Chapter 1

The Big Picture

In This Chapter

▶ Determining HR's role in today's world

▶ Pinpointing key HR issues

*M*ost people in business agree that being sensitive to — and doing your best to meet — the "people needs" of your employees is in your best interest as an employer. But a good deal of debate has always existed over just how much responsibility a company needs to assume — and how much time (and money) a company must devote to the needs and priorities of employees as opposed to the needs and priorities of its business operations and customers.

That's where *you* come in.

As a human resources manager (or as a business owner or senior executive responsible for the HR function), your job is to focus on the practices and policies that directly affect the welfare and morale of your company's most important asset — its employees. It's up to you to help your firm strike the optimal balance between the strategic needs of your business and the basic people needs of your workforce. The way your business manages your employee base can make all the difference in your ability to differentiate yourself from the competition.

Striking this balance has never been easy. But most people in business would agree that not only is the task harder to achieve today than in the past, but it's also more important as well. In short, human resources has become a business unto itself. And the principal asset of this particular business is people.

Scoping Out the HR Role

Human resources management is the phrase that nearly everyone uses to describe a set of functions that once fell under the category of "personnel administration" or "personnel management." Regardless of the name, you

can sum up this particular aspect of business as the decisions, activities, and processes that must meet the basic needs and support the work performance of employees.

The most common areas that fall under HR management include the following:

- ✔ **Staffing:** Strategically determining, recruiting, and hiring the human resources you need for your business.
- ✔ **Basic workplace policies:** Orienting your staff on policies and procedures, such as schedules, safety, security, and so on.
- ✔ **Compensation and benefits:** Establishing effective — and attractive — wages and perks.
- ✔ **Retention:** Continually assessing the quality of your workplace and HR policies to ensure people want to stay with your company.
- ✔ **Training and developing employees**: Ensuring that your staff grows in knowledge and experience to help your company expand and continue to meet the changing needs of customers.
- ✔ **Regulatory issues:** Complying with the ever-increasing number of federal, state, and local regulations.

Human resources management is all about people: finding and recruiting them; hiring them; training and developing them; paying them; retaining them; creating an environment that's safe, healthy, and productive for them; communicating with them; and doing whatever is reasonably possible to find that delicate balance between what best serves the basic needs of employees and what best serves the market-driven needs of the company.

Throughout this book, I cover the organizational aspects of human resources management. However, I must stress that no cookie-cutter formulas for effective HR management are available. Every company — regardless of size, location, or purpose — must deal with human resources issues in a way that's best suited to its needs and situation.

If you run a small business, for example, you probably function as your own HR manager — that is, you personally oversee and conduct all the classic human resources functions of your company: You recruit and hire. You set up the compensation and benefits package. You write the paychecks and keep the appropriate records.

The chances are good, too, that you're the person responsible for training and developing the people you hire. And although you may not need to publish a company newsletter to keep the people who work for you informed about what's going on in the company, you probably make a point to keep them in the loop.

Bigger companies face the same basic challenges and carry out the same general activities. The only difference is that larger companies employ individual specialists — or sometimes entire departments — to handle these same functions.

True, after they reach a certain size, most companies feel virtually obligated to create a human resources department — even if it consists of only one person. Because of the increasing complexity of HR issues today, larger companies have boosted the size of their departments and typically employ specialists in areas such as benefits administration or 401(k) retirement plans. But smaller firms that don't have the resources for such specialization must ensure that the people who handle their HR functions are solid *generalists* — that is, they possess skills in several areas of HR rather than in one particular specialty. If your business is on the smaller side and you want to meet the needs of your employees today, you'll need to know a lot about a lot of things— and the more you know, the better.

The human resources function in general has undergone enormous changes in the past 20 years. Some companies still take a highly structured, largely centralized approach to human resources management. The majority of companies today, however, take a far more decentralized approach, with HR practitioners and line managers working cooperatively to set basic policies and carry out programs.

The following sections offer a brief summary of key themes, trends, and issues that are currently affecting the human resources function the most and that are likely to continue influencing the field in the near future.

Strategist versus administrator

The key theme of this book is the increasing recognition in corporate America that the most important asset a company has is not its products, factories, or systems, but its people. Companies no longer take the "human" side of business for granted. And that's why the human resources function itself has begun to assume so much more importance.

