Chapter 1: How to make them love us and never let us go.

Recent observations about HR and the professionals who design and execute HR practice suggest we are not as loved as we might have hoped or thought. Some examples include:

“HR people aren’t the sharpest tack in the box.”
“HR pursues efficiency in lieu of value.”
“HR isn’t working for you.”
“The corner office doesn’t get HR (and vice versa).”

From an article titled “Why we hate HR” by Keith Hammonds, Fast Company, 2005.

“(M)ost companies spend more on human capital than any other item in their annual budget, and many CEOs like to say that people are their most important resource. Yet, there is a lack of credible metrics that measure the human capital contribution to a business’ success. This is the real key for getting HR to the strategic table. If HR can demonstrate and take ownership for the aggregate human capital investment of the business and show how the productivity and ROI of the investment can be improved, they’ll have a lot of influence in management of the company and be ‘at the table.’”

Submitted by Frank DiBernardino to the Fast Company blog on Keith Hammonds’ 2005 article.

“Companies hire inexperienced and unqualified people to handle HR, but expect them to perform at higher levels. ... The survey showed that most people enter HR without being qualified for the job. Companies hire people to be HR Directors who have no higher education, certifications, or experience – then expect these people to be strategic partners.”

Description of Professor Jacquelyn Kinworthy’s survey results obtained from small to mid-sized firms and submitted to the Fast Company blog on Keith Hammonds’ 2005 article.

“The best and brightest don’t go into HR.”
Anonymous business school professor.

“Human resources, unfortunately, often operates as a cloak-and-dagger society or a health-and-happiness sideshow ... The stealthy stuff occurs when HR managers become little kingmakers ... in a detrimental way, prompting the best people to leave just to get away from the palace intrigue. ... (T)he other extreme: HR departments that plan picnics, put out the plant newsletter ..., and generally drive everyone crazy by enforcing rules and regulations that serve no purpose ...”

“Rather than speculating or saying ‘I think’ or ‘I believe,’ HR must become expert and actually know the cause and effect, as finance and supply-chain people do.”


“HR is the key driver of business performance, and it’s also the one that consistently under-delivers”

Scott Pitasky, General Manager, Microsoft Global Staffing

Wow and ouch! If these were a few voices, or even non-representative extremists, we might be able to continue to fool ourselves about our colleagues’ affections. We could go on, processing normal daily HR events, thinking “Yes, but they really love us. After all, we keep them out of hot litigation water, and make sure benefits are administered correctly, and remind them to get their annual performance review forms turned in on time, and … and … and we threw a wonderful picnic last summer (everyone said so)! Didn’t everyone like the new crystal plaques we had made for the bi-annual recognition ceremony?” At some point self deception doesn’t work, and the emperor sees himself in the naked light of day.

Perhaps the only thing surprising about these comments is that it took so long for our non-HR colleagues to speak up. Certainly, actions had long reflected these words. As Suzy and Jack Welsh (2006) noted, “(W)e spoke to 5,000 HR professionals in Mexico City. At one point we asked the audience: ‘How many of you work at companies where the CEO gives HR a seat at the table equal to that of the CFO?’ After an awkward silence, fewer than 50 people raised their hands. Awful!”

Those 4,950 CEOs who had not given HR comparable seats to that given CFOs had their reasons, many of which likely overlapped with the content of Keith Hammonds’ “Why We Hate HR” article.

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1 Interestingly, in his book “Winning” Jack Welsh notes his head of HR, the best HR person he ever worked with, came from engineering.
John Sullivan (2006) noted in a post-WWHH article “It is true that some in HR have
gotten the much-discussed seat at the table, but my little brother Ricky also had a seat at
the table, and no one paid much attention to him.” By action or words, it is clear that HR
practices are rarely viewed as difference makers in real business settings.

