

Beyond HR: A Business Approach to Building Human Capital

Presentation Slides

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A Business Approach to Building Human Capital

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Managing the Right Asset?

- Manufacturing or technology company
- High-growth potential *in the long term*
 - Strong market demand
- Constrained resource:
 - Project engineers to customize the products to the needs of the clients



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Traditional Budgeting Objectives

Goals:

- Complete certain projects
- Add six new project engineers

Actual:

- Completed projects
- Only added three new engineers

Typical Performance Appraisal

- Completed all objectives
- Expenses under budget

Most systems would reward budget goal

BUT, which is the more important risk:

***The expenses saved , or
The talent capacity to handle future
projects***

IPO Investors in the 1980's

Companies whose investor communications indicate people are important:

At Time of IPO	→	Priced lower
Five years later	→	Valued higher Survival is higher

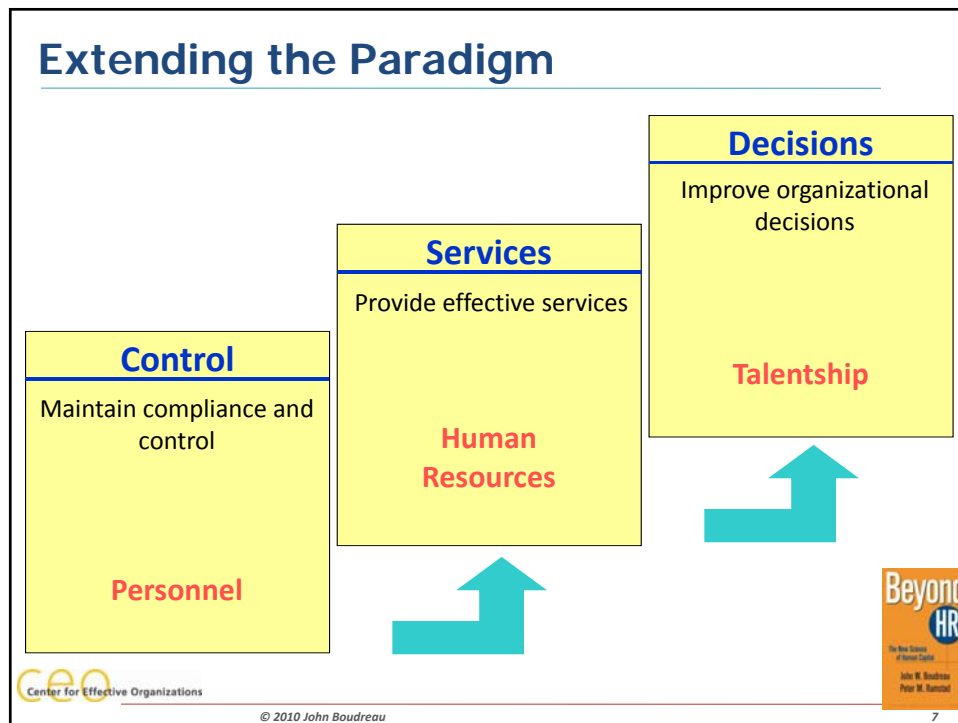


- | | |
|-------------------------|--------------|
| ➤ Average HR value | 70% survival |
| ➤ High HR value/rewards | 92% survival |
| ➤ Low HR value/rewards | 34% survival |

Risk in Talent Management?

- Where is risk built into your company's talent strategy?
- How do your HR systems manage talent risk?
- How do your stakeholders manage talent risk?





