



Steven T. Hunt

# COMMONSENSE TALENT MANAGEMENT

Using  
**Strategic  
Human  
Resources**  
to Improve  
Company  
Performance

WILEY



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*This book is dedicated to the memory of Alan James Hunt*

*If I have seen further it is by standing on the shoulders of giants.*

*—Isaac Newton*



## P R E F A C E

Other than health and family, few things are more important to happiness than having meaningful and fulfilling work. Creating high-quality work environments positively influences the lives of employees, their families, their managers, their customers, and the broader society. Higher-quality work environments create better world environments.

Despite the value of high-quality work environments, our society is plagued by examples of poorly run companies. Workplaces are so frequently mismanaged that there is even a genre of humor solely devoted to making fun of office life (*Dilbert* and *The Office* come readily to mind). I often find this humor enjoyable, but I also find it somewhat sad, and even tragic. It is sad because it is based on real problems that financially and emotionally hurt employees, managers, customers, and their families. It is tragic because we have the knowledge to avoid most of these problems, but many organizations do not use this knowledge.

This book is titled *Commonsense Talent Management* because the concepts it explains are based on fundamental psychological principles about employee behavior. These principles are well established and for the most part fairly straightforward. They make basic sense provided you are aware of them. But they are also overlooked by many managers and companies. As an example, consider the importance of working with employees to set clearly defined job goals and providing employees with constructive behavioral feedback and coaching. Setting goals and providing feedback are basic management techniques that

have a significant impact on workforce productivity, but many companies do not do either of these things consistently or effectively. Why is this? If we all know we should do it, why don't we? This book addresses these sorts of questions by examining how to get leaders, managers, employees, and human resource specialists to carry out commonsense activities necessary to create highly productive work environments.

I often say that creating a healthy workplace is like living a healthy lifestyle. Everyone knows that losing weight requires changing one's diet and exercising more. It is not a matter of knowing what to do; it is doing it on a regular basis. As you will see in this book, the same thing can often be said for workforce management. We know what to do yet struggle to do it consistently. However, it is not hard to do provided we focus on basic guidelines and principles.

This book provides guidance on how to create more productive, healthy, efficient, and sustainable work environments through the effective use of human resource processes. The book is specifically written for human resource professionals because those are the people whose responsibility typically includes increasing workforce productivity and creating higher-quality work environments. The topics in the book are also relevant to all business leaders concerned with creating an efficient, productive, and sustainable workforce.

# Commonsense Talent Management



# Why Read This Book?

## The Good, the Great, and the Stupidus Maximus Award

In 2001 a book called *Good to Great* was published that profiled companies that were considered to have exemplary business practices.<sup>1</sup> One of those companies was the electronics retail company Circuit City. Less than ten years after *Good to Great* was published, Circuit City was bankrupt, and its stock was delisted. How did such a high-performing company go so quickly from good to great to gone?

Many things contributed to the demise of Circuit City, but one action that stands out was the decision in 2007 to fire their most experienced employees and replace them with less-expensive newly hired staff. This move provided immediate financial benefits but created lasting and permanent damage to Circuit City's performance. It even led to the creation of an award to recognize colossally bad management actions: the Stupidus Maximus Award. The award observed, "It doesn't take a genius to know that getting rid of your most experienced and productive workers is not only a terribly shortsighted strategy, but incredibly dumb."<sup>2</sup>

It would be nice if stories such as this one from Circuit City were rare. They are not. We all have stories of apparently stupid things we have seen managers do. Bad management seems to be something we simply expect and accept as something we just have to live with, much like bad weather. What leads to

all these bad management decisions? Most people who get promoted to management positions have had to demonstrate that they possess at least a reasonable level of intelligence and have shown that they can be trusted at some basic level to support and help others. Very few managers are particularly unintelligent, cruel, or unethical. Circuit City's decisions were almost certainly done by extremely bright and highly successful executives. These executives may have earned the Stupidus Maximus award, but they were not stupid people. The reality is that all of us are capable of making stupid management decisions. Many of us, although it may be painful to admit, have already done so. The challenge is that companies do not learn that their management decisions were stupid or ineffective until after they have been made.

