



Strategic Worth of Human Resources; Driving Organizational Performance

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**Hugh Mitchell
Practice Coordinator, Corporate Performance
Improvement**

Strategic Worth of Human Resources

Objectives: to show how

- **Organizational performance can be measured**
- **HR can create strategic worth**
- **HR has created strategic worth in organizations we know**
- **The impact of HR on organizational performance can be measured (balanced scorecard for HR)**
- **Strategic worth is situational**

- **Founded in 1980**
- **Increase Organizational Capacity**
- **Strategic planning, change management and evaluation, organizational development, training and development**
- **±40 staff in 4 offices; Montreal, Ottawa, Moscow, Pristina**
- **Corporate Performance Improvement, International Development, Aboriginal**

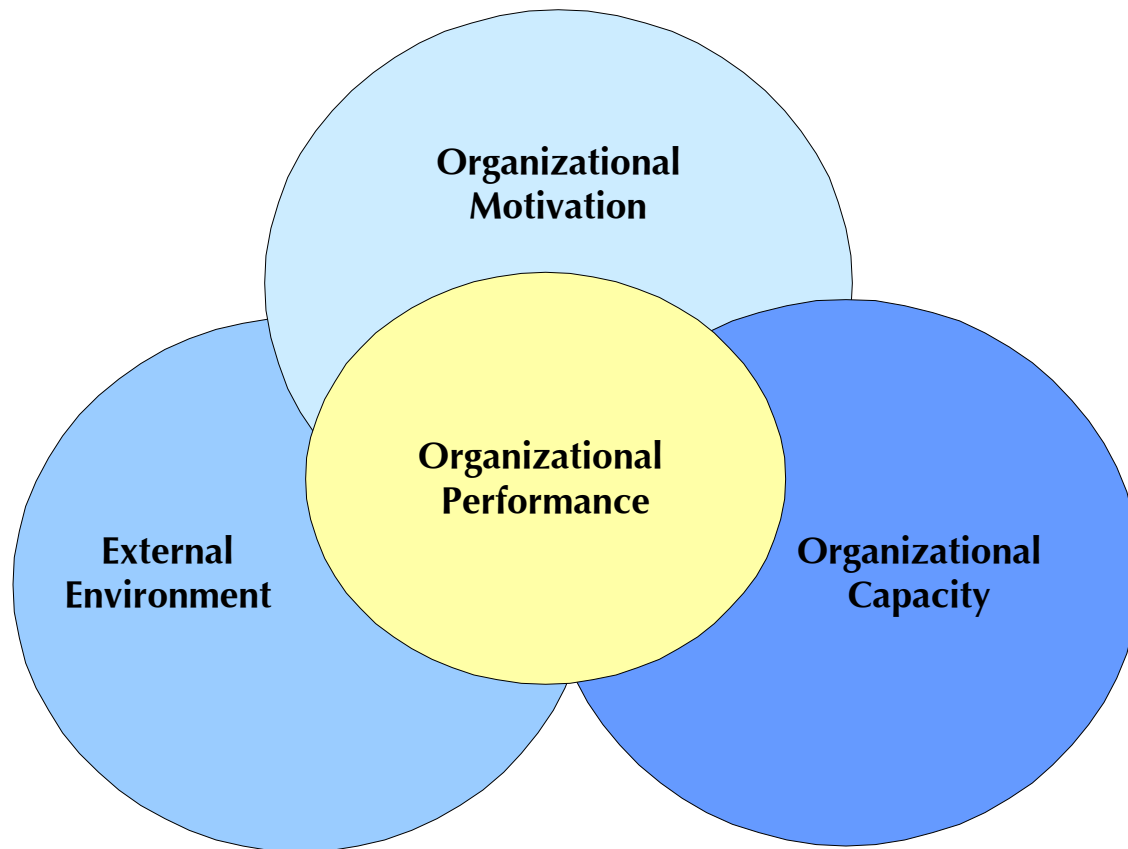
Strategic Worth of Human Resources

Agenda

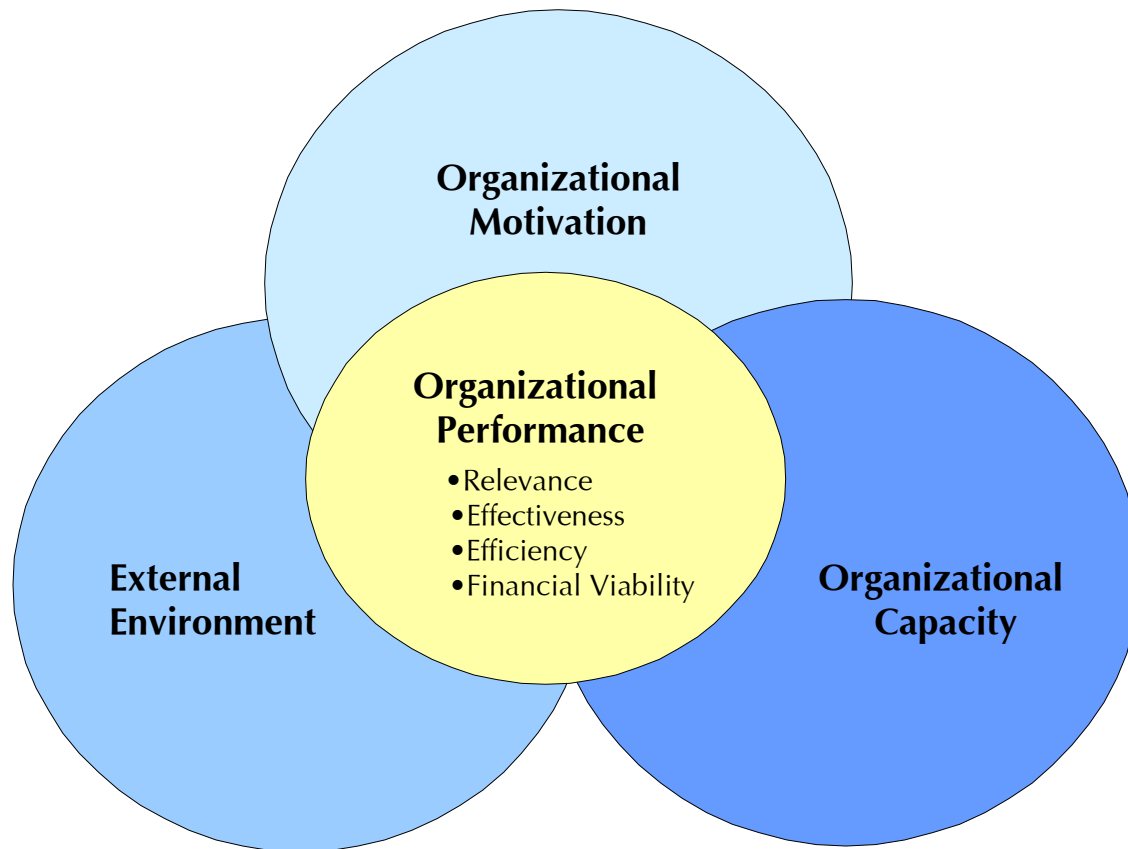
- **Organizational Performance Framework**
- **Demonstrating the Strategic Worth of HR**
- **Examples of HR actions**
- **Measuring the Strategic Worth of HR**
- **Conclusions**

