

Performance excellence

How to recruit, train and retain the best

The idea of achieving performance excellence through a multi-disciplinary collaborative approach to HR looks good on paper, but is often extremely difficult in reality. Jim Crowe, Managing Partner, Alexander Hughes distills 30 years of experience in L&D and executive recruitment to share practical advice on what HR can do to make it a reality.



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Crowe proclaimed that the nirvana of 'performance excellence' is one which is attainable within an organisation, but only when the true financial impact of the HR function is realised at the C-suite level. Once HR professionals learn to embrace financial metrics, and financial-reporting professionals embrace human capital development, businesses will make a huge step towards this desired state. Crowe explained, "All senior executives—in particular CFOs—must work in tandem with HR to make compelling arguments for investment in recruitment, up-skilling and strategies for retention of the best people." He also highlighted the importance of sound and integrated recruitment, L&D and retention processes.

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HR hypocrisy

Crowe highlighted the hypocrisy common to what he described as 'countless' organisations claiming to be 'people' businesses, while placing their talent firmly on the liability side of the balance sheet. In such circumstances, there may be no quantitative representation of the value of the people driving the future of the organisation. Crowe added, "Recruitment, training courses and retention programmes are all too quickly 'expensed' by die-hard accountants, when intellectual capital—that which has been invested in through such programmes—should be detailed as an appreciating asset."

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Reengineering HR values

The 'knowledge worker'—a concept introduced by Peter Drucker in *Landmarks of Tomorrow*—has been edging towards senior management's central psyche since the 1950s; people are important not because of the levers they pull on machines, but because of the information they possess. And that, Crowe asserts, is the way to competitive success—the reengineering of how corporations value and use their knowledge workers.

Throughout his experience, Crowe has encountered numerous what he describes as 'woolly' vision statements and platitudes pertaining to 'people' as the greatest corporate asset. He believes many of these tend to be generated by enthused PR departments during the good times. Once the bad times roll in, however, he contends a paradox emerges since both talent itself and HR initiatives are often the first to be axed. The reason: financial metrics are not used to justify those people and programmes which really do add true value. Often it is the talented, subordinate and yet very valuable staff who are retrenched. He affirmed, "Only hard financial metrics will convince executive

management to invest in long-term sustainable programmes to hire, develop and keep good people.” While GAAP do not usually make provision for a value for talent, Crowe believes that internal management accounts can, and should, measure people’s value. He commented, “Financial metrics can be used to plan, and implement targeted and effective recruitment, L&D and retention strategies for your company’s investment in people. And, these metrics can be an integral part of an organisation’s internal management accounts.”

Asset appreciation

Crowe pointed to various theoretical writings in which ‘employee numbers’ and ‘profit per employee’ are favoured as key factors to assist with strategic thinking in HR. He has also witnessed trends in the terminology of human capital measurement—terms such as ‘opportunity value’ or ‘revenue per employee’. He acknowledged that no one metric is perfect and indeed all are flawed, but argued that all of these metrics are, at least, less flawed than the qualitative ‘gut feel’ on which many organisations make their most critical of decisions. True ROI should accurately measure the cost of human capital against clearly defined goals. He urged, “What we need is a sharper edge to our arguments and, perhaps more importantly, the appreciation of the value of an organisation’s workforce in contrast to the depreciation of physical assets.”

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Recruitment excellence

Crowe referred to the typical prioritisation of recruitment, L&D and retention in the practice of management: of the three, recruitment ranks as highest, is the most expensive and has the largest impact if done badly. He added, “L&D and retention are considered the poor cousins of recruitment, with L&D often merely paid lip service and carried out with minimal budget. Retention is normally so low a priority that it is not even contemplated, except in the case of very senior executives.” In fact, he advised that all three processes should work together in one virtuous circle together.

Prior to any recruitment exercise, HR should be asking several questions: whether the post is actually needed, could the job duties be sub-divided and distributed among existing staff and could the position be filled via internal promotion. Crowe also highlighted the importance of clearly defining skill and competency sets, and thoroughly investigating a candidate’s education, experience and background.

L&D excellence

To develop effective L&D programmes, Crowe suggested HR do the following:

1. Work closely with line management to understand the path the organisation is taking and the skills which are necessary to take it there.
2. Support divisional leaders to build bench strength at senior levels in their organisations and up-skill either through in-house or external resources.
3. Work with management to accommodate on-the-job training and university sandwich courses.
4. Promote career development as a recruitment tool to attract high calibre, aspiring individuals.

Crowe added that L&D can also be used in times of crisis to cut costs, maintain service delivery and develop managerial expertise. He cited the case of a medium-sized life insurance company in Australia which, having faced the necessity of cost reduction during the last recession, undertook radical changes to the HR function. It retrenched the head of distribution, by far the most expensive employee, and retained the lower-level managers who accepted pay cuts and managerial development coaching. Hence, out of a difficult situation the company was able to hold onto its most valuable assets and build for the future. Crowe noted, “It takes good, creative, empowered HR and knowledge of who is really contributing to the profitability of the organisation to successfully do something different.”

Retention excellence

Retention payments are often simply distributed on a hierarchical basis, and usually only to C-suite members. Crowe pointed out, “There is often little attempt to quantify those individuals who are most critical to the group, most at risk of leaving or possess the secrets which drive the company’s profitability. To retain is not just about money—it can be about promotion, providing opportunities to practise new skills and greater levels of responsibility or accountability.” In this regard, it is important to deploy financial metrics to target the most valuable people—those who drive growth, generate revenue and are the leaders of tomorrow. He concluded citing Lawson et al. McKinsey Quarterly, “Retention

requires proactivity—a signalling to employees that the organisation cares.”

Both within and outside of times of crisis, it is important to set an ethic of corporate fidelity and this can only be done by collaboration of line management and HR. Once senior executives categorically analyse the costs versus benefits to their business of that most critical but previously intangible asset of talent, it will be truly valued. The role of HR is to help them to do so and ensure that employees with promise develop the necessary skills not just to complete their role but to manage and to coach the next generation of talent towards performance excellence.

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