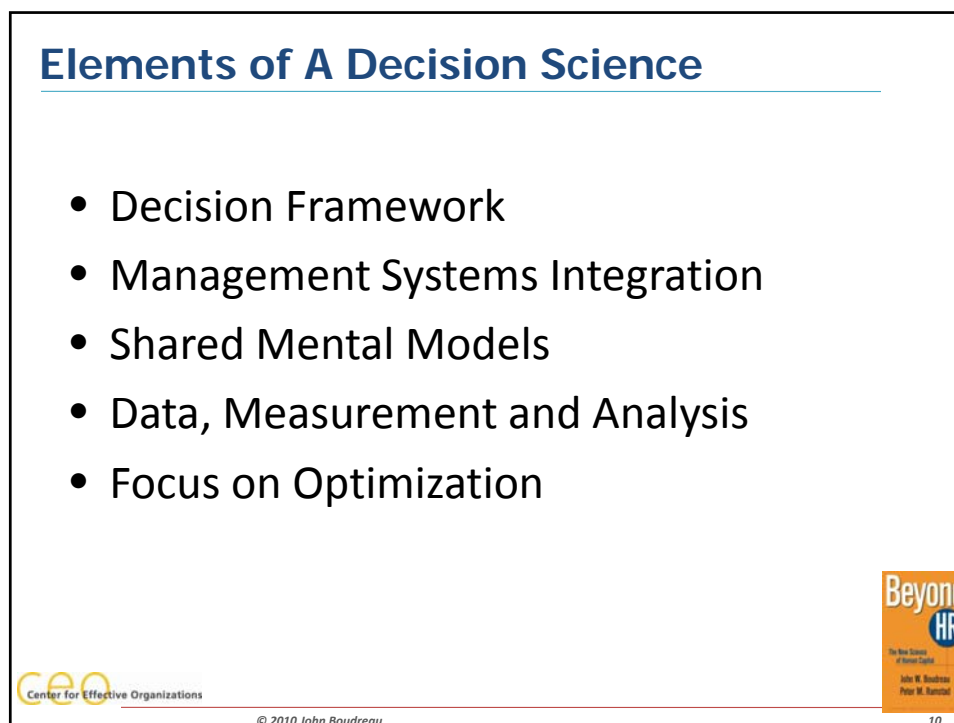
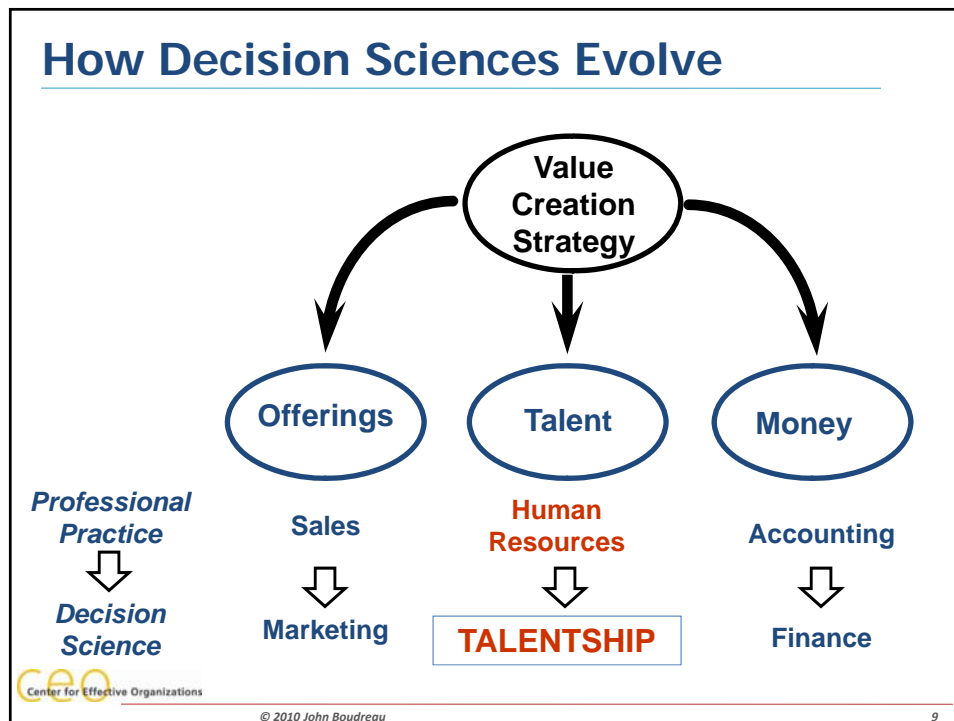
Status of Talentship

(Achieving Excellence in HRM, Lawler & Boudreau, 2009)

To what extent are these statements true about your organization? (1= little or no extent; 2=some extent; 3=moderate extent; 4=great extent; 5=very great extent)	Average (Non-HR sample)	Strategic Role (Non-HR sample)
Business leaders' decisions that depend upon or affect human capital (e.g. layoffs, rewards, etc.) are as rigorous, logical and strategically relevant as their decisions about resources such as money, technology and customers	3.2	.51 **

- Non-HR Leaders rate their decision quality regarding human capital at the middle of the scale (Finance was rated 4.1).
- Yet, the rating on this question positively relates to a separate question in which they rated the strength of their HR function's role in strategy.

