



“Beyond the Audit: How HR Assessments Prove and Promote Your Business Impact”

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Objectives

- Clarify the key *differences* between an HR audit and an HR Assessment
- Develop an understanding of the *many situations* to which an HR Assessment can be applied
- Develop an understanding of how an Assessment can be used to *position HR as a true “strategic business partner”*
- Help you understand the various approaches to HR Assessment *data collection*
- Help you understand the different approaches to *reporting and communicating the results* of an Assessment – including use of an *HR Assessment Scorecard*
- Develop an understanding of how an Assessment can *help mitigate risk*
- Share ways an HR Assessment can help you and your CEO *prioritize investments in HR practices and programs, and determine the ROI* of each
- Provide actual examples and case studies of an *HR Assessment “in action”*

About Blue Prairie Group

- Founded in 2002
- Core Principles – transparency, objectivity, independence
- Chicago-based – offices in Atlanta, Minneapolis and Des Moines
- Privately-owned; 25 full-time professionals
- Full-service human resources and investment consulting firm
 - Human Resources
 - Institutional Investment
 - Institutional Retirement
 - Wealth Management
- Human Resources practice area
 - Extensive inside experience – in senior roles
 - Wide variety of external clients
 - Comprehensive Human Capital Management offerings – overall organizational and HR assessment, organization design, change management, employee communications, compensation planning/design, performance management, training and development needs analysis/program design, HR system identification/implementation

An Important Question:

“Are you an HR Administrator or an Executive-Level Player?”

The Answer

- It depends.....on:
 - *what* you focus on
 - *how* you get things done
 - the *culture* of your organization
 - the *CEO*
 - the caliber of your *team*
 - and *you!!*

Your Focus & Emphasis

- Do you spend ***most of your time*** focused on

- Benefits administration?
- Payroll processing?
- COLA's?
- Workers comp claims?
- I-9 administration?
- FMLA processing?

Or

- Do you spend ***most of your time*** focused on

- Attracting and retaining needed talent?
- Linking your performance management process to overall corporate goals?
- Creating a culture of accountability?
- Ensuring that your total rewards programs align with corporate direction?
- Measuring the impact of what you do?

Your Focus & Emphasis -- continued

- *Often difficult to focus on strategic initiatives if the core transactional aspects are not in place*
- *A “seat at the table” means that HR is truly **adding value to the business** and generating **measurable ROI...\$\$!***
- *Requires data (“evidence-based HR”).....*

Capturing the Important Data

- An HR Audit

and/or

- An HR Assessment

The HR Audit

- A potentially-useful *diagnostic*
- *Primary purpose*: help ensure that all HR policies, procedures and practices are up-to-date with *legal and compliance requirements*, and actually work as intended
- An HR Audit *can* help you with the following related to your policies, procedures and practices
 - Identify those *in need of updating due to changes in the law or compliance rules*
 - Identify those *not being followed and determine why*
 - Determine whether *record-keeping requirements* are being followed
 - Identify prevalent *un-written practices* and determine if they *create legal risk*
 - Determine their “*user-friendliness*” as well as needed changes to *increase compliance*
 - Identify opportunities *for new policies or procedures* that will help minimize risk
 - Identify *additional training or communication* opportunities
- Does have value – helps ensure that *the basics* are in place and in compliance.....addresses the *transactional/administrative*
- *Does not get you a “seat at the table”* as member of the executive team....*not strategic*

The HR Assessment

- Helps you *demonstrate the value add and business impact of HR* programs, practices and initiatives
- Emphasizes the *strategic aspects* of HR's responsibilities in addition to the basics
- Identifies *risks*, well-beyond legal and compliance requirements
- Helps quantify **ROI....\$\$**
- Looks at the “current state of affairs” of an organization’s HR and human capital management programs
 - What
 - How

The HR Assessment – continued

- Utilizes a *variety of information- and data-collection approaches*
- *Applicable to a wide variety of situations*
- *Action-oriented – prescriptive as well as descriptive*
 - *Actions that are and are not needed*
 - *Investments that are and are not needed*
- *Prioritized roadmap that links HR to the organization's key business, financial and operational priorities*

The Bottom Line:

Helps HR *improve performance* (individual *and* organizational), *mitigate risks* (legal/regulatory *and* operational) and *reduce costs*.....positively impacting **ROI** for the business!

