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The Business of Human Resources

Abstract
[Excerpt] The result of this missing ingredient is the basic reason for the variability that exists within the profession. In fact, a lot of business leaders do not clearly understand what HR is responsible or accountable for. Many are quick to relegate HR to social initiatives planning (e.g., United Way drives, company picnics), missing the value the function can provide to the business. In this paper I seek to address these issues by suggesting a four-factor framework for running the HR function like a business: (1) understanding the business HR is supporting, (2) developing a basic operating philosophy, (3) determining which HR products and services should be linked directly to business success, and (4) operating HR as a business.

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CORNELL HR REVIEW

THE BUSINESS OF HUMAN RESOURCES

Kurt R. Fischer

As an HR professional, I am haunted by the 2005 *Fast Company* article by Keith Hammonds, "Why we hate HR." I am haunted for a number of reasons. One is the obvious repulsion at the word "hate." It seems a bit strong but, after all, that is probably what sells. The second and more sobering reason is how many business people related to the article. I didn't hear a lot of disagreement with the basic premise, which can be summed up by the following four sentences in the article:

> "Human resource execs should be making the most of our, well, human resources—finding the best hires, nurturing the stars, fostering a productive work environment—just as IT runs the computers and finance minds the capital. HR should be joined to business strategy at the hip.
>
> Instead, most HR organizations have ghettoized themselves literally to the brink of obsolescence. They are competent at the administrivia of pay, benefits, and retirement, but companies increasingly are farming those functions out to contractors who can handle such routine tasks at a lower expense. What's left is the more important strategic role of raising the reputation and intellectual capital of the company—but HR is, as it turns out, uniquely unsuited for that."[1]

The other reason I am haunted is because it highlights the inherent variability of our profession. There are places where HR is done really well, and then there are others where, unfortunately, it is not.

My premise for this variability is that there is not a standard for practitioners to follow. John Boudreau, Professor and Research Director at the Center for Effective Organizations at the Marshall School of Business, University of Southern California, talks about the mature decision sciences of Finance (return on investment, Economic Value Added, net present value) and of Marketing (segmentations, product life cycle), and then notes that no such decision science exists within HR.

The result of this missing ingredient is the basic reason for the variability that exists within the profession. In fact, a lot of business leaders do not clearly understand what HR is responsible or accountable for. Many are quick to relegate HR to social initiatives planning (e.g., United Way drives, company picnics), missing the value the function can provide to the business.

In this paper I seek to address these issues by suggesting a four-factor framework for running the HR function like a business: (1) understanding the business HR is supporting,

(2) developing a basic operating philosophy, (3) determining which HR products and services should be linked directly to business success, and (4) operating HR as a business.

Understanding the Business

I will use Corning Incorporated as an example. Corning is a world leader in specialty glass and ceramics, creating keystone components that enable high-technology systems for consumer electronics, mobile emissions control, telecommunications, and life sciences. Corning operates in five reportable business segments: Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials and Live Sciences. Corning competes through sustained investment in R&D, a long history of materials science and process engineering knowledge, and a distinctive collaborative culture. A narrative in the annual report reviews competition, risks and any legal proceedings against the company. And then the financial reports, including narratives, which talk about the financial performance of the company in total as well as each reportable business segment. There is a wealth of information here and every HR person should be familiar with their company's financial performance. This is, after all, the reason the business exists and therefore the reason the business supports an HR function.

Developing an HR Operating philosophy

Based on a thorough understanding of the business, you should develop a personal philosophy about how to operate an HR function that is effective for your particular business. At Corning we adopted a philosophy that dealt with our financial realities and is summed up well in a book written by Joel Henning, *The Future of Staff Groups*. He explains how all staff groups (finance, HR, etc.) can contribute to the success of the organizations they support and proposes three major areas for change,[2] each with several sub-bullets:

First he talks about *redefining the staff outlook*, including choosing to be a business at risk (making no assumptions about your value to the organization); making senior management the banker (demonstrating a return on the investment you are asking them to make); making core work units the customers (aligning services with their needs, not senior management's needs); changing conversations with customers and senior management (making the conversation about the function taking accountability for adding value to the business); and giving customers choice (if we can't deliver what you need, you should work with someone else).

Next he talks about *reorienting staff activity*. In this section he talks about laying claim to an expertise; i.e., telling your customers what it is you know how to do and sticking to that work—not just whatever you're asked to do. Here, relationships come second to content, not the other way around. Next is connecting the use of this expertise to business results; i.e., demonstrating how you can apply your expertise to yield results. Further suggesting include constructing a compelling business argument for using the expertise (i.e., talking to the customer in their language and showing how your expertise can help them succeed) and insisting on promises and guarantees based on results is another

principle. You must institute measures and hold yourself accountable to delivering; clients have a right to expect success from you. Finally, it is important to advocate for client choice—in how you solve problems, in how you work together, and even whether you should work together at all.