For several decades now, people responsible for the human resources function have ceased to be viewed merely as "personnel administrators" or strictly "support." The shift in terms from "personnel" to "human resources" reflects this thinking. But today's HR professionals are assuming an increasingly broad role in their companies, becoming strategic advisors to the senior management team. Top company managers now look to HR for help in formulating long-term staffing strategies, as well as introducing and following through on practices that help ensure that employees get the support and training they need to meet the increasing demands of their jobs. In short, senior management is looking to HR for insights on how to tap into the potential of every individual within the organization.

This expectation creates many new opportunities for you. One key skill you need to develop is the ability to think strategically. No doubt you've heard the term strategic thinkers. But what does it really mean?

Certainly, strategic thinkers spend plenty of time setting objectives and getting work done, but they also do much more. At heart, strategic business thinkers try to look ahead, attempting to anticipate which issues and information will be most relevant. They don't look at their work merely as a series of tasks or simply react to events; they also examine trends, issues, opportunities, and long-term needs — and shape what they discover into policies and recommendations. To borrow from the restaurant industry, strategic thinkers do more than cook; they help shape the menu.

How does the concept of strategic thinkers apply to the HR world? In effect, strategic HR professionals act as consultants to the rest of the business. They help set a path — that is, a vision of how to ensure HR effectively delivers on its mission. It's not easy to deliberate when you're in a hurry to move forward, but they know it's wise to look before they leap, and this philosophy helps them offer valued counsel. Before merely saying "yes" to a proposed direction, they carefully examine and explain the long-term cost-benefit ratio. They expand the range of people they talk and listen to, drawing insights not just from departmental colleagues but from finance, marketing, legal counsel, manufacturing, sales, and other areas who can help them better understand what makes their company tick. And they do so with people at all levels, ranging from experienced senior managers to entry-level employees.

Taking this approach is not easy. Still, you've got a great opportunity — the chance to be regarded not just as an HR person, but as a vital source of counsel and a central part of your firm's management team. Even taking just 15 minutes a day of solitary "think time" and research time can make a big difference in effectively shaping your work.

Adapting to the changing workplace

Most everyone is aware that companies today are smaller, leaner, and not as hierarchically structured as they were 20 years ago. But the most significant change in the organizational makeup of most companies has less to do with the infrastructure and more to do with the fundamental *nature* of jobs — and the working arrangements of the people who hold those jobs.

What's happening, in short, is that you can no longer think of today's workplace as the specific building or piece of real estate where employees perform their jobs. Today is the age of the telecommuter and the virtual office. Thanks to wireless connections, the Internet, video conferencing, mobile phones, and other technology tools, many businesses can run efficiently even though the

key players never meet face-to-face more than once or twice a month. Eighty-seven percent of executives surveyed in a 2005 OfficeTeam study said that they believe telecommuting will increase in the next 10 to 15 years. According to a special report by *The Futurist,* by 2015, more than 100 million people will be telecommuters. But telecommuting is only one aspect of this new workplace.

Today is also the age of flexibility, with many companies providing some or all of their employees with an opportunity to modify the normal nine-to-five schedule in ways that suit their particular family situations or lifestyles. Work hours vary greatly, as does the philosophical approach people take to their work. No longer does an employee simply walk away from the office and stop thinking about his job. The OfficeTeam study revealed, for example, that 86 percent of executives believe workers in the future will be more connected to the office while on vacation. And only 9 percent think employees will be working fewer hours in the future.

Perhaps most important is the rise of the *contingent employee:* The man or woman who, instead of having one full-time job with a single employer, may work part-time or on a contract or project basis for a variety of companies in a given year.

The percentage of professionals in today's workplace who are working on a temporary or project basis is rising rapidly — and for a variety of reasons. The ability to call on contingent workers on an as-needed basis enables many companies to avoid the disruptive cycle of hiring and layoffs. Companies can hire and develop a core team of full-time employees and then, as additional needs arise, bring in supplemental people on a temporary basis.

Then, too, more and more professionals these days voluntarily choose to make their "full-time" job a series of temporary assignments. They like the flexibility, variety, and learning opportunities this option affords them.

To take full advantage of contingent employees, you need a strategy in place to help ensure that these workers bring the necessary skills to the table and are smoothly integrated into the existing work environment. For a detailed discussion of contingent workers, see Chapter 13.