So how can we assess organizational performance and the factors that affect it

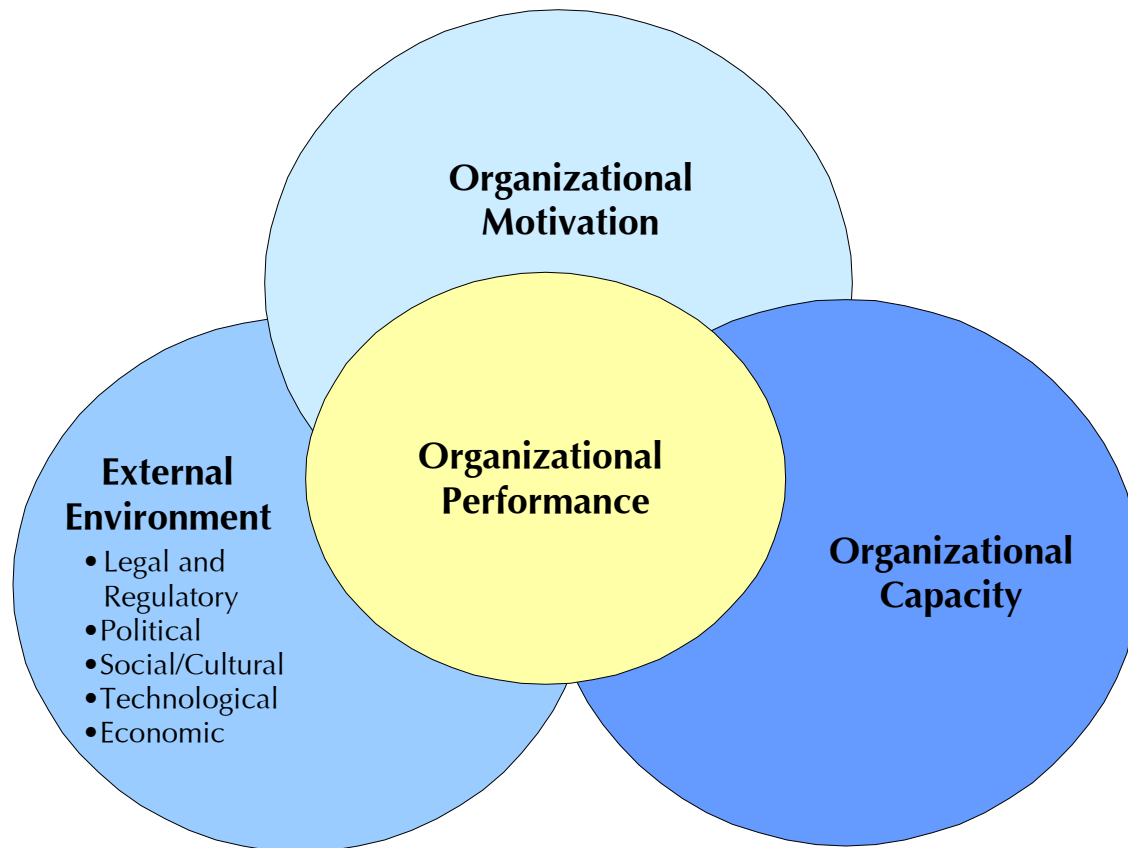
Organizational Performance Framework



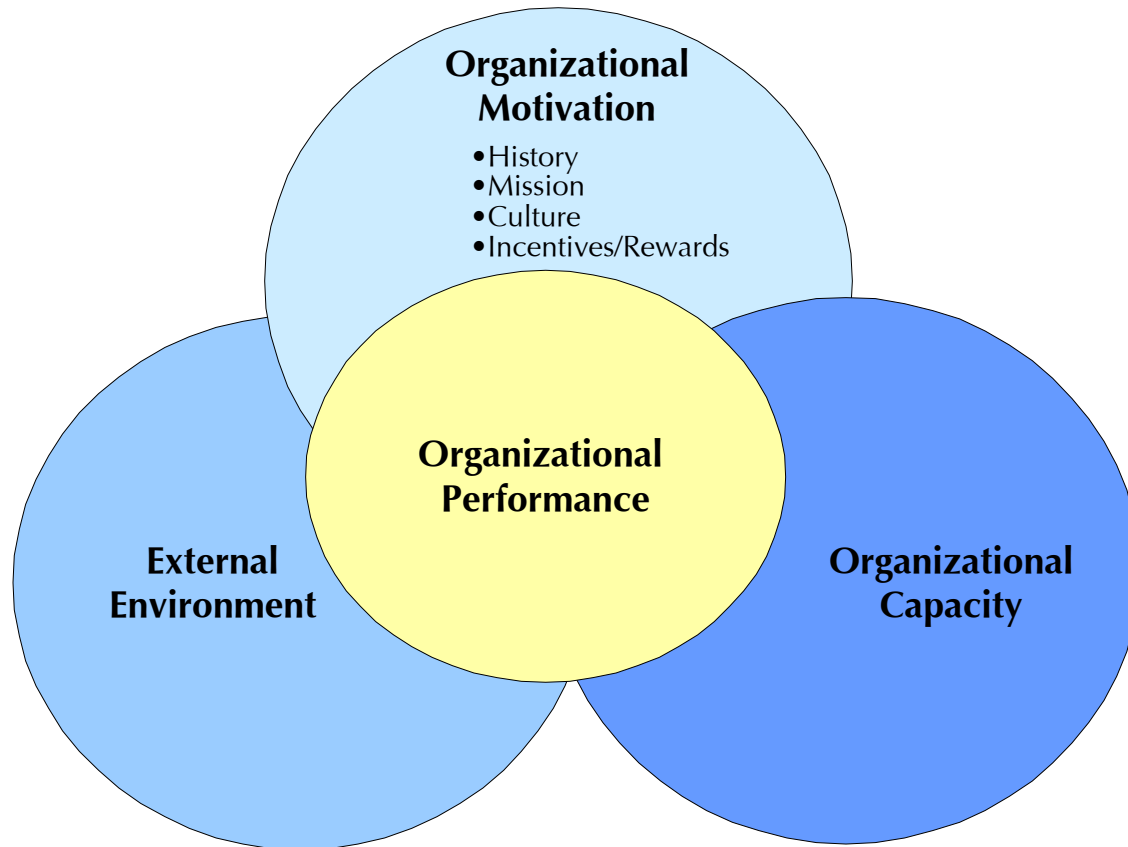
Organizational Performance Framework



Organizational Performance Framework



Organizational Performance Framework



Organizational Performance Framework



So if HR's strategic worth is measured by its impact on organizational performance, what should HR do to show its strategic worth ?