Some “Flags” That May Indicate the Need for an HR Assessment

- We can't **find** good people.
- We really don't do a good job of **orienting** people to the business.
- We have **high turnover** and can't hold onto good people.

- We have a **new HR manager/director/leader**.
- We have **no real HR function** – it is the responsibility of our CFO or General Counsel – but we need one.

- **Annual reviews** are a pain. Take too much time, involve too much paper.
- We have trouble confronting **poor performers**.
- We don't **pay for performance** – we focus on COLA salary increases, not on merit.

- We plan to make a number of **acquisitions**.
- We've had difficulty **integrating** prior **acquisitions into our culture**.

Assessment-Triggering “Flags” -- continued

- The CEO/COO/CFO/CHRO (*someone* in a key role) has too many **direct reports**.
- We have too many people **living in the past**; they just can't seem to adapt to the new way of doing things.
- We have to centralize, or decentralize, or do something different....*we have to* **change!!**
- We have no way to figure out **how people feel** about working here.

- Our people don't know **what is going on**, they feel like they're kept in the dark.
- This place is **out of control** – there are no rules, supervisors are weak, people are running amok.

- We have no **system** to track our people; *everything* is done on **spreadsheets**.
- We don't **train** our people – we expect them to “hit the ground running” on day 1.
- We have no **depth in management**.
- **Succession planning** is an after-thought.

Steps in Conducting an Assessment

- Planning – determining the **objective(s)** for the assessment and **data/information needed** to address the objective(s)
- Developing the **data/information collection tool(s)**
- **Collecting** the **data**
- **Analyzing** and **summarizing** the data
- **Packaging** the data for senior management – narrative *and* graphics
- Developing **recommendations** – what should be done to address what was learned.....in the language your CEO will relate to....**ROI \$\$**

Collecting the Data

- File Review
- Input from the HR team
- Input from Senior Management
- Input from “internal customers”
- Input from those involved with the “painful” situation
- Input from those outside the company

Presenting the Data/Information

- Narrative summary
- +
- Color-coded “scorecard” (**Red** – **Yellow** – **Green**)
- +
- Action recommendations

Approaches to Conducting an Assessment

- “Narrow and deep”

or

- Broad and comprehensive”

Q: “So which approach should I use?” **A:** “It depends....on what you want to accomplish and the objectives of the assessment!”

Approaches to an HR Assessment

Some Examples Based on Varying Objectives

Broad and Comprehensive

- You are the new CHRO and want a *comprehensive view* of what you have inherited or “walked into”— a way to “*jump start*” *learning the business and developing the initial HR game plan and priorities* to share with the C-suite (particularly relevant for, but not limited to an outside hire)
- You’ve been in the role for some time, but want to take a “fresh look” in order to better *align HR’s priorities with those of the business*

Approaches to an HR Assessment -- continued

Some Examples Based on Varying Objectives

Narrow and Deep

- You/your CEO have determined that it is time to *restructure the HR department*
- The company/organization is experiencing *significant “pain” in a specific area* – high turnover of key sales staff or employee relations issues in a specific department
- The company is looking to make some significant *acquisitions to grow the business*, and wants to ensure a good “fit” between the two cultures

Broad and Comprehensive Assessments

Overview

- Address the major *Functions* for which HR is responsible such as:
 - Recruitment and Orientation/On-Boarding
 - Employment Forms, Documents and Practices
 - Employee Relations/Communications
 - Performance Management
 - Compensation
 - Benefits Plans
 - Organization
 - HR Priorities
 - Training
 - Leadership Development/Succession Planning
 - HR Systems
- You determine which areas or issues to address
- Break each area into its key components to enable you to “*drill down*”