**Purpose**

The purpose of this book is captured by Chapter 1’s title, “How to make them
love us and never let us go.” Who is “them?” “Them” is any and all key organizational
decision makers. How do we make them love us? By developing skills needed to show
how HR can make a difference, i.e., how important business outcomes are related to HR
practice and interventions. Many authors of the quotes cited above provided examples
and prescriptions on how to do this. For example, in perhaps the most provocative
description of HR shortcomings – how can you miss the signal with the title “Why We
Hate HR”? – Keith Hammonds described a number of outstanding HR interventions
including how Betty Lou Smith, Hunter Douglas’ V.P. of HR, achieved meaningful
change in turnover and percent of shipped goods returned due to damage by 1) carefully
investigating the root causes of voluntary turnover, 2) developing HR interventions to
address these causes (e.g., a mentoring program), then 3) assessed how well the HR
interventions worked in reducing turnover and damaged-good rates. Seasoned HR
professionals will recognize Steps 1 & 2 as typical HR activities – HR professionals do
this sort of thing all the time.

What is, unfortunately, all too unusual about the Hunter Douglas turnover
intervention is Step 3. Change in turnover and product quality measures (i.e., important
business outcomes at Hunter Douglas) across divisions after change in HR practices
clearly demonstrated the value of HR turnover interventions. Further, value was
demonstrated in terms traditionally used by CFOs (dollar cost associated with turnover)
and COOs (defect rates). Notably, value of HR turnover interventions was not
demonstrated via change in employee attitude survey ratings or supervisory performance
appraisal ratings, two traditional HR outcome measures. While employee attitude
surveys and supervisory performance appraisal ratings can have value in HR practice,
key organizational decision makers view these as “soft” benchmarks that at best have
some unknown indirect relationship with measures they are really interested in (e.g.,
profit, sales, costs, scrap rates, etc.).

Contrast the Hunter Douglas anecdote to an experience I had at the University of
Pittsburgh in 1982. As a new member of the business school faculty in HR, I was
delighted to see the headline announcing the fact Pitt was the first institution of higher
education to adopt “quality circles.” I immediately thought this might present an
interesting opportunity to assess the impact of quality circles on meaningful
organizational outcomes. I made an appointment for lunch with the director of HR,
where he proceeded to describe how “QC’s” had been implemented in about 50% of the
departments, with the other 50% scheduled to be phased in over the next six months.
“Wonderful,” I thought. A great opportunity for a little quasi-experimental design where
we get pre- and post- QC business outcome measures (e.g., amount of overtime, variable
costs of consumable maintenance supplies, etc.) in units with and without QCs. I then
asked how he was going to evaluate the QC impact. I was extremely excited to hear he
had already evaluated their impact! Wow – a progressive HR executive doing action
research in the real world! I asked him what he had found, and it was all I could do to
keep the disappointment off my face when he said “I walked around to all the
departments and everyone said it was really working well . . . what more do I need to
know?” Needless to say, he was not interested in wasting time and resources evaluating
something he already knew was working . . . after all, what if he found out it wasn’t
working? The QC's were meeting on work time, i.e., hourly participants were on the
clock during QC meetings. All I could think about was the labor cost in lost work time
and lack of any documented return – guys were sitting around sharing ideas on how to
improve work processes and no one knew if their ideas were worth the hourly wages they
earned while sitting there!

The contrast between Betty Lou Smith and my former colleague at Pitt is stark.
Unfortunately, Betty Lou is in the minority - HR managers like my former colleague at
Pitt are all too common. While Pitt may have carefully examined some problem or
opportunity and arrived at quality circles as a solution, Step 3 – systematic evaluation –
was missing. All too often, even if HR professionals are aware of what constitutes
important business outcomes, they can’t or won’t assess the impact of HR practices on
those business outcomes. Now, I know it is often politically expedient to avoid
measuring outcomes. Politicians, academic administrators (e.g., deans, university
presidents, university HR directors, etc.), and others buffered from competitive economic
market forces often find it convenient to simply declare “success,” avoiding any
measures of objective outcomes that might get in the way of such declarations. Since HR
at the University of Pittsburgh was buffered from market forces, notoriety over being the
first university to adopt this “cutting edge” practice while simultaneously declaring it a
success created at least a temporary feather in HR’s hat. However, for purposes of this book, I will leave politics to politicians and assume all parties involved prefer accurate, reliable assessments of real consequences associated with business practices.