Easing the work/life conflict

Is your company employee-friendly? It had better be if you want to attract and keep top performers in today's job market. Being *employee-friendly* means that your scheduling and general operating policies take into reasonable account the personal needs of employees — in particular, their desire to balance job responsibilities with family responsibilities. Most survey data today indicates that being able to maintain more control over schedules has

become a priority for most workers, parents especially. And it has become increasingly apparent throughout the past decade or so that family-oriented policies do more than simply enhance a company's recruiting initiatives. They also produce a number of bottom-line benefits, such as reduced absenteeism, fewer disability claims, and fewer workplace accidents. Chief among the practices and policies that are typically found in companies actively pursuing work/family initiatives are flexible scheduling, telecommuting arrangements, employee assistance programs (EAPs), and benefits programs that enable employees to select the benefits (child care support, for example) relevant to their needs (see Chapters 11 and 12).

Avoiding the baby boom bust

Probably no generation has more greatly influenced the history of American business than the baby boomers, the 76 million men and women born between 1946 and 1964. Increasing numbers of them are nearing retirement age, creating a potential drain of knowledge within your corporation and the need to ensure proper training for the next generation of leaders. A great many of these boomers occupy the *sandwich generation,* meaning that their financial, emotional, and mental resources are spread thin as they attempt to simultaneously care for their children and parents. And others who've been focused on their careers for many years are beginning to ponder different directions. All these factors have profound implications for the kind of HR programs you build — from management skills training to flexible work arrangements to broader, strategic initiatives that help shape your firm's overall culture.

Workforce diversity: Making it work

The baby boomer's influence is just one element of the changing demographics of the workforce, a key issue affecting the work of HR professionals today. As nearly everyone knows, the American workplace is a far cry from what it looked like 50 years ago, when more than half the American workforce consisted of white males who were the sole breadwinners in the household. Consider just this fact alone: The Bureau of Labor Statistics predicts that by 2008, women and minorities will make up 70 percent of all new entrants to the workforce.

In addition, trends such as delayed retirement, second careers, and increased longevity mean that the age spread of workers is greater today than ever before. These professionals range from the *Silent Generation* — comprised of people born before World War II — and baby boomers to *Gen-Xers* (born between 1965 and 1980) and now *Generation Y* (sometimes called Millennials or Netsters), whose members were born in the early 1980s.

Diversity means a wider range of people are bringing a greater variety of approaches to work, ideas, and lifestyle issues to the workplace. If, as they say, variety is the spice of life, then the workplace is getting more vibrant by the minute. Your HR policies must address these differences in order to attract, retain, and maximize the contributions of all members of the changing workforce.

One example is how diversity is changing the way human resources professionals are structuring and administering their benefits packages. A "one-size-fits-all" benefits plan doesn't exist. The trend today is toward cafeteria-style offerings, which give employees the opportunity to choose among a variety of benefits that best match their particular life and workstyle arrangements.

By mid-2005, working mothers accounted for almost one-fifth of all employed individuals, and nearly three-fourths of employed mothers were usually working full time — a statistic that helps explain why child-care assistance is now a highly requested benefit. And because people are living longer today, an increasing number of employees are taking on the responsibility of caring for their aging parents or other relatives — a trend that's introduced a new term to the employee benefits vocabulary: *eldercare*.

In addition, the intergenerational workforce requires a new way of thinking about staff management. Each generation has unique priorities, perspectives, skill sets, and work styles. Each tends to respond to different motivations, seeks different types of support from managers, and reacts in different ways to company programs and policies.

The challenge to companies in general is not simply to adapt to diversity but to capitalize on it and embrace the ways it can enhance creativity and productivity. Many companies today are discovering that when you're competing in the global marketplace, with customers from all over the world, workforce diversity — especially at the managerial level — can be a significant competitive advantage. (See Chapter 3 for more on building diverse teams.)

Rising healthcare costs

The proper management of employee healthcare costs is an increasingly challenging business issue. According to a recent benefits study conducted by Hay Group, company medical costs rose ten percent in 2005, marking the sixth year of double-digit rate increases. This increase is significantly higher than the rate of inflation. The *average* contribution for family coverage in 2005 was $2,600. For a number of reasons — from aging employees to administrative issues within healthcare providers to the cost of procedures and prescription drugs — prices will likely continue to rise, significantly impacting your firm's payroll and bottom line.

