

Who Are the Customers of Human Resources?

This is an article in a continuing series of discussions about trends in the changing global economy and the role that Human Resources plays in it.

If you answered the employees, the line managers and the organization's leaders you are partially correct. However, in today's brutal and intensely competitive economy, Human Resources is facing the necessary challenge of increasing its customer focus to address external as well as internal customers.

Historically, Human Resources has focused its efforts on its internal customers - the employees, line managers and staff who populate an organization. Now, in its requirement to support the company's value chain, Human Resources is expected to address the needs of the company's external stakeholders as well. There are many stakeholders with a vested interest in the success of a company, but predominantly, they are the customers who buy our products & services, the investors who buy our stock and embrace our vision, and the communities in which we work, live and play.

Human Resources supports the internal value chain of the organization in which it works by supporting the needs of the operations, finance, marketing and other departments. However, to support the external value chain, it must look at the end users of the company's products or services and develop strategies to deliver support that satisfied the customer's needs and expectations.

Consider, for example, that General Electric Company does not design generators solely for the power companies. It designs generators that will consistently and reliably deliver electricity to the power company's customers such as factories, schools, hospitals and homes. At General Electric, HR's support strategy aligns its work within the company so that the external customers remain loyal to GE and that its competitive advantage is enhanced.

Within the labor relations element of the HR function, strikes, work slowdowns, and contentious employee relations raise warning flags that something is not right within the company and that its credibility as a reliable business partner is in jeopardy. HR's strategy and advice to executive leadership becomes directed on resolving the labor issues quickly and forever so that the end users are not negatively affected resulting in consideration of other vendors.

The costs of employee health care and pension benefits is skyrocketing and putting enormous pressure on budgets and pricing strategies. Since pricing is a key element in any purchase decision, HR's role in negotiating health care and pension programs now includes analyzing the effects that the programs are going to have on the ability of the company to price its products competitively and maintain its market share.

How are HR people doing this? They start by asking a number of questions about their company's business, finding the answers to those questions, and then aligning their HR deliverables to support the value chain that the customers appreciate and will pay for. Here are two questions to ponder:

- 1. What do we sell and why do our customers buy from us? On the surface, this seems like a simple question. But when you research the answer, you realize the larger picture. Cadillac does not sell cars. It sells prestige and status. It competes with furs, yachts, country club memberships, and other high end items. During the 1980's, Cadillac learned this the hard way. In an effort to trim costs and streamline production, they began using common designs and parts from other General Motors divisions. The differences between a Cadillac and a Buick became negligible and sales of the luxury car dropped markedly.**

Human Resources is not in the automobile design business. But as a business partner to the organization, it needs to understand the business strategy of the company and align its HR work in areas such as job descriptions, performance analysis and leadership development programs that will help the company sustain its operations, grow the business and insure that Cadillac remains a prestige automobile in the eyes of the buyer.

- 2. What are the business issues affecting our customers and what can we do about it to help them? We rely on our customers to keep us in business. Anything that is affecting them, we need to know about so that we can help them succeed. Competition is fierce and the global economic downturn is taking its toll. If, for example, your company distributes flour to restaurants and pizza parlors, meticulous data should be maintained that tracks end user usage in order to insure that production and distribution capacity does not exceed demand. This will cause Human Resources to analyze the staffing needs of the company, adjust its staffing model accordingly, and provide savings that can be passed along to the customers.**

Companies who help solve their customer's problems or fulfill their needs build loyalty and competitive advantage. Human Resources practices such as the stability of the workforce, creating a learning environment in which all employees understand the business that they and their customers are in, and the environment in which they must compete are critical competencies that HR professionals are expected to master.

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