

Ken Moore Associates Presents

Commentary

Human Resources and the New World Business Order

What in the world is going on here? In July, 2008, gas prices were hitting \$150 per barrel with economists confidently predicting \$200+ barrels before New Year's Eve. Now in December, 2008, it's hovering around \$40/barrel. The US stock market has lost almost half its value during the past 12 months with its 52-week spread falling between a high of 13,780 to a recent low of 7,449. General Motors, Ford and Chrysler go to Washington and beg for money to stay afloat while closing plants and laying off thousands of people and continuing to operate with an apparently flawed and restrictive business plan.

Meanwhile, financial companies like Fannie Mae & Freddie Mac, ostensibly backed by the US government, imploded and blue chip stocks such as American Express and General Electric each dropped in value by more than 50%. Citibank, once thought of as too big to fail, is failing. US labor laws, created during the 1930's and only slightly modified since, seem anachronistic in today's globally wired, 24/7 world of intense, nay ruthless, competition.

What is the Human Resources community to do? A lot, actually.

Despite all of the gloomy forecasts by the media, there is optimism that the US economy and its people will battle this storm and emerge from it much stronger, wiser and smarter. We always have. But not without a lot of blood, toil, sweat and tears – and a complete re-evaluation of how we conduct business in today's world.

David Ulrich, PhD, a professor at the University of Michigan, is a leading proponent of progressive human capital management. He states that: "The new Human Resources is not defined by what it does, but by what it delivers – results that enrich the organization's value to customers, investors and employees." Dr. Ulrich's thesis is that Human Resources work does not begin with HR. It begins with knowing the business.

Herein lies the crux of the problem and the seeds of its solutions.

The Problem

For years we have developed our professional skills into disciplines that fit nicely into a variety of silos: marketing, finance, HR, operations, purchasing, etc. Our organizations and universities have developed world-class experts in each of those disciplines. As long as the company was healthy, those disciplines could exist side by side and everyone went about his or her happy business.

But then the world economic order changed and a lot of specialists lost their jobs to competing entities and technological advancements. Transactional work was digitized and outsourced. Sales people were replaced by online marketing and re-supply software. Payroll and benefits administration were outsourced to other companies across the street, across the country and across the oceans. R&D centers were established in India, China and other nations in order to tap into those burgeoning economies and talent.

As a result of this downsizing of individual and local silos of expertise, the remaining employees had to do more work in areas unrelated to their professional discipline. Suddenly, the HR managers and other department executives found themselves in a decision making position in which they did not have the standard training, background, or experience.

As competition for qualified employees increased, organizations and government employers began clamoring for people who could think across functional lines and who possessed a sharp knowledge of multiple disciplines. They began to ask for graduates and experienced people who possessed world class business skills first and who also possessed an expertise in one or more of the subordinate functions. In one example, corporate recruiters at a major New York research university routinely ask the candidates to describe how they would help the company and its clients solve complex problems in multi-disciplinary teams and in multi-cultural settings.

CEO's began asking their subordinate leaders to revise their work strategies so that their work more directly contributed to the performance metrics of the organization. In the HR field, in addition to their traditional employee focus, executives began to consider the needs of the investors in the company and the customers who bought their products or services and kept the company in business. This is a huge departure from the norm. Investor relations used to be confined to the Finance and executive departments. Customer relations issues used to be confined to the customer service departments. Not any more.

The Solution

As a result, training programs began to proliferate as non-financial people began see the need to understand how corporate finance works and to relate their work directly to the ability of their employer to stay in and grow the business. Concurrently, employees in other functional disciplines such as marketing and procurement began to develop expertise in additional business skills that improved the value of their own work. In a local bank in New York, for example, branch managers are not selected for branch banking duties until they have completed a series of assignments in several departments such as trust, human resources, loan operations and finance.

Organizations began to realize the need for professional development beyond the normal scope of responsibilities. Business literacy has become a focus of strategic

thinking. Breaking out of individual silos of expertise and cross-training in other functional areas is a key step to improved performance, opportunity and job security.

Here are just a few tactics that has presented to our clients so that they may survive and prosper in the new world order:

- 1. Make business literacy of all your employees a priority. Teach your employees about your business:**
 - a. How does your company make money;**
 - b. Who are your customers and why do they buy from you;**
 - c. Why do they buy from your competitors;**
 - d. What pressures are your customers facing and how can you help them address their needs;**

- 2. Teach your employees to develop their competitive intelligence analysis skills:**
 - a. Define and understand your firm's industry;**
 - b. Identify the critical elements affecting your industry. In the automobile industry, for example, critical elements may include gas prices, environmental requirements, design features, alternate forms of transportation available, and credit accessibility);**
 - c. Recognize and acknowledge the strengths and weaknesses of your competitors and how they are responding to the critical elements that they have defined;**

- 3. Require every functional leader to conduct a S.W.O.T. analysis of their department:**
 - a. What are the Strengths of my department vs. the Strengths of my competitors in the same field;**
 - b. What are the Weaknesses of my department vs. my competitors;**
 - c. What are the Opportunities that we can exploit to improve our competitive advantage and positively impact our financial condition;**
 - d. What are the Threats affecting not only my company, but the industry as a whole, e.g. energy costs, political / legal requirements, credit, job security, etc.**

- 4. Examine your business world from alternate perspectives. Identify the commonality of the problems and seek out the best solutions from multiple sources. For example, Kodak Corporation, a manufacturer of cameras and photo equipment examined the distribution processes of L.L. Bean, a mail-order catalogue company, to solve a distribution problem. Sears once examined NASCAR processes to help them reduce time on automobile services. Just because you work for an airline doesn't mean that you are restricted to the airline industry for possible solutions. When you describe your situation, you will be amazed at how many people have similar problems in totally non-related businesses.**

Share best practices with everyone. Lunchtime programs can be good opportunities to share information and present new concepts for discussion. Make a game of it. Teach your people the fundamentals of your business and then ask them for their recommendations on how to improve the condition of the company. The more you endow your employees with upgraded skills and abilities, the more passionate they will become about their work and creating opportunities for advancement and enhanced job security.

Word Count: 1,293