**The Solution is Common Knowledge**

The importance of systematic evaluation is not a secret and is captured in solutions offered by many authors of the quotes cited above. For example, John Sullivan went on to urge HR professionals to “(q)uantify and convert people-management results into dollars” and “(a)dopt, as other successful functions have, ‘fact-based’ decision-making.” Unfortunately, this is a major challenge to HR professionals. A Society for Human Resource Management survey results saying only 2% of HR professionals feel courses in finance are important for a successful career in HR. In over 30 years of college teaching I have seen only 4-5 students (out of over 10,000) who would have elected to take the required statistics courses in undergraduate or masters level business curriculums. I tend to agree with the more general “business acumen” complaint. It is not just lack of training in finance and accounting, it is fundamental lack of understanding of what constitutes important metrics – financial or operational – in the business, how to access those measures, and how to demonstrate the effect of HR policies on those business metrics. Important metrics may be operational (e.g., percent defective return rates at Hunter Douglas), marketing (e.g., increase in market share), financial (e.g., change in sales and profit), HR (e.g., average number of days vacancies are left unfilled) or some combination of two or more in their orientation. HR needs to stop asking itself “we know what top management, line managers, and employees need, so why won’t they

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2 I know many administrative HR functions have been and are being outsourced and competitive markets are starting to emerge for these services. However, these are not the HR policies and practices with the potential impact hailed by Jack Welch and others.
listen to us and appreciate us?” and instead ask “who is the customer for HR services, what do they want, how can we give it to them, and how can we make them see its value?”

This imperative is what I call the value added “pull” factor. “Pull” factors constitute the ways in which HR can add value to the organization and causes line managers to “pull” HR to the table where key decisions are being made. Value obtained from documented increases in sales, profit, market share, and production quality and/or documented decreases in costs of labor, waste, returns, and post-sale service cause line managers to pull HR into the mix with solutions. I suspect every time a problem with voluntary turnover problem occurs in some future Hunter Douglas division, managers of that division will immediately pull in V.P. of HR Betty Lou Smith out of her office for assistance. Note, absent evidence that HR has a documented effect on important business outcomes, line managers are not likely to look first to political movers and shakers in HR as a source of solutions.

Another category of factors influence HR contributions – cost avoidance. These “push” influences include all costs associated with failure to meet regulatory requirements, most notably litigation costs. Compliance with all federal, state, county, and municipal employment laws ensures avoidance of costs associated with subsequent OFCCP compliance audits and litigation. I have personally seen banks of summer college interns working for members of the “plaintiff bar” making cold calls to every publicly listed phone number in a targeted state attempting to get enough plaintiffs to

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3 “Plaintiff bar” is a term commonly used to refer to the group of lawyers who specialize in representing plaintiffs in Title VII litigation. I first heard the term used to describe a cohort of independent law partnerships in and around Birmingham and Montgomery Alabama specializing in initiating class action Title VII litigation.
justify class action Title VII litigation against that state’s government. Failure to implement and monitor recruiting, selection, promotion, and compensation systems for compliance with relevant legislation and regulations may result in a big Title VII, Equal Pay Act, Age Discrimination Act, etc. “club” thumping you with scary litigation and public relations costs. In my experience, “push” factors, while very real, nonetheless do not cause key organizational decision makers to get excited about HR. Instead, HR often comes to be viewed as some sort of internal “correctness” police, constantly haranguing and whining at line managers about real or imagined infractions that may have dire consequences if left unaddressed. After some period of time in which no “consequences” occur, this threat loses its meaning to most private sector line managers, causing HR to simply be viewed as an irritating annoyance. Worse, while most EEO legislation is relatively simple and straightforward (in contrast to tax law and the IRS code), complex compliance methods and politically charged labels (e.g., “quota bill” versus “civil rights legislation”) increase the emotional baggage found in almost every discussion.