Henning then recapitulates the issue through commentary on *making a difference*. This involves identifying the core competence (being clear on the KSAs your function should own); choosing a stance about the use of expertise (as the expert, you must stand up for the correct application of your knowledge); creating the business argument to support the stance (drawing the links to success for your customer); and developing relevant products and services, including building the capability of your team to deliver on the expertise you've claimed.

Based on this philosophy, at Corning we developed four "transformation goals" for guidance. They were derived from a fundamental understanding of our companies businesses, feedback from our customers, and our knowledge of HR operations. Our goals were as follows:

1. Strengthen linkage between HR strategy and business strategy in order to ensure the function provides the right suite of services in a manner that more fully supports the critical needs of its corporate and division stakeholders.
2. Adopt a global mindset that enables HR to effectively service Corning's growing global business portfolio.
3. Provide scalable delivery of value-added HR services that can quickly flex with the size and shape of Corning's business portfolio.
4. Continuously reduce HR costs per employee utilizing lean six sigma methodology.

These transformation goals were our constant over the years and we tied our objectives directly to them each year. As a result, Corning's HR function became much better aligned with its business goals and operating costs were reduced significantly.

Determining Products and Services

Each year the senior management at Corning reviews the strategy for each business. This process embodied strong product and financial content, but lacked a talent perspective. To help us align our products and services with the business strategy we utilized Boudreau and Ramstad's *HC BRidge* process. This system is designed to help line and HR business leaders analyze their business strategy through a "human capital lens," with a dual focus on creating a deep understanding of the strategy and drawing connections between the strategy and those talent pools most pivotal to the success of the strategy. This understanding is driven by numerous diagnostic tools, which can best be described as covering the following areas:

- Identification of the sustainable competitive advantages in this strategy, and the talent pools that enable those advantages.

- Identification of business process constraints, and the talent required to address those constraints.
- Understanding of those areas of the strategy that require talent that is better than the competitor's, and what actions should be taken to build and maintain the required advantages in both number and quality of talent.
- Identification of specific processes required to create the capability, opportunity and motivation required in the most pivotal talent pools.

The Corning Human Capital Planning process is a four step process that incorporates and builds upon the conceptual work contained in HC Bridge and allows both Business Unit HR and the function as a whole to connect HR strategy to business strategy. The approach is based on a portfolio approach to Human Capital Planning.[3]

The focus of each of the four steps is as follows:

1. Establishing the Type of talent that will either most impact or be most impacted by business strategy over the relevant time period (typically 2-5 years). These two groups are further segmented into Strategic & Core or Requisite & Non-Core. These segment labels are intended as a call to action relative to the roles identified.
2. Projecting the Number and Timing of talent that will be required in each of the four role segments identified in Step 1. This includes an understanding of current capability of role incumbents, as well as a quantitative consideration of workforce dynamics such as voluntary turnover, retirement and transfers to other roles. The product is a year-by-year projection of the number of people (net and gross) required to address employment growth or reductions and workforce dynamics each role examined.
3. Identifying and examining employment gaps in segmented roles and developing concrete plans to address both excesses and deficits in the most efficient and effective manner. This process includes developmental plans, reassignment with and across divisions, reductions in force and strategic external staffing plans.
4. Aligning the organization's talent to obtain the highest and best use of each performer in each role, both from a business perspective and from an HR function perspective. This includes the application of the HC Planning process to the HR function itself to ensure that HR is managing both its programmatic spending and its human capital to most effectively address the needs both of the total enterprise and of its operating divisions.

Operating HR as a Business

Delivering the appropriate services in an effective and efficient manner is where this all comes together. HR leaders must identify the talent implications based on the needs of the business and then align the appropriate HR services to provide targeted solutions for the business. Effective utilization of information technology is essential so that the necessary information is readily available for decision making. Over a three-year period at Corning, we implemented a global PeopleSoft database. The implementation of this

database required a thorough review and standardization of key HR processes. This was not an easy or quick project, but the end result has been extremely beneficial. The quality of the data was vastly improved. And the value of having accurate, timely data for decision making became widely known and readily used. We now have more data available to employees and managers on a real-time basis. And this availability is reflected in improved customer service survey results. We also implemented a set of lean Six Sigma tools, which have helped us improve our services and products. A disciplined approach utilizing these tools has been instrumental in continuously improving our products and services.

Summary

Having a standard framework for HR to follow will help eliminate a great deal of the variability that exists in the workplace and improve how the function is perceived by its stakeholders. One such framework includes understanding the business HR is supporting, developing a basic operating philosophy, determining which HR products and services should be linked directly to business success, and operating HR as a business.

When HR is run well, it is an invaluable asset to the success of the enterprise. I imagine a day when *Fast Company* publishes an article titled "Why we *love* HR." א

Kurt R. Fischer is a management consultant with 33 years of experience in HR. He was previously the Senior Vice President of HR for Corning Incorporated and currently serves on the Board of Directors for Corning Federal Credit Union, Corning Center for Learning, and the ARC of Steuben.

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