The reason companies make bad workforce management decisions is usually the same reason people make other bad decisions: they fail to think through the consequences of their actions or overlook crucial pieces of information. Poor management decisions are often the result of not appreciating what actually drives employee performance. More often than not, this comes from looking at decisions from the perspective of the organization without thinking about these decisions from the perspective of employees. A decision that makes sense in terms of a company's financial models may not make sense if you look beyond these numbers at the psychological factors that underlie employee actions that drive company profits. Employees do not do things because their company wants them to. They do things because they want to do them, have the capabilities to do them, and have confidence that solely they can succeed.

Successful companies are not built solely on the things leader and managers do themselves. Successful companies result from what leaders and managers are able to get their employees to do. This requires understanding work from the perspective of others and knowing how to predict and change employee behavior to align with business needs. That's ultimately what this book is about.

This book is a guide to using strategic human resources (HR) to increase business performance. Strategic HR encompasses a variety of processes, including staffing, talent management, performance management, compensation, succession, development, and training. The term *strategic HR* is used to distinguish these processes from other HR processes that are more administrative in nature.

Strategic HR focuses on processes used to align the workforce to deliver business results. It is often described as getting the right people in the right jobs doing the right things and doing it in a way that supports the right development

for what we want people to do tomorrow. Administrative HR focuses on administrative and legal processes associated with the employment of people: managing payroll, providing health care benefits, and handling the administrative and legal details associated with establishing and terminating employment contracts, for example.

Strategic HR is critical to achieving business objectives consistently and effectively. It has a major impact on the profit, growth, and long-term sustainability of organizations. Administrative HR is critical to organizational functioning but is not a strong source of business advantage. For example, although it is difficult to motivate employees if their paychecks don't show up, paying people on time is not going to give a company competitive advantage. In this sense, administrative HR is similar to other crucial support services such as processing expense reports, maintaining e-mail systems, and managing building facilities. Administrative HR gets little attention from most business leaders unless it fails to work. Business leaders rarely ask administrative HR questions such as, "How do I ensure people get paid on time?" But they often ask strategic HR questions such as, "How can I get the employees I need to support this project?" or, "How do I get people aligned around the company's strategic goals?"

There is a symbiotic relationship between strategic HR processes and administrative HR processes. Although there is a tendency to discuss these two sides of HR as though one were more important than the other, the reality is that we need both. Administrative HR is needed to employ people. Strategic HR is necessary for ensuring that people are doing what we have employed them to do. Strategic HR is where companies gain the most competitive advantage because it is about increasing workforce productivity and not just maintaining standard corporate infrastructure. If HR professionals want to increase the impact they have on their company's strategic initiatives and business operations, then being good at strategic HR is how they will get it (see the discussion: "Strategic HR: Leadership: What It Does and Does Not Look Like").

## **STRATEGIC HR LEADERSHIP: WHAT IT DOES AND DOES NOT LOOK LIKE**

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If HR is going to influence business strategies, then its leaders must show how HR methods can improve business results. These leaders must be willing to advance bold recommendations on how HR

processes can support business operations and back up these claims with decisive action. People in HR often speak about “getting a seat at the leadership table,” but HR leaders must also play a vocal role in the conversation at this table if they wish to keep this seat. My experience is that not all HR leaders are comfortable taking such a highly visible role. The following two stories illustrate the difference between strategic HR leaders and HR leaders who may be at the leadership table but seem reluctant to speak up.