Several Representative Examples of Functional Components

Employee Relations/Communications	Recruitment, Orientation & On-Boarding
<ul style="list-style-type: none"> ▪ Mission statement ▪ Core values ▪ Communication practices & methods ▪ Employee recognition programs ▪ Employee survey data ▪ Diversity initiatives ▪ Open door policy & problem-resolution process ▪ Progressive counseling, discipline and termination ▪ Exit interviews ▪ CBA/relationship with union 	<ul style="list-style-type: none"> ▪ Job descriptions/FLSA ▪ Hiring requisitions and approvals ▪ External candidate sourcing methods ▪ Search/recruiting firm usage ▪ Application form & process ▪ Screening/interview process ▪ Recruiter/interviewer training ▪ Reference/background checks ▪ I-9 verification ▪ New hire orientation

Conducting the Assessment

- Review each area to determine its *completeness, relevance, compliance (as appropriate), and overall effectiveness.*
- Assign a quantitative score to reflect the current status and needed actions; for example, *1 = Major Problem/Needs Immediate Attention* and *5 = All in Place and Working Well*
- An example:
 - A medium sized manufacturer
 - Looking to update its HR processes (driven by the CEO)
 - Assessment included document and file review, meetings with CEO, VP/Finance, HR/Benefits clerical, Payroll clerical, Engineering Manager, Plant Manager

An Example of a Broad & Comprehensive Assessment

EMPLOYEE RELATIONS

	Assessment/Evaluation	Score
• Mission statement	Acknowledge that something likely is needed	2
• Core values (the “culture”)	Somewhat paternalistic, with the culture driven by loyalty between company and its employees (many of whom are drawn from the community and who have long tenure)	5
• Diversity initiatives	No specific initiatives, although active recruitment in the surrounding community has brought in many Hispanic and Polish employees.	4
• Open door policy & complaint/problem-resolution process	An open-door for harassment issues has been communicated. Otherwise, this is a “given” within the culture, and there has never been a problem with employee access to management.	4
• Progressive counseling, discipline and termination policy & procedure (for union and non-union employees)	For union employees there is a structured progressive discipline process spelled out in the CBA (administered and documented by the Plant Manager). For the office staff, there has been some performance counseling – but very informally documented for the personnel files.	3
• Exit interviews – conducted? Structure? How data used?	Very informal with no structure. Discuss severance (if offered) and COBRA (there is a template Termination Letter). No data exists.	3
• CBA/relationship with union	Positive relationships; last negotiation was amicable.	5

RECRUITMENT & ORIENTATION/ON-BOARDING

	Assessment/Evaluation	Score
<ul style="list-style-type: none"> • Job descriptions/FLSA 	Descriptions superficial, some positions improperly classified exempt (OT pay not correct)..	1
<ul style="list-style-type: none"> • External candidate sourcing (all methods used – advertising, internet, employee referrals, etc) 	Run employment ads, as needed, using outside agency to place them; same firm has been used for over 10 years. Some use of temp to perm, particularly in Engineering which has the highest turnover; no fee if converted after 6 months as temp.	3
<ul style="list-style-type: none"> • Use of outside search/recruiting firms 	Contingent only, on a limited basis (pay 25-27% fees)	3
<ul style="list-style-type: none"> • Job application form & process 	Forms kept at reception desk. Not completed by all applicants. Use a purchased form – missing questions about felony convictions, prior work with the company, etc. Has appropriate disclaimer and “at will” language.	2
<ul style="list-style-type: none"> • Screening and interview process 	No standard format or structure. Clerical and factory candidates have 1-2 interviews, higher level typically met by CEO and VP/Administration.	2
<ul style="list-style-type: none"> • Recruiter training 	Some individual coaching for the supervisors, each of whom handles their own recruiting.	2
<ul style="list-style-type: none"> • Interviewer training 	Interviewers use own questions and approach. Has been no training on effective questioning, legal vs. illegal questions, etc.	1
<ul style="list-style-type: none"> • Reference checks 	Informal, as key people are well-known in the industry (for example, the recently-hired VP of Sales). Hiring supervisors are responsible, but are completed inconsistently. No forms/structure.	2
<ul style="list-style-type: none"> • I-9 verifications 	Handled by Payroll on Day 1. Copies of supportive information photocopied, and attached to I-9; kept in personnel file.	3
<ul style="list-style-type: none"> • New hire orientation 	Very informal.	2