Executing the Solution

So, any HR actions that might cause “them to love us and never let us go” are likely to focus on value added pull factors. How do we do it? Unfortunately, about half the immediate responses in the aftermath of Keith Hammonds’ provocative article were

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4 Note, if one looks at the total number of organizations covered by Title VII of the 1964 Civil Rights Act and the total number of complaints filed alleging violation of the act by an organization’s personnel selection system, it becomes clear that the odds of getting hit by lightning are higher than having such a complaint filed. That having been said, some organizations and industries are much more likely to become targets than others – woe be it to state personnel or large city personnel directors who do not monitor HR systems closely for compliance. I live in Oklahoma, which has lots of lightning storms. If I play golf in Oklahoma – effectively walking around in a large flat field with 14 little lighting rods strapped to my back – I know my odds of getting hit by lightning are higher and take appropriate prophylactic steps. Similarly, HR professionals in target industries should be very aware of potential sources of litigation risk.

5 After over 30 years of teaching undergraduate, masters, and doctoral HR courses, I still become nervous lecturing about research on race differences to multi-race audiences. Experience suggests there are all sorts of ways individuals can become offended that cannot be known or appreciated in advance.
exercises in finger pointing. The official Society for Human Resource Management reaction spent an almost equal amount of time discussing what caused the current state of affairs and ways to correct the problem (“(I)t becomes even more imperative that students understand how human behaviors and human resource management can help an organization achieve success,” p. 5, captures the focus of this text, Berkley, 2005). Few if any took issue with the substance of Hammonds’ observations, spending most of their time discussing whose fault it was or lambasting Hammonds’ “tone.” Regardless, I really don’t care what caused this state of affairs to occur – that is for management historians to sort out. I do care about how we fix it. Responses to Hammonds’ provocative article may have coarsely outlined systematic assessment of HR practice impact on key organizational outcomes, but none provided specific guidance.

**Linking Business Outcomes to HR Practice**

What can HR do differently to show key organizational decision makers exactly how HR policies and practices add value to the organization? This book shows current and future HR professionals how to link business outcomes to HR practice.⁶ It is not a treatise on statistics or research design, though these topics are addressed. Chapter 2 briefly reviews the needed tools, including research design, statistics, and psychometrics. However, this book does not place these topics on a pedestal suitable for frequent and zealot worship. Instead, the focus is on the day to day reality of using these tools, or the craftsmanship needed to show the value added of HR practice. Though citations are provided for those interested in deeper inquiry, I spend little time dwelling on formal

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⁶ If I had written this book 30 years ago the title would have certainly referred to “action research,” an old term that has fallen out of favor, but accurately describes what this book is about.
The goal of this book is not to train tool and die engineers and metallurgists. You do not have to know the theory or latent molecular structure of a tool in order to use the tool. Instead, I lay out tools and methods needed, with multiple examples, for HR professional to become “master mechanics” at demonstrating HR’s value proposition.

Now the Bad News

Nonetheless, I have run into a number of hurdles in 30+ years of linking HR policies/practices to business outcomes in research and practice. A partial, non-exhaustive list includes:

1. **Low Business Acumen**: Ignorance of and/or lack of availability of important business outcome measures. Just like job analyses subtly differ in the type of information gathered depending on whether one is designing a compensation versus a recruiting system, business outcomes likely to be effected will differ depending on whether one is evaluating effects of a compensation versus recruiting system. Many HR professionals do not think outside of the “typical” HR box, failing to consider anything that does not look like supervisor performance appraisal ratings, time/cost to fill open positions, training costs, etc. Even then, the low esteem HR is typically held in often prevents it from accessing important business outcome metrics.

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7 I agree with Kurt Lewin’s oft-cited quote that “there is nothing as useful as a good theory.” However, in applied arenas I also adhere to it’s inverse, i.e., that if a theory isn’t useful than it is not very good. Theories are useful in basic sciences to the degree that they help the field move incrementally closer to the next, better, theory or model. That is fine for basic science. Arguably a different standard should be used for applied research, and I cannot think of a more applied arena than business administration.

8 I cannot count the number of time I have been told “we don’t have access to that information” or “we have that information but it is not kept centrally” when asking for things like revenue, cost, or profits.
2. **Dislike of Anything Quantitative:** Many if not most HR professionals hate statistics and anything that smacks of math or quantitative analysis. Formulae, especially anything containing a Greek letter, are avoided at all costs.