But healthcare isn't merely a line item to be managed. The overall health and well-being of *everyone* in your company is arguably the HR department's most important responsibility. As you work with benefits experts, insurance advisors, legal counsel, and others to create viable healthcare programs, a number of issues must be addressed. They relate not only to how your healthcare plans are set up financially, but also to the factors within your firm's culture that promote — or don't promote — a healthy workforce. In large part, addressing healthcare from this big picture vantage point is central to the notion of the HR professional as a strategist. I give a detailed look at the nuances of healthcare in Chapter 11.

Keeping pace with technology

As it has in many fields, technology has been a revolutionary development for people in HR management. E-mail has replaced the cork bulletin board as the primary communication between management and employees — and gone on to serve far more functions. Computers have streamlined the administrative aspects of every HR function. And, of course, the Internet, company intranets and other online resources now play a significant role in employee training.

But you still face a challenging side to this otherwise rosy picture. As I explain later in this chapter in "Staying Ahead of the Curve with HR Software," the software that enables companies to process large amounts of information is complex (and often expensive). Furthermore, it has introduced training and security issues that HR professionals didn't need to concern themselves with in the days of the typewriter.

Then, too, as work processes have become more technically sophisticated, the need for skilled employees is intensifying. *Knowledge workers* is a term used to describe employees who possess the skills and knowledge needed to perform the jobs and functions most affected by technological advances, tasks that in turn require significant levels of education. These positions include analysts, database administrators, programmers, systems analysts, technical writers, academic professionals, librarians, researchers, lawyers, and teachers, as well as scientists and students of all kinds. According to the U.S. Bureau of Labor Statistics' 2006–2007 Occupational Handbook projections, more than 75 percent of the 25 fastest-growing occupations require a college degree. Companies are looking more and more to their HR departments to simultaneously enhance the skills of existing employees and identify job candidates who possess the necessary level of expertise.

Rules and regulations: Ethics first

In the 21st century, a workplace that's free of hazards, sexual harassment, and discrimination is no longer considered a "benefit." It's something that employees have every right to expect. In recent years, federal, state, and local government agencies are using their powers of enforcement to ensure that workers are protected.

If you don't already have an HR background, one of your biggest challenges is to familiarize yourself with the many government-mandated regulations and programs with which your company must comply. At first glance, the task is staggering. More than 35,000 programs exist, which in many cases are sub-sets of laws. Don't worry; you don't need to know the details of every one of them. But you do need to pay attention to the areas in your company that are covered by these regulations, as well as the laws you must keep track of in order to stay in compliance.

Government-mandated regulations touch almost every aspect of the human resource function, including safety and health, equal-employment opportunity, sexual harassment policies, pension reform, and environmental issues. Among recent legislation, the Sarbanes-Oxley Act of 2002 has had a wide-spread effect on workplace cultures. The primary objective of the act was to create stronger forms of financial accountability and internal controls in organizations. But the overall spirit of Sarbanes-Oxley is one of ethics and responsibility. To that end, it mandates that every publicly traded company create and articulate a strong code of conduct. Many private companies, attuned as well to the spirit of the legislation, are voluntarily complying with some of the regulations, including placing a stronger emphasis on the ethical behavior of their employees. No single department is better equipped than HR to deliver on this vision through company-wide communications, training programs and careful, ongoing monitoring efforts.

I can't stress enough the importance of ethics to an organization. We live in a dynamic business world that presents a great many challenges and opportunities. With all this flux and potential for reward, it's tempting for even an entire corporation merely to pay lip service to integrity. In the HR role for your company, you have the chance to be front and center in creating a corporate culture of accountability and personal integrity with a strong spirit of ethical behavior at its heart. Helping your organization understand the importance of putting ethics first is a way in which you can begin to make HR more than a function as you take on the role of strategic counselor.

Making HR a Strategic Partner

Nearly everything in the chapters that lie ahead focuses on specific aspects of the human resources function and what you need to do to manage these aspects effectively. The following list offers some general guidelines on how to be more successful overall in your HR efforts:

✔ **Become business savvy.** Make it your personal goal to find out everything you possibly can about your company's business, particularly in terms of revenues and profits. Keep in mind that the more broad-minded you can be in how you approach everything you do in your job, the more credibility you will have as a strategic business professional — and the easier it will be to get senior managers and line managers to endorse the development initiatives you recommend.

