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and personnel management systems



## Show me the money

### The purpose of HRM isn't happy employees, It's happy owners!

by Naomi Lee Bloom

One of the great debates in HR circles is over what is strategic and what is merely administrative with respect to human resource management (HRM) processes. That which is strategic is considered worthy of executive attention, academic research, attendance at expensive conferences, and the writing of numerous articles. That which is merely administrative is beneath the attention of senior management except when cutting costs or, heaven forbid, when something goes wrong. And all of this discussion goes on without a rigorous or consistent definition of either strategic or administration HRM, let alone explaining their many interconnections or why we should care.

What might be considered an interesting but not terribly important debate when organisations retain control over all their HRM processes and their entire HRM delivery system becomes extremely important, even organisational life threatening, when organisations outsource one to many HRM processes. After all, if you don't know the difference between what's strategic and what's administrative, how do you ensure that your outsourcing arrangements don't hobble the former even as you're offloading the latter?

Strategic HRM is not hard to define. It consists of the processes (and, by extension, the data) that make a difference where it matters, by increasing materially the revenues and/or profits of the organisation (or, for public sector organisations, by increasing materially the degree to which the mission is accomplished). That's right. Strategic HRM is about making more money, and nothing could be more clear or specific than that -- or more easily measured as to its accomplishment.

Strategic HRM increases revenues and/or profits materially by achieving effective and efficient performance in individuals, teams, and other organisational units. If happier employees are more engaged, more creative, more energetic, more productive, more safety conscious, more, more, and more of what produces revenues and profitability, then happy employees matter. And while I happen to believe this is true, and while there is research that demonstrates that this is true, the goal of HRM isn't happy employees (although that may be a viable tactic).

There are very specific methods by which individual and group, i.e. workforce, performance can be improved, and most of these are under the control of HR leadership. So here's the first connect point. HR has the means to improve individual and group performance and, therefore, the means to improve revenues and profitability. There's no mystery here, but the HR community has not always expressed the connection this clearly nor, more importantly, been clear as to just how they're going to improve performance. Very specific, HR-led performance-enhancing tactics include:

- \* Better definition and organisation of work roles;

- \* More accurate modelling of work role-specific KSAOCs, (i.e. knowledge, skills, abilities, and other deployment-related characteristics, including judgement, behaviours, physical acumen, etc.);
- \* Improved generation, selection, deployment, motivation and retention of KSAOC-rich persons;
- \* More flexibility to deploy KSAOC-rich non-employee workers, e.g. consultants and contractors;
- \* Improved generation, collection, sharing and deployment of organisational knowledge;
- \* More effective deployment of electronic performance support systems, e.g. knowledge bases, analytics, collaboration tools, and performance coaching applications;<sup>1</sup>
- \* Greater motivation of the workforce toward desired behaviours, outcomes and KSAOC growth via targeted total compensation plans and work environment programs;
- \* Improved forecasting and development of needed KSAOCs;
- \* Improved design and execution of performance management and leadership development programs;
- \* Creation of a work environment that removes barriers to and encourages effective and innovative performance;
- \* More effective relations with labour organisations and with the workforce; and
- \* Better day-to-day coaching, mentoring, assignment, development and career planning, and performance management

Not surprisingly, KSAOCs are at the heart of strategic HRM -- finding them, acquiring them, motivating them, developing them, removing barriers to their use, etc. -- and KSAOCs must be at the heart of your HRM processes and data if you're trying to do anything strategic about HRM. Whether you're evaluating HRM software for in-house implementation or evaluating the HRM delivery systems of BPO providers, you won't get strategic HRM support unless your vendor or provider has a KSAOC-centred software platform.

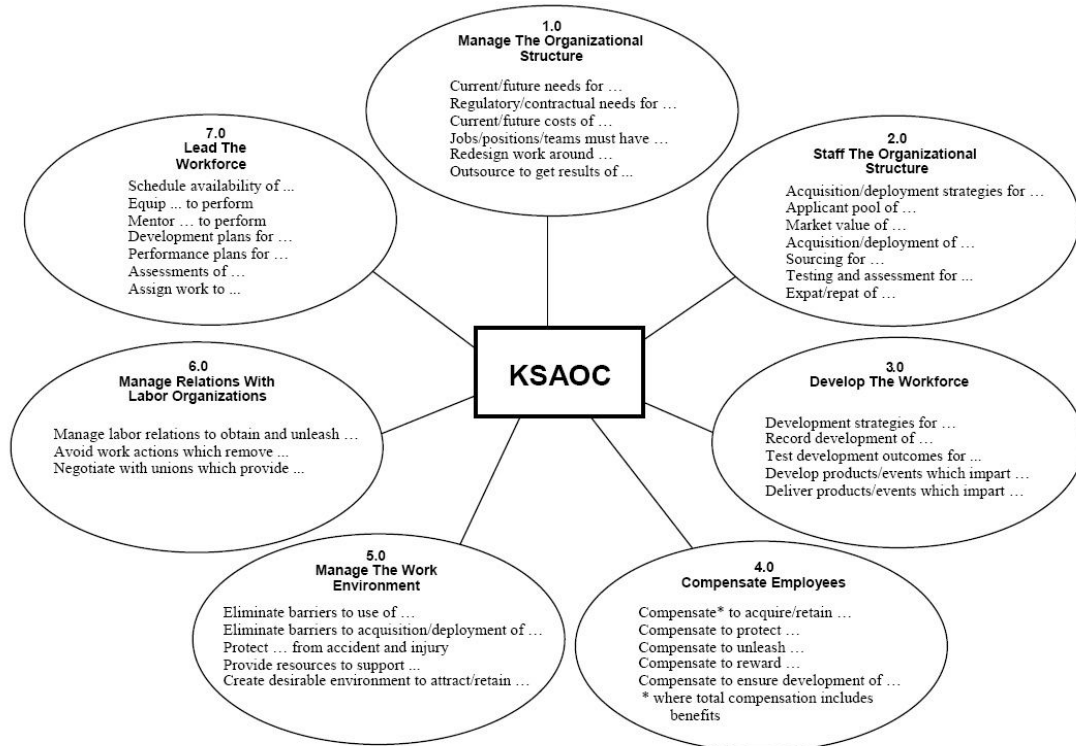
Figure 1 provides a simple "test" to determine to what extent your software vendor or BPO provider's platform provides a KSAOC-centric approach to all of the covered HRM processes. For each of the seven highest level HRM processes, the phrases shown in figure 1 are examples of what goes on in those processes that can only be completed by having an agreed upon vocabulary for KSAOCs with which to replace the "...". Furthermore, the relationships among these highest level processes are all about KSAOCs -- organising the work around them, attracting a workforce which has them, developing them in the workforce, incenting their use via total compensation plan design, creating an environment which is conducive to their use, focusing relationships with labour organisations to obtain them, and leading the workforce every day to deploy them.