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 Achieving Excellence in Human Resources Management: An Assessment of Human Resources Functions



A Common Decision Framework

Impact

Do we achieve our effects
where they matter most to our
sustainable strategic success?

Effectiveness

How much effect do our
policies and practices have on
their target population?

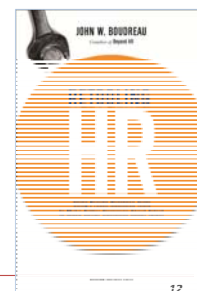
Efficiency

How much resource is invested
in the portfolio of our policies
and practices?

ReTooling HR

(Boudreau, Harvard Business Publishing, June 2010)

- Applying Proven Business Tools to Talent
- Using Logical Frameworks that Stakeholders Already Trust and Understand
- Knowing The Business *MODELS*, Not Just Knowing the Business
- Stakeholders Must Ask the Tough Questions
- Making Stakeholders As Accountable and Adept at *Talent* as Other Resources



Is "R * I * S * K"

A 4-Letter Word In Talent Management?

- What Level of Work Performance Will We See?
- Will Talent Capacity Fit Future Conditions?
- How Many Employees Will Leave?
- Will We Have Employment Shortages or Surpluses?

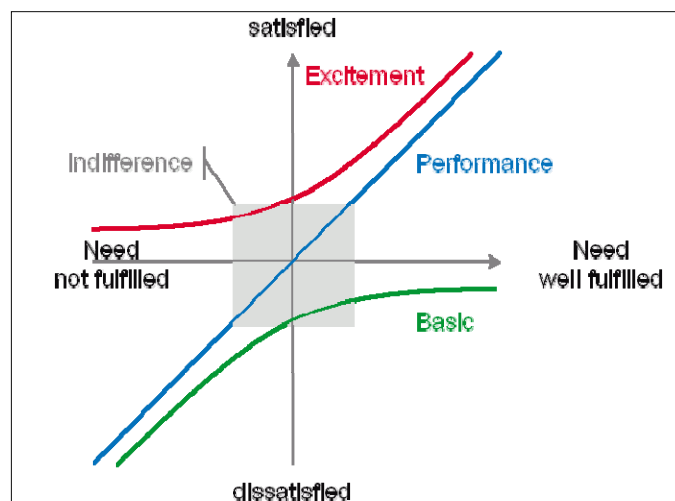
"What Level of Job Performance Will Employees Achieve?"

Using Engineering Concepts to Define and Measure Return on Improved Performance (ROIP)