✔ **Don't ignore the basics.** Regardless of how committed you are to bringing new ideas to the organization you work for, don't overlook the traditional needs (such as policies regarding benefits, computers and the Internet, dress code, and privacy) that are all but universal among employees. At the very least, make sure that every employee in the company is familiar with your company's basic practices. If there's an employee manual, make sure that it's up to date. If the company doesn't have an employee manual, make it a priority to create one.

✔ **Make quality hiring a priority.** Make a personal commitment — and try to secure a similar commitment from other managers in every department — that your company will devote the time and energy needed to ensure that each new employee you recruit and hire is the right person for that particular job.

✔ **Keep your ear to the ground.** One of the most valuable contributions you can make to the senior managers of your company is to keep them apprised of all workplace issues and concerns that may affect your company's ability to meet the needs of customers. Taking on this role doesn't mean that you're constantly looking over the shoulders of the line managers in your company. It does mean, however, that you always have your hand on the staffing pulse of your company. You're aware, for example, when morale is starting to slip, or when the workload is starting to burn out people. You smell the smoke before a big fire occurs.

✔ **Stay current.** Make it your business to be aware of new developments in human resources administration, including technological advances and key trends in pay practices and benefits programs. When you come across new and promising ideas, make sure that you let senior management know. Be particularly diligent about keeping pace with what is going on in the legal and regulatory side of HR, making sure that you're aware of any laws or regulatory changes that apply to your company.

Staying Ahead with HR Software

Computer software has been very good to HR professionals over the last few decades. Many labor-intensive functions — time reporting, payroll calculation, tax computation, and tax reporting — are now processed quite rapidly.

The scope, flexibility, and versatility of HR-related software — formally known as Human Resource Information Systems (HRIS) — continues to accelerate at a dizzying pace. The new generation of training and development software, for example, not only tracks such aspects of training as scheduling, enrollments, vendor data, and costs, but it also integrates that data with information relating to career development and assessment.

To be sure, nobody who remembers the way it used to be in the typical human resources department is brooding over the fact that so many of the purely administrative tasks of HR management are now automated. There's no question, either, that the evolution of HRIS has not only enhanced the efficiency of HR operations in general, but it has also enabled HR departments to lower their administrative costs and make better and more timely use of data in strategic planning.

Unfortunately, however, an inherent challenge exists in this otherwise upbeat picture. The problem is that, with so many products and applications evolving at such a rapid pace (the number of HR-related software products on the market, according to WorldatWork, now exceeds 3,000 and shows no signs of ebbing), it has become increasingly difficult for HR professionals to make basic buying decisions. This challenge is no small matter. Depending on the size of your company, the level of customization you require, and the number of functions you're interested in automating or integrating, the cost can run anywhere from just under $500 to more than $1 million. And that sum doesn't include what you may have to spend on additional computer hardware, the time it takes your employees to learn the new system, or the potential operational problems during the transition period.

In other words, the challenge you face when you're in the market for an HR software application is not simply a matter of deciding which product has the niftiest features or which vendor is the most supportive. It's much more a matter of figuring out an overall strategy to ensure that the transition from the old way to the new way goes as smoothly as possible.

It's a given that all software decisions should be driven by the strategic and operational needs of the business — as opposed to the capabilities of the software. This axiom takes on special significance when you're considering buying software that will combine and integrate functions that currently operate as separate tasks. Regardless of how elegantly the software is designed, how easy

it is to use, and how fast it runs, the system must ultimately produce a business payoff — whether it's through increased productivity, cost savings, quicker response time, or improved employee morale.

This advice may seem obvious, but it's worth mentioning nonetheless. You may get so swept up in the remarkable capabilities of today's HRIS products that you lose sight of what the technology is meant to do: help your company operate more efficiently and profitably. So before you move ahead on any software initiative, be prepared to go through a rigorous and disciplined needs assessment, followed by a cost/benefit analysis. In other words, rather than think about this purchase as an administrative matter of implementation, step back and assess it strategically. A new HR application may not represent the only means of achieving a given business objective. You may be able to achieve the same result more cost-effectively through some other means, such as outsourcing or using contingent workers. The key point: Don't jump the gun on any major software decision. Think it through.