The Summary Scorecard – an Example

Functional Area	Summary	Score	Action Priority
Recruitment & Orientation/ On-Boarding	Very informal processes, controlled primarily by the hiring organization. Job descriptions are incomplete (and positions are misclassified from an FLSA perspective), the employment application missing key information, reference checks rarely done, and the interviewing process inconsistent across functions. Interviewers not trained on effective and legal questioning techniques.	1.5	Significant
Employee Relations	Somewhat paternalistic approach has resulted in a loyal workforce. Management is readily-accessible and uses multiple methods to communicate with the people, sponsors various events and provides tangible recognition. Union relations are positive and amicable. While turnover is low, exit interviews are informal.	4.0	Little Needed

Turning the Priorities into Action Steps

- **FLSA Issue** – the risk of improper Exempt vs. Non-Exempt classification (resulting in incorrect payment of overtime) was approximately \$500,000. Steps taken to address this issue.

- **Recruitment Process** – application forms updated, background screens and reference checks put in place. Interviewers trained on effective interview skills, including legally-appropriate, open-ended and behaviorally-based questioning techniques.....helped bring better employees into the organization.

Measurable Positive ROI Impact

Narrow and Deep Assessments

Overview

- Scope and breadth depends on the objective(s)
 - *An HR department restructure* -- address many/most of the major functional areas to determine how they should best be allocated and to whom
 - *M&A due diligence* -- focus on cultural/leadership issues to determine “fit” and integration challenges
 - *A specific “pain” issue* (such as employee relations) -- focus on that issue only
- Data collection also varies
 - *HR restructure* – primarily interviews with HR staff + “internal customers”
 - *M&A due diligence* – meet with key leadership from acquiring organization *and* acquisition target
 - *Specific issue* – meet with/survey individuals involved with the problem

An Example – HR Department Restructure

- *Newly-promoted CHRO – CEO/COO wanted to ensure HR was aligned with their business priorities*
- Look at *what* work is done in HR, *how* it is done and by *whom*
- Data collection through interviews with current staff along with input from CEO/COO
- Various levels of functional development – used in conjunction with key CEO/COO priorities to restructure HR.....*”form follows function”*

Well-Developed	Somewhat Developed	Under-Developed
Forms/Files/Compliance Benefits Design & Admin.	Recruitment/Talent Acquisition Employee Relations Performance Management HR-Business Priority Linkage HR Systems	Orientation/On-boarding Employee Communications Development Planning Compensation Training Succession Planning

- Updated structure *better positioned* new HR Officer to have a “seat at the table”:
 - Delegate the transactional tasks (many of which were already well-developed);
 - Strengthen certain responsibilities; and,
 - Adjust headcount to provide focus on the underdeveloped strategic areas

Potential Positive ROI Impact

A Second Example – Employee Relations Issue

- Situation – rapidly-deteriorating employee relations environment in call center operation, *CHRO decided* to complete focused assessment of employee perceptions (supervision *and* staff)
- Structured interview formats
- Confidential 1-on-1 interviews with all supervisors and most of staff....total of 50 interviews
- Identified **High Priority** areas needing attention
 - Quality of supervision/leadership
 - Communication practices
 - Training
 - Policies and procedures
 - Compensation
 - Operations/customer relations
- Implemented numerous changes -- leadership and communication practices the priorities
- 6-month follow-up – staff turnover reduced from annualized 50% rate to less than 10% + significant improvements in customer satisfaction
- *CHRO reinforced* “seat at the table” role in the organization through this *proactive* intervention