Demonstrating the Strategic Worth of HR

External Environment

- Understand the legal, social, economic, technological events and trends
- Influence the immediate environment through representation, lobbying etc
- Interpret the labour market for the organization
- Build organizational responses to the market
- Build HR responses to the market

Demonstrating the Strategic Worth of HR

External Environment – examples of HR actions

- Labour market analysis (Mining)
- Post-critical-incident analysis & action (Transportation)
- Demonstrating best practice in knowledge management, to enhance reputation (Federal agency)
- Surveying of students in rebuilding recruitment/retention strategy (Pharmaceutical)
- Participation in professional or sectorial lobbying
- ‘CAE Inn’ during the ice storm

Demonstrating the Strategic Worth of HR

Organizational Motivation

- **Link current strategy to organizational history**
- **Support the creation of buy-in to the mission, strategy**
- **Influence the culture so it supports the mission & strategy**
- **Create incentives which drive all levels of the organization**
- **Help create organizational spirit**

Demonstrating the Strategic Worth of HR

Organizational Motivation - examples of HR actions

- **Workshop for managers on how to be emotionally intelligent in applying new strategy (Canadian Bank)**
- **Ensuring effective change management process in the introduction of a new ERP (Pharmaceutical)**
- **Linking individual performance management with organization's strategic goal (International Financial Institution)**
- **Linkage of competencies, role definition and objectives (Pulp and Paper)**
- **Not on Exec. Cttee. - other influence? (Pharmaceutical)**

Demonstrating the Strategic Worth of HR

Organizational Capacity

- **Build strategic leadership in organization**
- **Ensure human resources issues are in strategic plan**
- **Manage ethical behaviour in organization**
- **Help restructure organization to maximize use of staff**
- **Ensure individual employees know how their work affects organization**
- **Build effective interpersonal processes in organization**
- **Run high performance HR department**
- **Create linkages between HR and organization**

Demonstrating the Strategic Worth of HR

Organizational Capacity - examples of HR actions

- Clarifying role and improving team effectiveness of the Exec. Cttee. (Financial co-op)
- Significant line management involvement in building HR strategy (Pharmaceutical)
- Building competencies & code of ethics for Senior Management (Heavy processing)
- Restructuring HR to meet internal customer needs (Division of multinational)

Demonstrating the Strategic Worth of HR

Org. Capacity - examples of HR actions (cont.)

- **Using technology & outsourcing to reduce administrative HR tasks (Pharmaceutical)**
- **Behavioural competencies based on values (Insurance)**
- **Externally sourced web-based 360 degree performance management (Educational institution)**
- **Using “the best” as competency coaches (Energy)**

So if that's what HR can do to create strategic worth, how does HR demonstrate that its actions make a difference ?

Measuring the Strategic Worth of HR

Our approach

- **Measure HR impact on organizational performance measures**
- **Measure results, not input or effort**
- **Use direct measures where possible, multiple indicators where not**
- **Take long term perspective; measure short- & medium-term results**
- **Determine if investment or cost strategy**
- **Use balanced measures; data on priority performance issues**

Measuring the Strategic Worth of HR

Supporting Organizational Relevance

- **Management satisfaction**
- **Employee satisfaction**
- **HR place on Management Committee**
- **HR involvement in strategic planning process**
- **Line management involvement in HR strategy**

Measuring the Strategic Worth of HR

Supporting Organizational Effectiveness

- **Employee knowledge of mission, values and strategy**
- **Investment in leadership/management development**
- **Alignment of performance management to strategy**
- **Effective performance and career management**
- **Alignment of incentives**
- **Success in the management of major changes**

Measuring the Strategic Worth of HR

Supporting Organizational Efficiency

- Trend in revenue/employee
- Growth in income/employee
- Sector Comparisons
- Cost of Compensation as percentage of Expenses
- Supervisory Ratio
- Cost of the HR function

Measuring the Strategic Worth of HR

Supporting Organizational Financial Viability

- Investment in HR issues
- Investment in HR Department
- Demand for HR services
- Sector comparisons
- Cost of HR as % age of total Expenses
- HR Headcount
- HR Turnover Rate

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Conclusions

- **Strategic worth is situational**
- **Be present at the strategic level**
- **Understand what performance is important to the organization**
- **Lead and follow**
 - **Lead in the HR expertise**
 - **Do the grunt work well on performance issues important to your clients**
- **Measure your impact**
- **Articulate your strategic worth!**

QUESTIONS AND COMMENTS