The first story illustrates what strategic HR leadership looks like. A major manufacturing company suffered a severe downturn in business due to the 2008 recession. It hired a new CEO who realized the company would go bankrupt unless it radically changed its strategic focus. This meant getting a tradition-bound company to adopt difficult and highly challenging goals quickly. HR leaders in the organization spoke up and said that improving the HR processes used to manage employee goals could play a central role in this turnaround. They then committed to implementing HR technology that allowed the organization to set and track goals across more than twenty thousand employees in over fifteen countries. They agreed to do it in less than four months. This was an extremely ambitious HR initiative, and it played a central role in the company’s turnaround strategy. Rather than shy away from this high-profile and risky engagement, the HR leaders committed to making it happen. Two years later, this company had completed an extremely successful business turnaround, and the HR organization had played a highly visible role in making it happen.

Compare the previous story of strategic HR leadership to the following one illustrating a different type of HR leader. A product marketing company was about to launch a new technology-enabled process to set and track employee goals. Two weeks before the goal management process was to be launched, the HR leadership team learned that the company had made a massive acquisition. Business leaders wanted to align the two workforces as quickly as possible around a common set of strategic objectives. The immediate reaction among some members of the team overseeing the goal management process was, “This is perfect timing because goal management is central to workforce alignment.” Yet the HR leadership team did not appear to see it this way.

Traditionally at this company, goals had mainly been used as a way to justify compensation decisions. They thought of goals only as a tool for personnel administration, not as a means to support strategic communication and alignment. Rather than seize this opportunity to demonstrate how this HR process could support a critical business need, the HR department chose to delay the goal management process launch until the acquisition settled down.

The difference between these two stories was the difference in the willingness of HR leaders to play a central, high-profile role in supporting a mission-critical business need. If HR leaders want to have strategic impact, they need to be willing to take on projects that put HR in the spotlight. Such projects are likely to be high stress and high risk, but such things are necessary to becoming highly relevant to business strategies. It is not enough to have a seat at the leadership table; you need to influence the conversation.

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This book explains the major design questions that underlie effective strategic HR processes. It does not prescribe using certain specific strategic HR processes or give advice that assumes there is one best way to manage people. There isn't one best way to manage people in general. However, there is a best way to manage the people in your organization, taking into account your company's particular workforce characteristics, business needs, and resource constraints. This book helps you think about strategic HR process design and deployment so you can uncover the practices that are truly best for your company. It will also help you recognize and avoid particularly bad practices, such as firing your most skilled and experienced employees to save short-term costs!

This book is based on psychological research studying factors important to workforce productivity, combined with my experience working with companies of all sizes around the globe.<sup>3</sup> The more than twenty years I have worked with companies seeking to improve workforce productivity that have hammered three fundamental beliefs into my brain. First, there are very few true best practices. What works in one company may not work in another (see the discussion: "The Problem with HR Case Studies"). In fact, what works in one company may actually hurt performance in another. Second, although there are no true best practices, there are necessary practices that influence the design of many HR

processes. These practices may not provide competitive advantage, but HR processes will not work if you do not address them. Third, the reason HR often fails to be effective is that companies did not fully think through key design questions when building and deploying HR processes. In particular, they did not consider how these processes must interact with employee psychology to create the behavioral changes they are intended to achieve.

## THE PROBLEM WITH HR CASE STUDIES

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This book contains many stories of effective and ineffective HR practices drawn from work I have done with hundreds of organizations. I intentionally do not share the names of these companies for several reasons. Foremost, which companies these are is not the point. The point is what we can learn from their experiences. Furthermore, not all of these stories portray companies in a positive light. Finally, I do not want to perpetuate a tendency in the HR field to copy other organizations' HR practices based on the name of the company instead of the nature of the practice.

The field of HR has a history of idolizing companies based more on their current financial performance than on the quality of their workforce management methods. It is common to see books or case studies written about HR methods used by companies that have achieved financial success. These usually include an explicit or implicit admonition that other companies should use the same HR methods. There are two problems with this approach. First, HR processes that work in other organizations may not work or even be feasible in your own. Second, just because a practice worked for a company in the past does not mean it will continue to work in the future. Companies need to adjust their HR methods to meet the shifting nature of labor markets, technological resources, business models, and economies.