Now that the connection between KSAOCs and strategic HRM is clear, we need to address how NOT to lose this connection through the short-sighted automation or outsourcing of so-called administrative HRM processes without adequate consideration of these strategic connections. Even as those administrative processes are moved online, outsourced, and/or offshored, don't let their design and delivery hobble your ability to achieve the important business results that only strategic HRM can produce.

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<sup>1</sup> These include a very wide range of performance power tools, from embedded intelligence, knowledge bases and yellow pages through collaboration and problem solving tools to vision and hearing enhancement. This is the next frontier in using technology to enhance individual and group performance.

## B&W'S HRM BUSINESS MODEL IS KSAOC-CENTERED



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Yes, recording the termination of an employee is clearly administrative record-keeping, but determining which managers are having disproportionately high turnover, when other variables are accounted for, is very important information for driving the design of supervisory and manager staffing, development, performance management and compensation. And keeping track of employee eligibility and enrolment in various health and welfare benefit plans is certainly an administrative responsibility, but determining to what extent the design of these same plans is enabling or working against our retention of top performers is essential to managing organisational performance. In fact, we can find strategic data connections inside nearly all of our humble administrative transactions, and therein lies a very real challenge for producing an integrated in-house HRM delivery system platform or moving toward comprehensive HRM BPO.

How do we ensure that, even as we're looking for a major cost reduction from extensive in-house automation or from comprehensive HRM BPO, we don't achieve that overhead cost reduction at the much larger reduction of revenues or profitability from not having the capabilities needed to deliver what really matters, i.e. to deliver strategic HRM? If we've never defined our positions very well, relying instead on convoluted job codes, our HRM BPO provider may let us continue down this path rather than push for a transformation which will delay migration to their platform and, therefore, delay the start of their revenue stream. Or our in-house implementation may be pushing to get the basics in place and not emphasize the downstream importance of this upfront analysis. But not having detailed position definitions, to include the relevant KSAOCs, permanently constrains our ability to have proactive, role-based self service at a useful level of detail. It constrains our ability to use those positions in KSAOC-based staffing or performance management, in succession planning or workforce development. While we might have moved faster to outsourcing, or even to an in-house software implementation, without bothering about those pesky positions, we certainly won't be able to deliver strategic HRM without them -- and strategic HRM is what is required of us.

Another really good example here, and one which is so familiar as to lull us into a false sense of security, is managing headcount. It's on the backs of such administrative transactions as hires, terminations, promotions, and transfers that headcount reports are made. But what's really important about headcount management is to understand what KSAOCs are coming and going through the organisation. Are we losing critical KSAOCs at twice the rate at which we're replacing them? Are the "confirmed deadwood" staying even as our best and brightest walk out the door? Are offers made but not yet accepted turning into offers never accepted for reasons that could be avoided? And why are some managers' staff self-identifying for every posted opportunity? Is it a rush to get away from bad managers or that those managers are encouraging career development at their own expense? So many questions whose answers depend on having the data surrounding those administrative transactions designed to support these more strategic questions.

When we own the entire HRM delivery system, we only have to negotiate with ourselves, and you can judge for yourself how successful your organisation has been in this regard. When we realized that we had failed to design the initial data, processes and transactions to serve more than an administrative purpose, how often were we able to negotiate and get the budget for a Phase II that required a lot of rework? But when we outsource a good chunk of that HRM delivery system, we have to negotiate with our BPO provider to redo those early data, process and transaction designs in order to achieve our HRM business outcomes, and you can just imagine what that's going to cost, in \$\$ and political capital, even assuming that your BPO provider has the capability of delivery of those strategic capabilities. Of course, if we never defined our organisation's business outcomes, or if we failed to link those outcomes to the needed strategic HRM processes and the enabling HRM delivery system capabilities, or if we never defined the metrics by which we would measure that all of this was happening, then perhaps the whole issue of deriving value from human resource management is moot. The bottom line is that you must anticipate your strategic HRM needs even as you're negotiating your first phase of comprehensive HRM BPO or in-house HRM delivery system implementation because redoing the data, process and transaction design after you're migrated to the provider's platform or implemented your own is going to cost you big time. Or, even worse, you'll discover that the provider's platform or the HRM software you've selected runs out of steam before getting to the strategic HRM processes.

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