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WHITE PAPER

# Rising to C-Level: Can HR Deliver What the CEO Wants?

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STRONG TEAM, STRONG BUSINESS.

The business world is a fundamentally different one than it was twenty years ago. A foundational shift has transpired as the primary source of a company's worth has shifted from tangible assets and infrastructure to intangibles, primarily the intellectual assets of an organization's people. An electronically linked world has reduced the effect of geography on business. Since humans are able to collaborate from scattered locations, the global competition for talent and business has intensified. Complicating our adaptation to these changes is a highly competitive employment climate, whose repercussions are reflected in recent surveys indicating unprecedented productivity pressures on employees, and in the trend to outsource jobs to far away places.

At the center of this storm is the beleaguered HR department, charged with expanding beyond its traditional administrative duties to strategically leverage companies' increasingly valuable—and increasingly strained—human assets. We've heard many times about the "need for HR to become more strategic." Despite the fact that this strategic shift is precisely what C-level executives expect from HR, only a few executives are satisfied with what they get. A Mercer survey found that only 9% of CFOs view their HR departments as primarily strategic, and a 2003 Accenture study revealed widespread executive dissatisfaction with HR's strategic contribution.

What exactly are these C-level executives looking for from a reinvented, strategic HR department? What can you do to rise to C-level expectations? Here's what the research indicates that forward-looking HR departments need to do:

## Embrace Metrics

Tangible asset analysis has been around since the first beans were counted. Measuring intangible assets has a long way to go to catch up. Accenture's survey revealed that C-level executives are satisfied by HR data in only 13% of the organizations surveyed. According to research published in the AMA's Management Review, these executives place a very high value on information like employee performance data—yet a mere 16% trust the numbers HR comes up with.

It's no excuse to protest that measuring the cost of an employee is much easier than measuring the value or contribution of an employee. Survey after survey reveals that HR often fails to collect such basic statistics as absenteeism. And even though HR's contribution is ultimately measured by its effect on the bottom line, ROI is rarely measured. If key data like employee performance metrics are collected, they're notoriously inefficient (most organizations still rely on paper measures) and are riddled with inaccuracies. Since many organizations are unable to discern star performers from slackers, it's no wonder that half of America's workers don't believe that better performance leads to better rewards. So, they conclude, why work harder?

"What gets measured, gets managed" is a cliché, but it's also the truth. If you are stumped by the challenges of management by measurement, check out programs like Six Sigma or tools like the Balanced Scorecard or a solid employee performance management system. There's a wealth of information and consulting assistance to get you started. And, of course, wonderful technology tools to help you with some meaningful number crunching.

Which brings us to our second suggestion...

## Embrace Technology

Fortunately, the Information Age can help simplify the complexity it has spawned. In particular, tremendous advances in HR software—a wealth of applications that automate and integrate administrative functions and provide employees with self-service options—have reduced the drudgery. Despite this, many HR departments have been slow to adopt technology, even for applications with high strategic potential. For example, 70% of organizations still use a paper-based performance evaluation process.

Technology and metrics go hand in hand. This is particularly true when technology's ROI can be reliably measured looking back and estimated moving forward. A good ROI case can move an HR technology initiative to the front of the queue for scarce IT resources.

When used properly, technology integrates diverse processes and saves untold hours of staff labor, provides better information and analysis, and frees HR personnel from repetitive administrative duties. That frees time for planning and executing strategic initiatives.

But cost-savings is only a part of the ROI of HR technology. The real ROI comes when that technology provides the tools for your employees and your organization to realize significant performance improvements. That requires the design, implementation and top-to-bottom execution of a quality employee performance management system.

## Practice performance management—not just performance appraisal

Hewitt's classic 1994 survey documented huge productivity benefits (up to 35%) evident in companies practicing quality employee performance management. But in many organizations a once-a-year employee performance appraisal is all that gets done. Most companies simply conduct end-of-year lagging-indicator evaluations, paying little attention to year-round development initiatives or interim course corrections.

In contrast, performance management recognizes the unique potential of human assets. Unlike tangible assets, which depreciate, employees become more valuable over time. Performance management is an ongoing process that continuously facilitates performance improvement. It sets forward-looking goals and seeks ways to develop and coordinate each individual employee's objectives, aspirations and abilities to meet the needs and goals of the overall organization.

In an age of rapid change and short-lived competitive advantage, your organization's best chance to excel is to leverage the strengths of your employees and to engage their motivation. A fair system of performance management gives employees an opportunity to excel and to be recognized for excellence, which in turn promotes employee engagement. Surveys show that only a small percentage of employees are fully engaged in their jobs. A company better able to connect to more of its employees will benefit from the extra effort that truly engaged employees dedicate to their jobs.

## Focus on execution, not just strategy

Focus on execution, not just strategy. While everyone talks "HR becoming strategic," think ahead to the next step: the movement from strategy formulation to execution. Larry Bossidy and Ram Charan, authors of *Execution: The Discipline of Getting Things Done*, observe that the

absence of execution "is the single biggest obstacle to success." Many organizations today suffer from a sort of ADD—Accountability Deficit Disorder. A Watson Wyatt survey, for example, found that only 44% of workers feel they are "held accountable for their performance."

Driving accountability and execution is both a cultural and a logistical challenge. Culturally, the same "perform or perish" pressures that the merciless global marketplace exerts on businesses should apply to the internal culture of the organization. Promotions and pay must be merit-based, not calendar-driven, and poor performance must either be remedied or removed. Logistically, managing accountability is much easier with a centralized system for tracking goals, responsibilities and progress, with reports available at every level of your organization, down to the individual employee.

You won't transform your HR department overnight. But you can begin to take steps, however small, to deliver the kind of information and decisional input that your CEO needs to keep your organization competitive in a rapidly changing world.

To learn more about how SumTotal can work with you to help strengthen business performance, please visit our Web site at [www.sumtotalsystems.com](http://www.sumtotalsystems.com)

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