Ask the following key questions when you're going through this process:

- ✔ What business benefits does your company stand to gain once the software is in place?
- ✔ How much is the software going to cost?
- ✔ How long will it take before the investment is recouped?
- ✔ What can you expect in terms of downtime or reduced productivity while employees are learning the new system?
- ✔ Is the new system compatible with the company's existing hardware and software, or will it need a complete upgrade?

Become an educated buyer

You don't need to be a computer programmer to make intelligent HRIS buying decisions. But if your company is seriously exploring a major software purchase, you should have at least a general idea of what various products are meant to do and what features distinguish one system and one vendor from another.

The Internet offers a wealth of information on technology products. Two useful Web sites to explore are the Society for Human Resource Management (`www.shrm.org`) and hrVillage (`www.hrVillage.com`). Each of these sites contains useful information about HRIS, including data from vendors and tutorial advice on how to best implement HRIS. Also included may be *white papers,* which, in the business world, are reports on major issues affecting a particular industry that companies produce to educate customers or other stakeholders.

No secret formulas ensure that your HRIS buying decisions will give you the results you seek. But the following suggestions stack the odds in your favor.

✔ **Instead of taking on sole responsibility for making the final decision (or assigning it to your information technology department), put together a cross-functional team —** a half-dozen or so employees who represent different constituencies in the company (IT staff, department managers, end users, and so on) and who have the time and the desire to take part in the process. This type of group can be more helpful in investigating and reviewing issues of compatibility and implementation more than researching vendors.

✔ **Find out everything you can about vendors you're thinking of using:** how long they've been in business, how established they are (you don't want to buy an HRIS product from a company that may not be around in six months), how committed they are to research and development, and how diligent they are when it comes to support.

✔ **Insist that any vendor who wants your business demonstrate how the software you're considering performs those specific functions that you believe are most important to your business.** The vendor should be able to demonstrate through case studies or pilot programs that their solution addresses your specific business needs.

✔ **Ask specific questions about how the product was developed.** Find out, in particular, whether the development team included people who were familiar with those business functions that are your chief priority.

✔ **If the IT investment is significant, get the names and telephone numbers of at least five current users of any product you're considering to get a real-world perspective.** When you talk to those users, ask for additional names that weren't given to you by the vendor.

✔ **Include as part of your overall strategy some mechanism that gets users excited about the system you're considering implementing.** Identify early on those people who may be resistant. Start training before the system is implemented.

HR software: A features checklist

When (and if) the time comes to compare two or more integrated software products on a feature-by-feature basis, you should focus on two considerations: the specific feature being compared and how important that feature is to your needs. The following list provides a general idea of features that normally differentiate one product from another. It's up to you to determine how important each feature is to your business.

✔ Response time (How long does it take users to access information, especially during peak periods?)

✔ Scope of search capabilities

✔ Report and audit capabilities

✔ Internet and intranet compatibility

✔ Scanning and OCR capabilities

✔ Security and self-service capabilities (Can employees update it without compromising security?)

✔ Flexibility (Can it run in a variety of environments — local area network and stand-alone?)

✔ Ease of use

You can find a lot of information about HR software through directories, Web sites, and publications:

✔ **Advanced Personnel Systems (`www.hrcensus.com`):** An online directory of vendor-provided information specializing in providing objective information on most types of HR systems, this Web site typically monitors 2,500 products from 1,500 vendors.

✔ **The International Association for Human Resource Information Management (IHRIM) e-Journal (`www.ihrim.org/resources`):** Published six times a year and available in a PDF format, this publication includes reviews of timely articles and books aimed at senior executives in HR and IT. Though primarily aimed at extremely large organizations ($1 billion or more in annual revenues), smaller companies can often apply many useful principles by studying the approaches taken by larger companies.

✔ **Society for Human Resource Management (`www.shrm.org`), WorldatWork (`worldatwork.org`) and hrVillage (`hrVillage.com`):** These three Web sites contain a lot of useful information, such as case studies, tutorials, white papers and information on vendors.

✔ **Workforce Online (`www.workforceonline.com`):** Although much of the HRIS information on this Web site is vendor-provided, it is comprehensive and organized attractively into categories that list database compatibility, current clients, and price range. Each listing includes a link to the vendor's Web site.