

***Human Resources:
Managing the Investment
To the Bottom Line . . . And to the Top
Of the Company***

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Human Resources: Managing the Investment To the Bottom Line . . . And to the Top of the Company

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¶ 223 Every business entity needs people to perform work that will make that operation successful. But how many organizations have really taken the time to reflect on how those same people affect the firm's bottom line? How many top executives really know the return the company is getting from each employee? How many decision makers lack the information needed to really understand their human resource asset base?

For decades we have read of the importance of the human resource (nee personnel) function. Herbert Meyer, Erik Vetter and Jac Fitz-Enz, among many authors, have extolled the virtues of moving the human resource department from its classic "green eye-shade image" to that of a mature business function. Despite years of calling for a change, too few human resource managers have been able to position themselves where they directly advise top management about the relationship between the human factor and the bottom line. Without such an advisory relationship, the corporate decision makers will miss vital information which could help them utilize their employees on a more cost effective basis. Even better, human resource managers should strive to become members of the decision making team.

»HUMAN RESOURCES AS A BUSINESS FUNCTION« The challenge for organizations today is to ensure that strategies, policies and practices are based on the premise that human resources is a business function. It is vital for all managers to be able to demonstrate the financial impact, both short- and long-term, of their human resource asset base.

This article combines the *theories* of managing the human resource investment with several steps for *practical application*. With the proper positioning of the human resource department, the investment can be managed to the bottom line . . . and to visibility in the executive offices.

Alternative Roles for the Human Resource Manager And the Human Resource Department

Ideally, the human resource manager must begin to behave like a *business* manager who happens to specialize in the "people" aspect of the operation. To position oneself as either an advisor to top management or a decision maker, the manager's and department's role must move from a staff maintenance posture to an integral leadership role in the business planning process. But, let us recognize that human resource managers currently occupy different roles (see Figure 1).

Simply stated, the *basic* role describes the classic staff manager while the *leadership* role represents the new "change" oriented manager.

The manager in a leadership role will:

- measure resulting performance against money invested—e.g., human resource productivity in relation to payroll and benefit costs;
- predict trends in employment patterns, jobs, employee benefits and make recommendations to help the company plan for the future, not only react to the present; and

Figure 1
Role of the Human Resource Manager

<i>Role</i>	<i>Tasks</i>	<i>Business Implications</i>
<i>Basic</i>	Fills needs of other departments (when requested) within predetermined policies and practices.	None
<i>Extended</i>	Uses and analyzes outside resources to react to business needs.	Provides information to management for decision making.
<i>Leadership</i>	Helps managers determine human resource requirements. Determines cost effective methods to meet needs. "Sells" top management on human resource plans.	Measures impact of cost containment, completes assessment of feasible alternatives, assists operations in achieving goals.

• serve as an integral member of the corporate strategic planning team in order to address at a high enough level to get action 1) issues of management succession; 2) the evolving organization; and 3) people development.

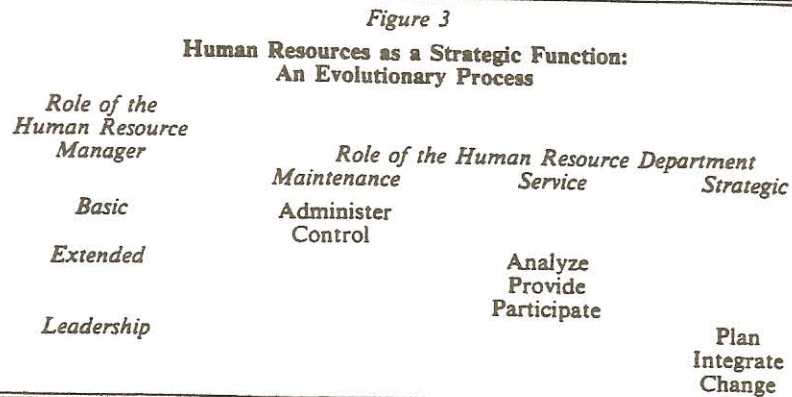
A manager in a leadership role needs to create a congruence with how the human resource department is perceived in the organization. In other words, human resource managers need to position their department in a consistent manner with the role they have assumed for themselves. Figure 2 indicates the departmental functions which correspond to the manager's role as shown in Figure 1.

Figure 2
Function of the Human Resource Department

<i>Function</i>	<i>"Act To"</i>	<i>"By Asking"</i>
<i>Maintenance</i>	Facilitate	What goes where?
<i>Service</i>	Sell	Who needs what and why?
<i>Strategic</i>	Plan	When will they need it - in what quantity - and with what end result?

The human resource department with a *maintenance* function is highly reactive to the needs of other managers *only* when informed; the *service* function participates with other departments in developing new ideas but usually at the other department's instigation; the *strategic* function is a catalyst to new efforts in conjunction with the overall corporate mission.

When function and role are truly integrated, as is demonstrated in Figure 3, both the manager and the department interact with the corporation's business planning cycle on an effective level.



However, if the manager's role and the department's function are not linked, the contribution will be diminished:

- a human resource manager with a basic role's limitations will not be successful in a strategic department;
- a human resource department whose charter is maintenance (administration and control) might have difficulty being staffed with employees experienced in a leadership role; *and*
- in some organizations, a maintenance department with managers fulfilling a basic role is appropriate—every organization is *not* prepared for the strategic/leadership paradigm.

The movement towards this paradigm will take time and building—building an awareness on the part of top management to recognize the importance of the human resource function; and building a staff that can respond to top management's changing expectations.

A Realistic Assessment

Oftentimes, the conceptual and the realistic approaches don't match. Consultants, whether internal or external, are often accused of being too theoretical; practitioners are often chastised for lack of vision. In theory, management of the human resource investment has been well discussed in the literature. Topics such as "human resource accounting," "the personnel officer as internal consultant," "maximizing returns on the human resource investment," etc. have appeared for over 30 years. The roles and functions described earlier are not representative of new thinking in the field. Rather, they are a description of the evolutionary process to help identify where your organization is today and where your organization might be, philosophically, in the future.

To date, available literature has been lacking in concrete, practical examples of how to begin moving a human resource department in the direction of a leadership and highly strategic role. While there is no infallible solution, the three steps listed below will begin strategizing for human resource managers ways to gain access to top management's ear.

The First Steps

Step 1: To position themselves as business planners and leaders, human resource managers must recognize their relationships to the corporate business

planning cycle. They must fully understand the corporation's goals and should develop human resource strategies accordingly.

Step 2: To be positioned in the best light, cost control or cost containment programs now offer the human resource department financial status among its peers. Changes that result in savings are readily apparent and well-accepted in the organization.

Step 3: To remain well positioned with top management, the skilled human resource manager will continue to demonstrate sound business planning and financial practices. "Internal worth" measures, such as a time accounting system similar to those used in consulting firms, will help prove the potential productivity and profitability of the human resource function.

»**SUCCESSFUL MOVES**→ The human resource department that successfully has built or has begun to build credibility with top management has moved decisively. Actions have emphasized the department's position within the organization, have enhanced its visibility, and have clearly demonstrated its impact on *both* the financial and cultural climate.