

Finding a Seat at the Table



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What is Strategy?

According to Webster:

- A careful plan or method for achieving a particular goal usually over a long period of time
- Skill of making or carrying out plans to achieve a goal
- Other synonymous terms
 - Blueprint
 - Game plan
 - Road map

Objective: Find your seat at the table.





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Knowledge Economy

economic system where growth is directly related to the amount, quality, and accessibility of the information

Knowledge Based Economy

- Low skill jobs are often offshored or automated
- Remaining jobs require advanced skills:
 - Critical thinking
 - Complex problem solving
 - Communication skills
 - Computers/Programming/Mathematics

Knowledge Based Economy

- For most organizations the key to success lies with the quality of their people relative to the competition.
- The only sustainable competitive advantage is the quality of your people.
- Bill Gates said that Microsoft's only monopoly was in attracting and retaining quality people.

Macro View: Challenges - Opportunities

- CEOs generally believe HR performs well within HR parameters.
- CEOs generally perceive HR as a trusted sounding board.
- But, CEOs have doubts about HR's full understanding of the wider organization, and this prevents the transition from Administrator to Strategic Partner.

Source: Economist Intelligence Unit

What do CEOs worry about?

Insufficient talent	56%
Insufficient leadership talent	43%
Lack of alignment with objectives	41%
Low employee satisfaction	38%
Poor sourcing decisions	29%
HR costs – comp and benefits	29%
Low level of diversity	9%

Source: Economist Intelligence Unit

What do CEOs have and want from HR?

	Have	Want
HR as Strategic Player	55%	70%
HR Not Involved	21%	16%

Source: Economist Intelligence Unit

CEOs think HR does well at:

Leading the HR function	67%
Evaluating performance	67%
Understanding HR	65%
Recruiting top talent	58%
Managing costs	57%
Creating a culture of excellence	53%
Developing top talent	50%
Succession planning	42%
Global sourcing decisions	34%

Source: Economist Intelligence Unit

CEOs think HR could improve in 2 key areas:

- Too focused on process and rules
- Don't understand the business well enough

Source: Economist Intelligence Unit

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Moving forward:

Develop a personal relationship with the CEO/equivalent in your organization.

- Leverage the CEO's inherent trust in HR to become a sounding board with the ability to tell the CEO things that other can't or won't say.
- Become an informal executive coach for the CEO.

Moving forward:

Work to make the executive team a more effective unit with the proper chemistry.

- This will enable HR to focus on executive performance and succession planning – two vitally important concerns for CEOs.
- Leverage this experience to gain a deeper understanding of the organization's key success factors and drivers of excellence.

Moving forward:

Exhibit an understanding of the organization's key success factors and the metrics that really matter to the CEO.

- Support and suggest ways to improve these key success factors so the organization can grow and improve.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Major Themes:

- Strong knowledge-based economy impact
- Key HR functions affected include recruiting, training, compensation management, and employee retention.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. Sales produces an average of \$500,000 dollars of software revenue monthly. Implementation capability is approximately \$300,000. The company recognizes revenue and pays commissions on implementation – not sales.
2. The backlog of software pending implementation exceeds 9 months worth of work at current levels of productivity. The implementation team has the lowest quality scores in the company.
3. Many newly signed clients are threatening cancellation. Sales is upset, implementation people are stressed out, and the business unit's financial performance is below plan.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. HR typically recruits fresh college grads with a relevant degree but limited or no work experience.
1. With the current training program, the average new hire achieves 50% of full productivity after 12 months, and reaches 100% productivity at 24 months.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. Management believes that implementation productivity is a function of:
 - Individual performance and initiative
 - Formal education and effective company training
 - Plus relevant work experience
2. Management recommends that the hiring model be modified to source and recruit candidates with prior experience working in the vertical market served by the software provider. To successfully hire these candidate, the employer must increase new hire compensation by 20% over the current practice.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. The business unit has successfully hired some candidates with relevant job experience and these individuals became productive at a much faster rate.
2. Management believes that candidates with relevant work experience will achieve full productivity in 12 months instead of 24, therefore justifying the increased compensation costs.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. HR denies the request to modify the recruiting model because it would create a wage compression issue. Instead they recommend hiring more people faster and spending more money on company training.
2. Management proceeds with the new recruiting plan without HR support, utilizing industry contacts to source the desired candidates. New hires were paid 20% more than the target new hire rate and a wage compression did occur.
3. The wage compression did not cause employee turnover as expected.

Case Study:

Underperforming business unit needs to improve productivity and improve quality.

Key Facts:

1. New hires with relevant job experience achieved full productivity in 6 months instead of the estimated 12 months. Traditional hires achieve full productivity in 24 months.
2. The increased productivity resulted in an additional \$50,000 in annual revenue per person compared to the traditional new hire. The increased annual compensation costs were \$8,000 per person.
3. Even after this information was presented, local and division HR attempted to end this recruiting practice because of the wage compression issue.

What do you think happened next?

The Outcome:

1. The underperforming business unit improved from worst in productivity and quality to best in the nation in both categories in 2 years.
2. The new hiring practice was adopted across the entire division against the objections of HR. Some HR reputations and careers were damaged in the process.

Final Slide

Questions to Consider:

1. Was HR too focused on rules compliance and process in this case?
2. Do you think HR had a thorough understanding of the metrics driving this business unit's performance?
3. Why didn't the wage compression result in increased employee turnover?
4. What if employee turnover had increased – would that have been so bad in this case?