The value of strategic HR methods depends on your company's business needs, its culture, characteristics of its employees, its resources, and a range of other variables. This point was succinctly made by a colleague of mine in the 1990s when General Electric (GE) was doing exceptionally well under the leadership of its famous CEO, Jack Welch. Many books were written about HR methods at GE under Welch as examples of HR

best practices. During that time, an HR professional asked my friend, “What does our company need to copy the HR practices used at GE?” to which he replied, “100 years of history, 100,000 global employees, and hundreds of millions of dollars’ worth of financial capital.” His response was somewhat flippant, but the point is valid. GE’s practices worked extremely well for GE at that time in history. But that does not mean they will work equally well for another company or at another time.

This book contains dozens of examples of HR methods drawn from scores of different companies. Only three of these companies are mentioned by name: GE, Circuit City, and Enron (in chapter 6). GE is an example of a company whose HR practices have significantly changed over the years to adapt to shifting business needs. Many HR practices that GE was famous for in the 1990s such as forced ranking are no longer used by GE today. Circuit City and Enron are examples of companies that were once extremely successful and were lauded for having highly effective strategic HR practices. Both also experienced colossal business failures that were caused in part by flaws in their approaches to strategic HR and a failure to effectively change their HR methods to meet changing business demands. The lesson to be learned is to never implement a strategic HR practice just because someone else is doing it. Study what other companies are doing as a source of ideas and insight, but do not implement an HR practice until you critically examine whether it makes sense for your company’s unique situation.

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This book takes a comprehensive look across all of the major strategic HR processes used to hire, motivate, develop, and retain employees throughout the employment life cycle. It addresses design issues affecting specific strategic HR processes and explains issues related to integrating multiple processes to address different types of business needs. Unlike many other HR books, this book does not prescribe how HR processes should be designed. Instead it walks through the major considerations to ensure the processes you create are the right ones for your business. This book is not an instructional manual that presumes to tell you how to manage your workforce. It is a guide through the major questions, concepts, and issues to consider when building and deploying strategic HR processes to support the unique business needs and culture of your company.

The book summarizes years of experience and knowledge into a set of frameworks, key questions, and diagnostic tools that will help you create a healthier, more productive work environment for employees, managers, and customers alike. I do not pretend that this book has all the answers. But it does provide solutions and concepts that have been effectively leveraged across a huge variety of companies. Some of the topics discussed are a bit complex as a result of the topic area. As is commonly said, if this problem was easy to fix, someone would have figured out the solution long ago and we'd all be using it. Nevertheless, many of the concepts in this book can be effectively learned and applied to your company's strategic HR processes in a matter of weeks. If you want to understand how to think through HR at a more strategic level, how to articulate its value to others, and how to design processes that positively change employee behavior, this book is for you.

## **1.1 HOW THIS BOOK IS STRUCTURED**

Chapter 2 provides clarity on what strategic HR is, why it is important, and why it is often difficult. The chapter also explains the four fundamental strategic HR processes of right people, right things, right way, and right development.

Chapter 3 introduces the concept of business execution, explains why understanding a company's business execution drivers is fundamental to the design of effective strategic HR processes, and describes the link between the six key business execution drivers and the four fundamental strategic HR processes.

Chapters 4 through 7 discuss critical design questions underlying each of the four fundamental strategic HR processes: right people, right things, right way, and right development. These chapters discuss how to build and deploy processes associated with staffing, goal management, performance management, succession management, development, and other forms of strategic HR.

Chapter 8 looks at methods for integrating and aligning different areas of strategic HR to create an overall strategic HR road map. This chapter could be read either before or after chapters 4 through 7. I placed it later in the book because I believe it is often easier to develop strategies if you have a solid understanding of the methods that will be used to execute them.

Chapter 9 discusses methods for deploying integrated strategic HR initiatives. This includes techniques to get employees, managers, and leaders to adopt and effectively use HR processes.