Unfortunately, unlike the title of Ken Hammonds’ article, this is not an overstatement. Greek symbols, null hypotheses, statistical significance, etc. are about as exciting as root canal surgery – I know, I taught required statistics courses at the undergraduate, masters, and doctoral levels in business schools and labor institutes for over 12 years. These courses are required because they provide important tools and because if they weren’t required almost no one would take them. The first business school that makes these courses more intuitive and less intimidating will have a major competitive advantage (deans, are you listening?)\(^9\)

3. **“I’m in HR Because I Like People” Baggage:** HR professional often come into the field with or evolve certain values, attitudes, and beliefs that, while rarely questioned, provide justification (at least, in their minds) for HR practices in the absence of any demonstrated contributions made to important business outcomes. For example, other things being equal, most HR professionals and virtually every training specialist view training and development a desirable activities in and of

\(^9\) At the time of this writing, the premier program in each of the top-40 U.S. business schools is the M.B.A., not the B.B.A. I suspect the first school to break into the top-40 with the B.B.A. as its premier program will have thoroughly restructured how training in quantitative methods is delivered at the undergraduate level. By doing so, this school will not have to overtake its competition by attracting more of a relatively fixed M.B.A. applicant pool. Instead, any excellence and notoriety it attains will be the result of its ability to increase the overall market size. It will be able to create a net increase in high quality graduates by innovation in quantitative methods training. Currently, many school including OU’s Price College of Business outsource undergraduate required courses in quantitative methods to economics departments (which may or may not be in the business school). Not surprisingly, economics departments typically do not view this service obligation as their primary reason for existence, staffing it with graduate assistants with little prior teaching experience. While teaching assistants have to exist in order to cover all required course offerings, they are not the first resource administrators should turn to when considering fundamental curriculum change.
themselves. That is, T&D tends to be viewed as a “good thing” regardless of whether it can be shown to have positive impact on the firm. I must admit that as a career educator, I have frequently been guilty of exhibiting such an unconditional love for learning. However, information technology provided an almost perfect cure – I never learn about a piece of software until I need to use it, because if I need it tomorrow it will probably change between now and then.

While education and training remain part of my core value system, distinct boundaries had to evolve in the value’s application, otherwise I spend all my time being trained! My point is that HR professionals are human and come to the company with pre-existing values and beliefs. While it is all well and good to “like people” or believe “training is good,” some people make it hard to like them and some training is not needed. A core value underlying any organizational success is the need to base key business decisions on systematic assessments of their likely outcomes. While diversity might be a wonderful and desirable social end in and of itself, promoting gender diversity amongst production workers at a Texas Instruments circuit manufacturing facility would not be in TI’s best interest. Research clearly shows women on average have greater finger dexterity than men, and any criterion valid personnel selection system should screen out males with much greater frequency than females. Given the real but limited evidence showing the value added of diverse work environments, “promoting” gender diversity in this instance would likely not yield enough diversity “value added” to overcome the severe production disadvantage TI would incur by hiring

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10 I personally am happy my children were exposed to both genders and multiple cultures while received their primary educations and would have been chagrined otherwise.
more low performing, fumble fingered males. Application of values, attitudes, and beliefs when managing human resources is not necessarily bad, it just has to be tempered by systematic assessment of expected impact. By definition, choosing to do one thing means not choosing to do other things – all the hard questions like pro-life versus pro-choice involve trade-offs between two values that, if not tied together in some “either-or” situation, most people would support. The only rational response to these circumstances involves making choice only after knowing everything there is to know about expected outcomes. Zealous advocacy of training for training’s sake, diversity for diversity’s sake, etc. will not get HR a seat comparable to the CFO’s at the executive table.

11 Modifying this example to make it involve gender diversity among nurses employed by United Health Group would meaningfully change the HR policy implications. As I know of no research showing either gender is more or less likely to perform well in performing typical nursing responsibilities, UHG would be expected to enjoy whatever value added is expected to occur due to increased diversity without the concomitant decrease in performance TI would realize by hiring more low performing men.
References