senior-most [human resources] person...is not seen as having the clout of a CFO or a head of marketing. They have somewhat secondary status." — Dr. Sanford Jacoby, UCLA's Anderson School³

However, organizations today have become increasingly aware of the importance of effectively assessing the return on investment (RIO) in human capital. As senior management requires more measurement and accountability, the HR function is under pressure internally to show value, often using new information technologies. HR management is also an area that cannot be easily outsourced.

How the current economic situation influences the HR role

Two years into the recovery, hiring in the U.S. is still painfully slow. The American economy is producing as much as it was before the downturn, but with seven million fewer jobs. According to the

¹ *You Can Measure Your Employee Relations*: National Productivity Report: 7(15), 1978, pp. 1-4

² *Investing in Your Company's Human Capital*: Jack J. Phillips (AMACOM Books, New York, NY, 2005) p. 99

³ *The Real Golden Age*: Carroll Lachnit, Workforce Management, May 2004, p. 12

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[U.S. Department of Commerce](#), since the recovery began, businesses' spending on employees has grown only 2 percent. In contrast, equipment and software spending has swelled 26 percent. The biggest hurdle is that companies are loath to invest at all because economic growth is so slow.⁴

There is little doubt that 2012 will continue the trend of high unemployment in both the U.S. and Canada. Although organizations will resist hiring until a real recovery begins, they still have to retain as many experienced and skilled employees as possible in the event of a return to fuller employment. With an aging workforce whereby some boomers are about to reach retirement, the competition for their replacements will grow — particularly where skill shortages occur for certain high-demand knowledge workers. Some organizations may be in a better position to retain older employees due to their need to work longer as a result of personal economic and broader market considerations. Dire circumstances among some older workers may also make it more difficult to open up existing positions to new recruits through attrition. As a result, HR branches will be called upon to increasingly assist senior management in preparing HR strategies and evaluating current HR policies and trends.

Recruitment

By offering instant response times and direct interaction with candidates, the internet has transformed recruitment within the space of a decade and decimated the profit margins of many agencies and publications that depended on job advertising.⁵

Indeed, new technologies such as the Internet have radically changed the rules of the recruitment process. In the U.K., an [Executives Online survey](#) in 2006 found that 48 percent of companies used their own website to advertise vacancies and one-third (34 percent) reported using external job boards or websites. Companies committed an average of 42 percent of their general recruitment advertising budgets and 33 percent of executive recruitment advertising expenditure to online tools.⁶ Using social networking in the recruitment process, or social recruiting, is a cost-effective way to target the emerging generation of workers. If done well, using social media can help to attract difficult-to-find candidates, shorten the hiring cycle and reduce the costs to recruit.⁷

HR managers can greatly help senior managers and supervisory staff to determine the best and most efficient means (incl. online recruitment) in which to advertise a position, carry out effective screening and interviewing of candidates, and utilize applicable techniques to hire people whose personal values best fit those of the organization. The cultural fit between employee and the organization is an extremely important consideration. We have all had a job for which we had the skills and experience but were just not a “good fit”. Such situations often result in poor employee performance and/or turnover, both of which are costly for the organization.

HR can also assist managers by ensuring that the screening of potential candidates is adequately undertaken, something that is not always done properly. For example, a 2010 poll by [ADP BackCheck](#) revealed that Canadian employers are not always diligent in screening or conducting background checks of prospective candidates. Nearly six in ten of those surveyed (59 percent) said they had obtained a job without the employer checking references.⁸

With a fluctuating labour force and anticipated potential shortage of skilled knowledge workers, HR branches can be very helpful in implementing and maintaining labour market surveillance processes and HR data management. The results of surveillance should assist organizations regarding future recruitment initiatives in a timely and cost-effective manner, particularly as the recovery strengthens.

⁴ *Companies Spend on Equipment, Not Workers*: Catherine Rampell, New York Times, June 9, 2011

⁵ *The recruitment revolution - how the net has changed the rules*: HR Zone 26-Jul-2007

⁶ Ibid

⁷ *Getting social with recruitment*: HR Zone, Posted by Richard Doherty in [Recruitment](#), July 13, 2010

⁸ *Canadian employers not always diligent in screening applicants*: Workplace Staff, Workplace e-Newsletter, November 2, 2010

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Retention

There are two important issues surrounding the retention of employees that are a direct result of the current economic climate and aging workforces.

The first is the need to adapt to an aging workforce. With a third of the workforce expected to comprise workers over 50 by 2020, HR departments will need to hone their recruitment, retention and engagement strategies in order to get the best out of them.⁹ Indeed, more older workers will very likely want to work longer given the impact of the recent recession on their retirement savings and investments. Even before the start of the recession in Canada, baby boomers who make up the next generation of retirees were confident they could return to work, with seven out of 10 optimistic about their prospects. This suggests that they do not see health issues, ageism and outdated workplace skills as roadblocks.¹⁰

Secondly, organizations will have to be prepared to deal with the potential loss of experienced workers once the current economic slowdown is over and employers accelerate their hiring activities. Even now, retention remains a critical issue. In 2010, a survey by [Right Management](#) (the talent and career management expert within Manpower) found that fifty-four percent of organizations involuntarily lost high-performing workers during the first half of the year. Only 28 percent of organizations were able to retain most of their top talent.¹¹ HR can help to ensure that the right retention policies are in place.