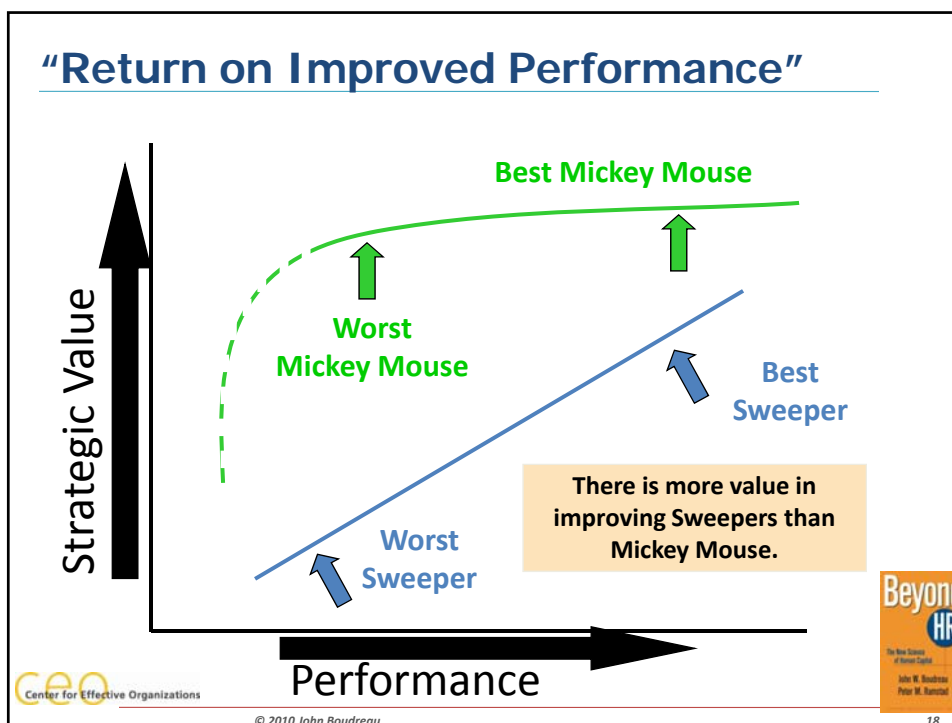
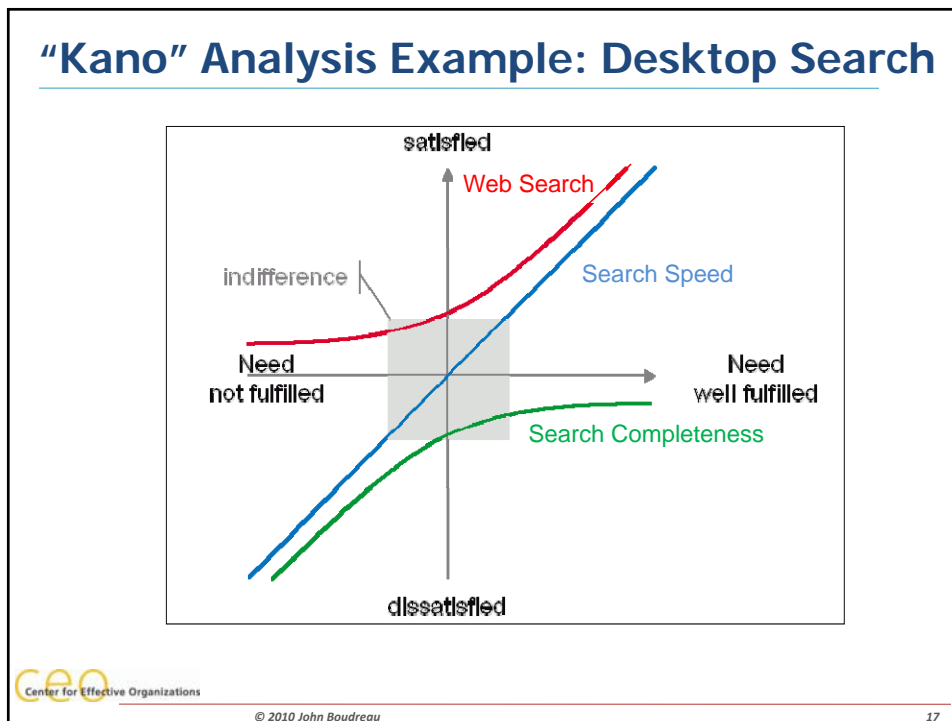
The Logic of “Critical” Talent

- What do HR stakeholders define as “critical” talent?
 - If you asked 15 stakeholders “where would improving talent 10% make the biggest difference to our strategy” What would they say?
- What do stakeholders define as “critical” supply-chain or manufacturing processes?
 - If you asked 15 stakeholders “where would improving supply-chain capacity make the biggest difference to business outcomes?” What would they say?

“Kano” Analysis in Product Engineering



Source: http://upload.wikimedia.org/wikipedia/commons/1/14/Kano_Model.gif



“How Fit Will Talent Capability Be For Future Conditions?”

Scenarios, Portfolios and Diversification

The Logic of Strategic Workforce Plans

- How do your strategy scenarios connect to your strategic workforce planning?
 - Faced with multiple possible futures, how do you prepare your talent portfolio?
- How do strategy scenarios connect to planning for manufacturing facilities, R&D, product development, etc.?
 - Faced with multiple possible futures, how do you prepare your financial portfolio?

Scenario Analysis and Talent Strategy		
	<i>Financial Portfolio Holdings</i>	<i>Global Organization Leadership</i>
<i>Uncertain Future Scenarios</i>	Economic Conditions	Chinese Markets Grow Quickly, Moderately, or Slowly
<i>Choices</i>	What mix of assets should I hold?	What mix of China-ready future leaders?

