

Release Hidden Value

Maximize your ROI in people.



by Andy Hiles and Mo Bunnell

ALTHOUGH MOST SENIOR EXECUTIVES say, “People are our most important asset,” these same executives don’t manage this “people asset” in the same focused way they manage the other important assets. The reasons may be complex, but the solution is clear.

How can you unleash the value that motivated employees can deliver? For most companies, people represent their single largest expense. In fact, Fortune 500 companies spend, on average, \$3 billion annually on their employees. No company would make a \$3 billion commitment and not demand ROI. Yet at most companies, neither the demands nor the programs are in place to realize the pay-off from their investment in people. If people are a company’s most important asset, and most expensive investment, then the company should be maximizing its investment in people.

We see tremendous differences in value creation between “engaged” employees and those just biding their time. But, few companies do much to create high engagement. Moreover, the talent and skills gap we see today will widen in coming years, giving those employers with the most effective “employee value proposition” an even greater competitive advantage. Companies need programs and practices that help attract, motivate, and retain the best and brightest workers.

Building a People Strategy

All great organizations start with a point of view about how best to deploy assets, and the treatment of the “people asset” is no exception. An organization’s point of view is manifested in its people strategy. Without a well-articulated people strategy, management can’t build a clear line-of-sight from the business

goals to the everyday tasks of employees. The development of a people strategy follows this five-step process.

Step 1: Understand your current situation. Know where you are. The best roadmap is not helpful if you are unsure where you are starting your journey. This step is about understanding the people and the business, finding out how they are—or should be—linked together.

Through input from all stakeholders, you can clearly identify business drivers and strategies, and the people implications. So, ask the tough questions about today’s programs and practices.

Step 2: Set a clear destination. Senior management support is essential early in the process. Company leaders must share their views of where the business is headed and how they plan to get there (organic growth versus acquisition). Together with senior leadership, the HR team can determine what roles and skills are most important to deliver on the business aspirations. Senior leaders must also provide direction on cost parameters for the people investment.

Step 3: Build a bridge to the future. To build a bridge to the future, start with a top-down view of initiatives, as every employee program or policy needs to align with the strategy, but not every one should drive it. Modifying lots of people programs at once typically doesn’t work. In fact, choosing the sequence of changes can be just as important as the actual program and policy changes (big changes may require a multi-year plan with interim targets).

As you determine sequencing, remember the essence of strategy: differential investment (what makes your company unique). It is better to fund

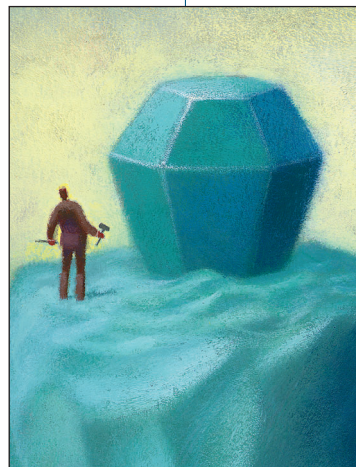
fewer, important initiatives than to spread limited resources thinly. Focus on the lead systems that are “drivers” rather than “support” programs.

Develop a strategy to integrate these various programs through design, administration, and communication.

By now, you should have an alignment and impact assessment; a prioritization of areas to improve, maintain, and discontinue; and an action plan for maximizing ROI in people.

Step 4: Establish measures that matter. Have measures in place at appropriate points. We recommend a tiered measurement strategy, including both operational/project measures (how are we doing today) and strategy measures (our long-term direction). Most successful measurement systems roll-up to a handful of clear, simple measures that everyone can rally around. One common mistake is choosing less meaningful measures that can be determined precisely while ignoring more important measures that involve subjective assessment.

Step 5: Engage in integrated project management. Most strategy initiatives begin with a burst of energy and soon tail-off as just another “project.” Discipline and focus can be lost as strategy merges with day-to-day tasks. We recommend establishing integrative mechanisms to keep focus. Some companies benefit from having one person fully



committed to project leadership. This person can minimize the transitions from strategy through design and delivery, and ensure progression. Value is often lost in “hand-offs” and miscommunications.

An effective people strategy alone is not enough to ensure great results, but it is a necessary prerequisite. Without it, you will find unmotivated employees coasting along and your most talented people working hard on the wrong things. With a tailored, well-communicated people strategy, all employees will be on the same page—working in concert on mission-critical activities. **EE**

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ACTION: Create a people strategy.