Retirement

Since the start of the global recession in 2008, many employees saw their retirement investments reduced with the stock market downturn. Although some may have been in a position for early retirement, the fact is that a number will choose to work longer in order to rebuild their nest egg. In addition, recent court rulings have ruled out existing mandatory retirement ages for several professions. As a result, HR branches are increasingly going to have to advise senior management on retirement policies and practices in order to accommodate the needs of both individuals and the organization.

Succession

HR branches today play a more important role in executive succession and career development. The changes are subtle but dramatic, and offer a whole range of new responsibilities for senior workforce management leaders.¹²

In terms of succession preparation, one of the crucial career developmental processes is that involving the mentoring of potential future managers by senior executives. According a 2011 American study by [Bersin & Associates Consulting Services](#), business results were 21 percent higher among organizations whose senior leaders very frequently make an effort to coach others. The study noted that HR should be involved by creating an environment "that supports, teaches and measures coaching".¹³

Mainstreaming Wellbeing

As wellbeing moved more into the 'mainstream' during 2011, it also became more closely aligned with existing HR processes rather than being buried away inside an occupational health function with limited links to other parts of the business. As a result, over the last year or so, HR

⁹ *HR needs to adapt to older workforce*: HR Zone, posted by Cath Everett in [Managing people](#), April 7, 2011

¹⁰ *Canadians have no intention to retire*: Canwest News Service, January 29, 2008

¹¹ *Retention problems: One in two companies losing top workers*: Workplace Staff, Workplace e-Newsletter, August 2, 2010

¹² *The Real Golden Age*: Op. Cit.

¹³ *Organizations Need Coaching on How to Coach*: Report: Garry Kranz, Workforce Management, December 12, 2011

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practitioners have started to consider how wellbeing activity could be plugged into existing processes without their necessarily having to embark on a major, standalone wellbeing project. This approach was dubbed 'mainstreaming wellbeing' as it was about evaluating how to include such activity in recruitment and induction processes, line manager training and even diversity programmes.¹⁴

Now that wellness and wellbeing initiatives have proven to be cost effective in improving employee productivity and reducing health-related costs, organizations are moving to mainstream such initiatives into their daily operations. It can be expected that such mainstreaming will continue to evolve.

How organizations can be better at measuring ROI of Human Capital

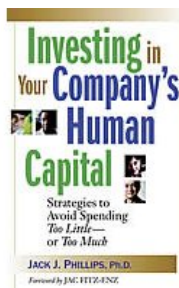
In every organization there are measurable benefits associated with investments in its human capital. There are benefits derived from HR policies and practices in terms of:

- ☞ recruitment and retention (e.g. reduced turnover) via competitive compensation and benefits (e.g. leave provisions, pensions, bonuses, severance packages, etc.)
- ☞ productivity and succession via continuous training and professional/career development
- ☞ recruitment, productivity and the bottom line via wellbeing and wellness promotion
- ☞ recruitment and retention via good health and safety and disability/workers comp insurance
- ☞ retention and succession via improved supervisory practices and mentoring/coaching

While HR components can assist management in measuring the return on investment in people, it is ultimately the responsibility of top management to ensure that appropriate strategies and processes are in place to effectively deal with HR issues. For example, Sandra Burud and Marie Tumolo note in their book that there are a number of steps to take when choosing to invest in people. The steps are:

1. **Identify the human capital element in each type of work**
2. **Understand how the human capital aspects of work affect results**
3. **Identify the factors that drive human performance**
4. **Evaluate the workforce profile, needs, and trends**
5. **Recognize people as assets, not expenses**¹⁵

Recommended Reading:



“Investing in Your Company’s Human Capital”

(Strategies to Avoid Spending Too Little — or Too Much.)

by Jack J. Phillips, Ph.D.

(AMACOM Books, New York, NY, 2005)

Recommended Web Sites:

- ◆ U.S. Society for Human Resource Management: <http://www.shrm.org/Pages/Default.aspx>
- ◆ Canadian Council of Human Resources Associations: <http://www.cchra.ca/en/>
- ◆ High-Impact Performance Management: Maximizing Performance - Bersin & Associates Consulting Services: <http://www.bersin.com/Search/Index.aspx?search=High-Impact%20Performance%20Management%3A%20Maximizing%20Performance%20Coaching%2C%20&idx=research>

¹⁴ *Trends 2012: Health and wellbeing*: HR Zone, Posted by Ben Moss, managing director of Robertson Cooper in [Managing people, Pay & benefits, Business lifestyle](#), January 5, 2012

¹⁵ *Leveraging the New Human Capital*: Sandra Burud & Marie Tomolo (Davies-Black Publishing, Palo Alto, California, 2004) p. 81

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