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Asset Management in Talent Planning					
<i>Investment Strategy</i>		<i>Stay the Course</i>	<i>High Return</i>	<i>Low-Risk Generic</i>	<i>Low-Risk Diversified</i>
Strategic Scenarios (3-year Market in Developing Countries)	Probability of Strategic Scenario	Returns from 100% Developed-Economy Talent Strategy	Returns from 100% Developing-Economy Talent Strategy	Returns from 100% Generic Talent Strategy	Return from 65% Developed and 35% Developing Combination
60B	30%	20 points	130 points	40 points	59 points
30B	50%	50 points	70 points	40 points	57 points
20B	20%	100 points	-20 points	40 points	58 points
Expected Return		51 points	70 points	40 points	58 points

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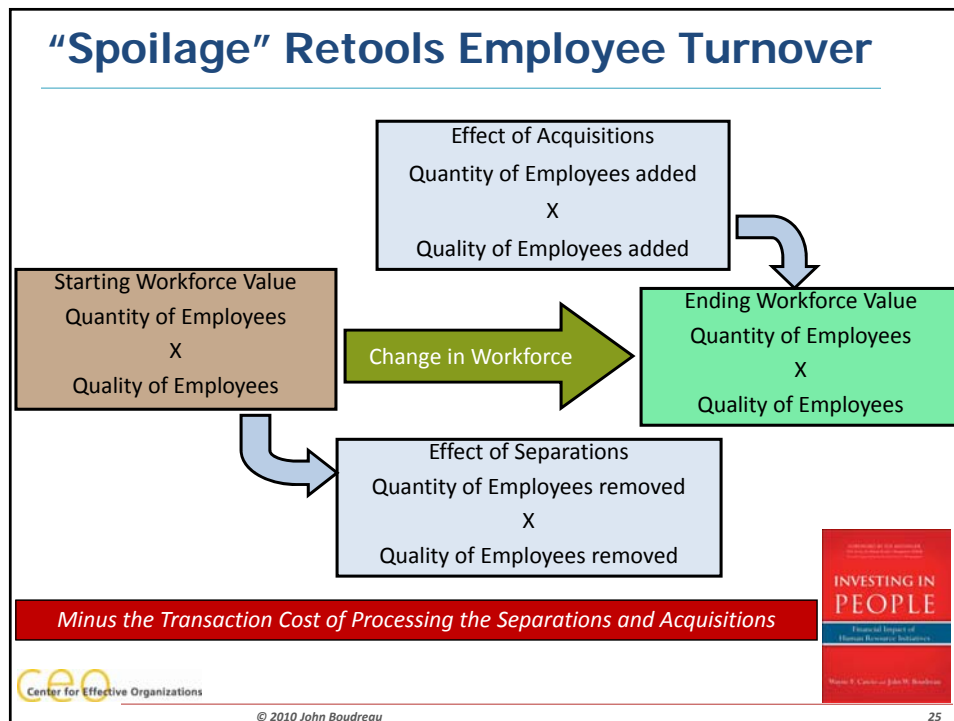
“How Many Employees Will Leave ... And How Fast Must We Replace Them?”

**Are Turnover Rates Too Dangerous to Share
with Non-HR Leaders?**

Typical Turnover Analysis Logic

- Spend months defining the right turnover rate
- Benchmark against industry competitors
- Report turnover and benchmark to stakeholders
- Calculate the costs of separating and replacing employees to show the millions of dollars saved
- What is the “right” thing to do about employee turnover of 15%?

What if produce had a spoilage rate of 15%?



