

Ken Moore Associates Presents

Commentary

Enhancing Core Competencies For Human Resources Professionals

Over the past three decades, world wide economies have moved swiftly and forcefully from the industrial age to the knowledge/information age economic models. This rise in knowledge based work is causing employers to put much more emphasis on human capital. With human capital now generating competitive advantage, necessary changes in basic business competencies are needed to work successfully.

In today's business models, neither the employer nor the employee has a firm commitment to each other, thereby leading to the greater movement of jobs and people. Add to the mix the changing demographics of our workforce, globalism, technology and complex regulatory climates, it is no wonder that employees are seeking better opportunities elsewhere, and companies are re-designing work to receive competent and lower cost services wherever they can.

As a result, employees in every function, especially HR, are now expected to focus more on the bottom line metrics of the company and move significantly beyond the boundaries of their individual discipline. They are expected to develop new and broader business skills that reflect the changing business environment and be able to capitalize quickly on new market opportunities and challenges. In short, they are expected to become business partners to CEOs and CFOs and be able to speak the language of business fluently. As trusted advisors, they are expected to think first as business people, and secondly as discipline specialists.

Local and national HR associations are doing a very competent job in preparing their members for in-depth skills development in the HR discipline. Excellent HR certification programs are available through local and national chapters as well as selected colleges and on-line programs.

What is lacking in these programs is a clear linkage between various HR function such as compensation, benefits and staffing to the business performance pressure points of the company. In order to make this linkage, one must understand how businesses operate and what challenges it faces.

Literature reviews and discussions with CEOs, CFOs and HR executives suggest several basic business skills are critical to senior officers.

1. Financial Intelligence

There is no question that finance is the language of business. Executives who are not fluent in this language are at a distinct disadvantage when presenting their discipline's arguments. Understanding the trends indicated in the financial

statements will tell you when and how to advance your arguments. For manufacturing and merchandizing companies, watching the direction of the gross profit margin in relation to total revenue will tell you if it is a good time to ask the CEO and CFO for additional contribution to the 401(k) plan. For banks, efficiency ratios will provide guidance to modify staffing levels and labor projections.

Understanding basic finance is not that difficult. When you manage your household budget, you are simply applying principles of debt, cash and asset management and making appropriate decisions from these applications. With proper records keeping at the end of the month, you can easily calculate profit, equity and shareholder (family) value.

2. Intense knowledge of our company's business

Do you have a clear line of sight between the work that you do in HR and the customers who buy your products and services? All too frequently, we lose sight of the concept that we are in business to attract, retain and satisfy our customer's needs as well as playing by the rules. Every employee should know as a minimum the following information about their business:

- a. Why are we in this business;
- b. Who are our customers;
- c. Why do they buy from us;
- d. What pressures are our customers facing and how can we help solve them;
- e. What pressures are affecting our environment, e.g. globalism, technology, shifting demographics, energy costs, etc.;
- f. What is our financial condition

Of course you can create your own list of required subjects to master. The key is to insure that all employees are fully engaged in the business and in creating competitive advantage.

3. Competitive advantage

Competitive advantage encourages customers to buy from us rather than our competitors. But what provides our competitive advantage? Here are some possible topics to explore with HR-related components:

- a. Product pricing strategies (do our health care costs negatively impact pricing strategies?)
- b. Sales and marketing skills (does our employee turnover ratio harm the relationships that we have forged with our customers?)
- c. Product mix (does our organizational culture permit growth, learning and innovation?)
- d. Customer service orientation (do we have the proper staffing and decision making levels and appropriate technology to address our customer's concerns?)
- e. New and innovative products/services development (have we produced a culture in which innovation, creativity and best business practices identification are rewarded?)

No matter what subjects you choose to emphasize, it is necessary to focus both on the regulatory requirements of the industry or government agency overseeing your business and the knowledge, skills and abilities needed to advance the objectives of your organization, sustain its operations, and grow the business. Organizations need people in every discipline who understand the basic concepts of business and can directly link their work to those tenets. Without broad business knowledge, the best benefits delivery program in the world becomes meaningless if your company is sliding into bankruptcy.

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