From Personnel Management to Business Execution:
The role of technology in the evolution of human resources

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The field of human resources can be divided into two basic areas:

> **Personnel Managemen**t focusing on administrative and legal processes associated with employment of people. This includes things such as managing payroll, providing healthcare benefits, and handling the administrative and legal details associated with establishing and terminating employment contracts. I like to refer to this as the basic care and feeding of employees.

> **Business Execution** focusing on talent management processes associated with aligning the workforce to deliver business results. Business execution is often described as "getting the right people in the right jobs doing the right things". You might also add "in a way that supports the right development for what we want people to do tomorrow".   I refer to this as maximizing and sustaining workforce productivity.

Personnel management is critical to organizational performance but it is not seen as strategic. For example, while 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, personnel management is similar to other crucial support services such as processing expense reports, maintaining e-mail systems, or managing building facilities. The personnel management side of HR typically gets little attention from line of business leaders unless it fails to work.

Business execution represents the strategic side of HR. HR's ability to increase business execution is the primary reason why HR matters to operations leaders. Line leaders rarely ask personnel management questions such as "how do I ensure people get paid on time?" They often ask business execution questions such as "how do I get people aligned around the company's strategic goals?" If HR leaders want greater influence with the CEO and his/her direct reports then being good at business execution is how they will get it.

Why HR struggles to deliver business execution:

If line leaders care so much about business execution then why are HR organizations so often viewed as administrative functions consumed with personnel management issues?   If HR can help operations leaders "get employees to do what they need them to do", then why aren't these leaders proactively reaching out to HR executives for help implementing business strategies?   The answers to these questions hinge on an HR department's ability to truly drive increased levels of business execution.

One reason HR organizations struggle when it comes to business execution is it is harder to support than personnel administration. Personnel administration is largely about implementing well defined and efficient processes (e.g., ensuring the proper information is collected when enrolling employees in a healthcare benefits program). In contrast, business execution requires predicting and changing employee behavior (e.g., identifying employees who have the potential to become future business leaders and giving them assignments that allow them to realize this potential).

Predicting and changing behavior is hard. As the divorce rate demonstrates, people have difficulty predicting what they and others will do even when their life happiness is at stake. And anyone who has tried to lose weight can attest to the difference between knowing what behaviors you want to change and actually changing them.

Two things are required for an HR organization to effectively support business execution.
1. **Expertise.** The HR organization must have expertise in methods for predicting and changing employee behavior. For example, understanding how to use goals to motivate employee performance or being able to measure employee performance in a way that allows the company to accurately predict future potential.
2. **Implementation.** The HR organization must be able to efficiently deploy its business execution expertise across the organization. It does not matter if the HR department knows how to increase employee performance if the department cannot effectively share this knowledge with the line leaders who actually manage employees.

How technology enables HR to evolve from personnel management to business execution:

Technology has and continues to play a pivotal role in enabling HR organizations to move from personnel management to business execution.   To illustrate this process, let's take a look at 4 different "generations" of HR that have emerged over the past 20+ years.

Pre 1990: Generation "Personnel Administration". Prior to 1990, many HR organizations were almost entirely focused on personnel administration. This was due in part to the sheer amount of time required to manage administrative HR processes before the widespread implementation of HR automation technology. In fact, prior to 1990 many HR organizations were not even called "human resources". Instead, they had titles such as Office of Personnel Administration or Personnel Department.   The main focus of HR in this generation was on how to efficiently process employee paperwork.

1990 to 2000:   Generation "Human Resources". Two things happened in the 1990s that led to personnel management being redefined as "human resources".   First, implementation of ERP technology significantly reduced the time needed to perform administrative HR tasks. This freed up HR organizations to focus more on business execution topics. This led to significant advances in the expertise found within HR related to predicting and changing employee behavior. Many of the talent management techniques we now take for granted were largely developed in the 90s (e.g., action learning, competency modeling, structured interviewing, goal setting).

Second, the widespread adoption of personal computers made it possible for HR organization to utilize more sophisticated talent management techniques to support key talent decisions. For example, using computer based tools for and forms for evaluating employee performance and assessing job candidates. Throughout the 90s the focus of HR steadily shifted beyond simple personnel management to include processes designed to improve the quality of workforce decisions (e.g., determining who to hire, proactively managing employee turnover, or using job goals to drive employee development).

2001 to 2010: Generation "Talent Management". Widespread adoption of internet systems in the 2000s allowed HR organization to more efficiently share data across what had previously been independent HR processes.   For example, automatically importing data collected during the hiring

process into systems used to support employee development and management. Greater access to data enabled HR to shift from focusing on specific employee decisions to aligning talent management processes.   No longer was HR limited to being a series of isolated silos focusing on staffing, training, compensation and succession. Now HR could function as a set of integrated talent management processes designed to ensure a steady supply of high performing talent in critical job roles.

2011 to ?: Generation "Business Execution".

As companies increasingly adopt cloud computing applications, HR organizations are spending less time maintaining in-house talent management tools and more time on how to most effectively use these tools to increase workforce productivity.   The shift to the cloud also enables HR technology vendors to invest more resources into creating highly scalable, user friendly applications that embed HR expertise in tools that are accessible to line managers.   This allows HR professionals to shift their energy from managing processes to actively supporting business execution.   HR is focusing less on simply keeping track of who employees are, and more on ensuring these employees are being used effectively to support the company's short and long-term business strategies.

The impact of cloud based business execution technology on HR can be likened to the impact that global positioning satellite (GPS) technology has had on the use of street maps. It has allowed companies to take information off of shelves where it was rarely accessed and put it in the hands of decision makers when they need it in a format they can readily use. The result is an increasing number of HR organizations that are fundamentally and profoundly improving how line managers run their businesses.

What does it take to turn your HR organization into a Business Execution department?

While technology plays a critical role in enabling the transformation of HR from personnel management to business execution, technology by itself does not create this change. HR leaders must effectively use this technology to drive more business relevant conversation with line leaders. Rather than asking operations leaders about HR topics such as employee engagement or leadership development, HR professionals must start conversations by asking line leaders about what it is they need people to do. What kinds of people do they need in the company to support the company's growth strategies?   What do they need employees to do differently tomorrow from what they are doing today to effectively drive new business initiatives?

Running a business requires doing three things:
1. **Defining Strategy.** Figuring out what you need to do to succeed.
2. **Managing assets.** Securing the capital & resources required to support the strategy.
3. **Driving business execution.** Building and managing the <u>workforce</u> to effectively leverage company assets to deliver strategic objectives

Defining strategy is commonly owned by the CEO and marketing.   Managing assets is often owned by finance and supply chain. HR, for perhaps the first time in its history, has both the knowledge and tools needed to play a true leadership role in driving business execution. The next step is for HR leaders to take ownership of this role. We have the capabilities; we just need the courage and conviction to use them.