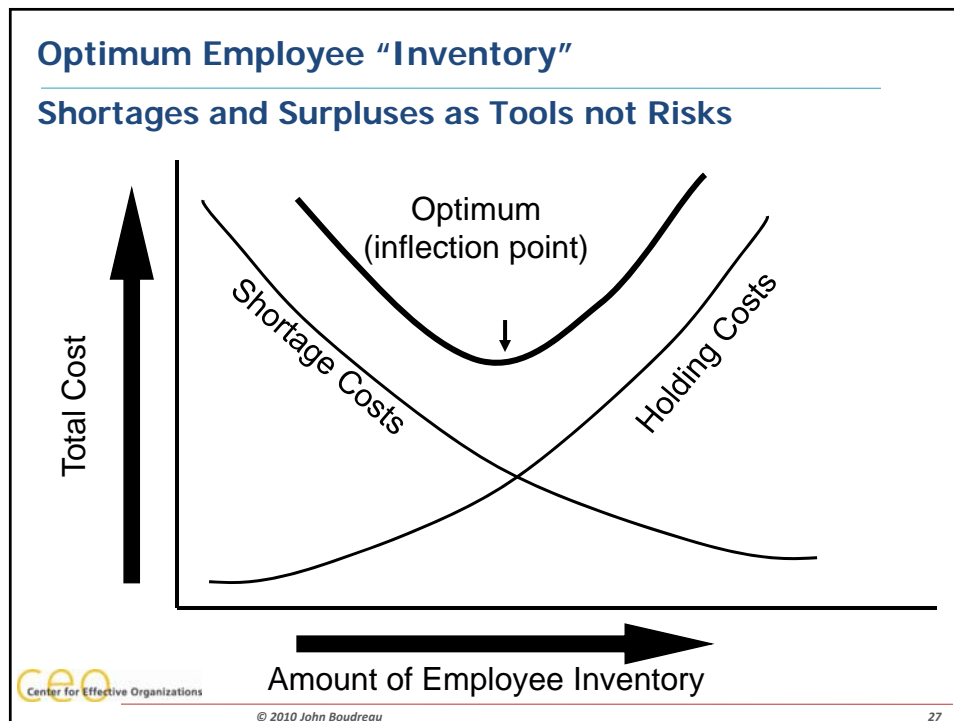
“Inventory” Retools Employee Shortages

- What do HR stakeholders consider the “right” level of employee surpluses and shortages?
- What do HR stakeholders consider the “right” amount of time to fill open requisitions for talent?

- What do stakeholders consider the “right” level of surpluses and shortages for raw materials or unfinished goods?
- What do HR stakeholders consider the “right” amount of time to fill open orders for products or materials?

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"Supply Chain" Retools Talent Acquisition

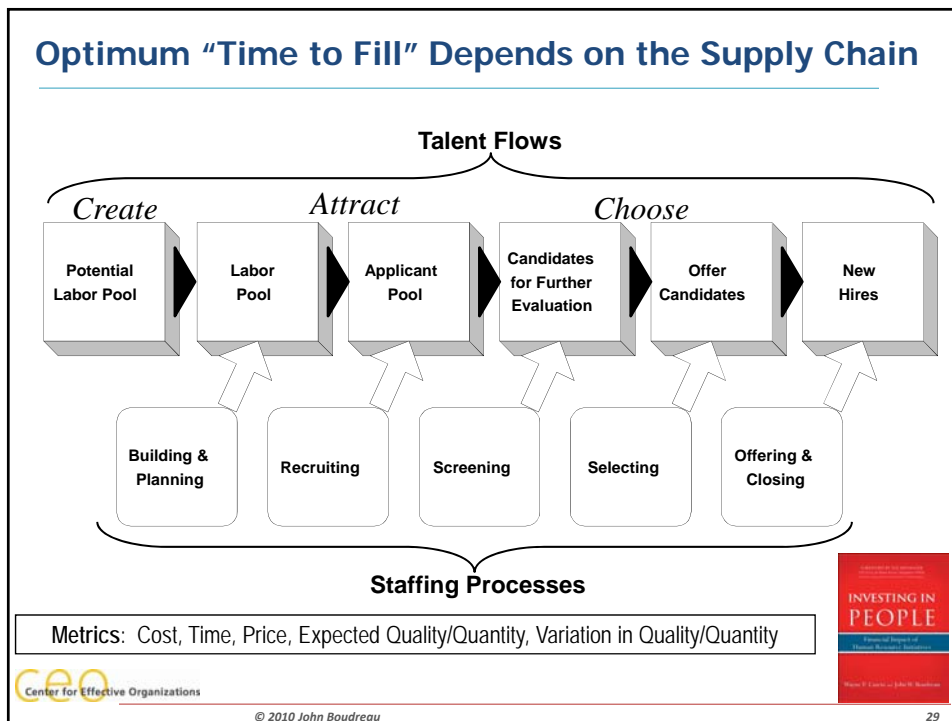
- What do HR stakeholders consider the "right" amount of time to fill open requisitions for talent?

What do HR stakeholders consider the "right" amount of time to fill open orders for products or materials?

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Retooling HR ... Getting Started

- Learn the business *logic*
- Find allies in functions outside of HR
- Seek out the inconsistencies
- Focus on the pivot-points and inflections
- Logic first, numbers later
- Rapid-prototype
- Innovate through play



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