

HR: The Newest Profit Center!

By Linda H. Petrini, President – Web Footed Friends, Inc.

HR professionals may be the country's first 'compassionate conservatives'. They generally value their employees, care deeply about their welfare and personal growth and yet HR must function within the unforgiving fiscal realities of competitive enterprise. John Wanamaker, a legendary retailer, once observed, "Half the money I spend on advertising is wasted; the trouble is I don't know which half." Many HR professionals feel the same way about the many interventions they work so hard to search out and execute within their organizations. The reason is that they have historically lacked the ability to accurately measure the success or impact of these efforts on their bottom line.

Consequently, a lot of HR professionals don't feel that they garner the respect or recognition within the executive suite that their efforts deserve. That doesn't have to be true any longer. Today HR professionals can turn their departments into a profit center and prove it to the CEO, the board and to other senior officers.

Several fascinating trends are converging to usher in a golden age for *enlightened* HR professionals. First, the 'enlightened' understand that the new HR isn't going to resemble the HR of old. The administrative functions are being outsourced and, or going online. The remaining HR presence is going to focus on attracting top talent, strengthening leadership development and developing and managing quality leadership information systems. Not MIS, but LIS to help managers motivate and retain talent and to help top management make better decisions more consistently. So what are these fascinating trends?

First, birth rates have fallen drastically in Japan, Europe and North America. We are not replacing ourselves! Even if we launch a successful baby-making binge, it would be twenty-five years before this new generation could significantly expand GNP. This means that for the next twenty-five years at least, our opportunity for economic growth lies solely in achieving productivity gains. Forget our past source of growth, which has been based largely on a continuously expanding population.

Second, the rising importance of knowledge workers and their traditionally low productivity means the future belongs to those who can lead and motivate knowledge workers effectively. Companies who manage knowledge workers effectively have been a distinct, tiny minority since the dawn of modern organizations.

Third, recent research has demonstrated a clear link between the talent and proper alignment of talent in an organization to increases in shareholder value. New measurement techniques give HR the ability to measure talent in selection, to

measure talent required in organizational roles and to measure the impact of successfully managing talent to increases in shareholder value.

Finally, the SEC is encouraging public companies to report intangible assets to help investors and analysts determine proper stock valuations. The biggest sources of intangible assets are all tied to people. These include intellectual property, customer base and loyalty, employee quality and retention, manager quality, and executive leadership.

In summary, the markets are attaching greater value to organizations, which can demonstrate their ability to attract, motivate and retain talent. These organizations can come together anywhere in the world in this information age. This is not a capital intensive challenge. All that is required is an enlightened board, an enlightened CEO and an enlightened HR staff. The measurement tools are available to do the job and to prove that the job has been done. This information is new ammunition for CEOs to take to Wall Street to persuade investors that their organizations have the ability to attract, motivate and retain talent. More than ever before, HR can be the new profit center. Isn't that enlightening?

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