Positive ROI Impact

Final Example – As Part of M&A Due Diligence

- HR’s *unique, value-added contribution* – other disciplines, such as benefits brokers or attorneys, address transactional and regulatory risks
- Addresses deal feasibility and integration risks from a cultural/human capital perspective
- Steps in process
 - Develop a *Baseline Culture* – understand acquiring company’s approach
 - Assess target’s *Actual Culture*
 - Complete *Gap Analysis*
 - Complete *Risk Assessment*

Significant Risk	Moderate Risk	Small/No Risk
<ul style="list-style-type: none"> • Core/Shared Values • Management Succession • Organizational Structure • Functional Priorities • Performance Management 	<ul style="list-style-type: none"> • Overall Culture • Leadership Competencies • Compensation & Pay for Performance • Leadership Development 	<ul style="list-style-type: none"> • Communication Practices • Decision-Making

- Provide specific actions/recommendations to address most significant risks (assuming there are *no “deal breakers”*)
- Result – deal consummated, but key succession, core value and performance management *Gaps* built into integration plan

Positive ROI Impact

Summary

- Traditional HR *Audit can be a useful diagnostic....up to a certain point*
- Relying on the Audit to quantify and “red flag” issues limits impact
- An HR Assessment can *help* take the HR function, and you, to the next level
 - Data that will help improve performance, mitigate risks and reduce costs
 - A **positive ROI impact**
- It does not happen “magically”
- What’s required
 - Hard work
 - Supportive CEO
 - Willingness for HR to step out of a traditional, transaction-driven “comfort zone”

Summary – Continued

- HR might be **“pushed”** into this role.enviable position.....reactive.....high expectations

Or

- Might be up to HR to **“pull”** the organization along.....requires more “selling”.....proactive.....shape expectations

Summary – Continued

- *Objectivity* is the key
- Effectively designed and implemented HR Assessment *can* help you have a viable “seat at the table”
- *Not* a panacea.....depends on how you answer the key questions:

Key Questions

“Are you an HR administrator or an executive-level player?”

+

“Which role do you want to play?”

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An Overview of Blue Prairie Group

Blue Prairie Group is a full-service human resource and investment consulting firm headquartered in Chicago, IL. We are an employee-owned firm with an ownership structure designed as a partnership in order to attract top caliber consultants and staff. In addition to our Chicago headquarters we operate three satellite offices in Atlanta, Des Moines, and Minneapolis. We have 25 full-time professionals who deliver comprehensive, world-class consulting solutions tailored to each client's needs – at a reasonable cost.

These are the **four** practice areas within the firm:

- 1) **H**uman **R**esources
- 2) **I**nstitutional **I**nterest
- 3) **I**nstitutional **R**etirement
- 4) **W**ealth **M**anagement



The firm was founded on **three** core principles:

- 1) **T**ransparency,
- 2) **O**bjectivity, and
- 3) **I**ndependence.

We work with all types of organizations: corporate, not-for-profit, associations, governmental and religious institutions.

At Blue Prairie Group, we promise you action, vigilance and real world solutions. We help you leverage the value of your people through effective human capital management programs that more than pay for themselves through *improved performance, lowered costs and reduced risk*, while helping align your people with your organization's operational and strategic goals. We focus on one thing and one thing only: bringing real life solutions to your human resource challenges. We work with you as your business partner, beginning our relationship by developing an understanding of your organization, its culture and its management team.

So, *what makes Blue Prairie Group different and better?* Our human resource team has extensive expertise in senior leadership roles inside organizations and has hands-on experience addressing the challenges you are facing. We know what it means to be accountable for delivering results in operating environments; we understand your needs and constraints because we have been there! And, it is only this senior team which works with you; we do not delegate the work to inexperienced staff. Our collaborative, team-based approach provides you with full access to Blue Prairie Group's cross-functional team of experts.

We do business in a straightforward and open way. We encourage responsibility, teamwork, innovation and frequent dialog. Our services are thorough, cutting-edge and tailor-made to your needs, and our collaborative approach to assignments ensures that we deliver the results you want. Our goal is to consistently exceed your expectations.