21st Century Thinking in Managing Today's

Not-For Profits:

The Role of Human Resources

May 28, 2003

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I. Current Scenery

- **We are in the most prolonged period of economic distress without inflation since the end of double-digit inflation in the mid- 1980's**

- **In the world of philanthropic giving, we are experiencing "donor fatigue" and from governmental sources there are cutbacks in funding everywhere.**

  - **The New York Metro Area has been hit hard, for several reasons:**
  a) **9/11 caused an economic issue**
  b) **9/11 caused a use of Agency resources not budgeted**
  c) **NYC and NYS are in fiscal crisis and funding is down**
  d) **NYC in general has suffered socially and economically**
  e) **The Wild-West Days of the Dot.Com era effected us all**
  f)   **There are more people in need of Agency services as the result of these cumulative crises**

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I. Current Scenery, Continued

- **We have been in a 0-4% Salary Increase Budget environment since 1988.**

- **Recent layoffs and retrenchments in the not-for-profit sector are profound and represent significant pressure on client service and remaining employees.**

- **During this period of time we have searched for "techniques" to distribute this limited amount of money only to find the same answer:**

  - **"There is no way we can find pay dollars to differentiate between good performers and everyone else." This is true in all sectors of business. (compounded by union settings)**

I. Current Scenery, Continued

- **In exchange for dollars, we have offered alternative reward and employment structures, in the form of:**

  Flexible working arrangements
  Telecommuting
  Pet Insurance
     And Dozens of Programs designed to retain Employees and keep them Motivated

- **We have thought hard about how to be the "employer of choice,"**

BUT, at the end of the day, we still had/have 0-4% to spend and no best one way has been adopted to solve this problem.

II. Business Issue

- **With 0-4% pay budgets organizations must retain employees, especially knowledge workers and those involved in client retention.**

- **Employee Loyalty and Continuity is Linked to Client Loyalty and Client Satisfaction...a strong link to organization success.**

- **Management believes that with 0-4% budgets employees are actually ahead of inflation (running less than 2%) then they were in the mid 80's (increases of 15% and inflation of 20%).**

II. Business Issue, continued

- **Nevertheless employees feel cheated and frustrated.**

- **Survey last week about what keeps individuals from travel?**

 # 1 answer…….personal finances (people feel poor)

distant # 2 and #3 were Terrorism and SARS

II. Business Issue, continued

- **Main Reason for Leaving Employment**

1) Poor relationship with a key employee or supervisor
2) Perception that the employer is not "fair" in dealing with employees
3) Employee perception of poor management style including communications
4) Sense that work is not meaningful

III. What is the Role of HR Given this Scenery?

- **The organizations with the best people "win."**

- **Technology will stay. We must find a way to become more effective and competitive with technology in our context.**

- **We need to break down specialized HR "silos" and treat HR management in a more integrated way.**

- **Instead of becoming the "employer of choice" we need to be careful not to become "the employer of not choice."**

- **We need to value performance and excellence**

- **We need to give up the "forgiveness" factor**

- **We need to act in a "community of interests." 9-11 was a best-case demonstration of that.**

III. What is the Role of HR Given this Scenery?

- **Practicing Human Resources Management today (while there are many technical things to know) is really a discipline that involves broader concepts of managing the workforce and the value systems of the organization.**

- **It includes integrating programs thought typically to operate as "silos."**
a) **compensation strategies**
b) **recruitment strategies**
c) **company communication strategies**
d) **diversity management and related HR issues**
e) **use of expanded labor markets for talent**
f) **job design and redesign issues**
g) **work arrangement strategies**

IV. New Competencies of HR to Accomplish a Broader Mission

• **HR Management Studies and Research indicate there are <u>new competencies</u> required for us all as HR professionals in an environment of technical HR coupled with strategic HR.**

• **They are:**

  1. Business Management

  2. Influence Management

  3. Technology Proficiency

  4. Thinking Contribution

  5. Functional Proficiency

  6. Life-Long Learning (self and employees)

IV. New Competencies of HR, Continued

- **Each is Identified as related to being part of the "Ups" and "Downs" of HR Management.**

- **The "Ups" refer to the strategic roles HR plays in relation to the operation of the organization and its effectiveness.**

- **While we are not in business to make a profit, the more effective we are as an organization, the more we are able to serve our clients and or invest in our future.**

- **The "downs" of our role refer to the day-to-day downward things we must manage, such as overtime, hiring, pay etc. Even so, some of the "downs" have "UP" like qualities.**

IV. New Competencies of HR, Continued

1. **Business Management (UP)**

   a) Financial/fiscal management
   b) Economic issues
   c) Project/program management
   d) Strategic planning/strategic focus
   e) Translate HR to the language of business

2. **Influence Management (UP)**

   a) Negotiation Skills
   b) Group/Adversary/Change Management Skills
   c) Presentation/Marketing Skills
   d) Coalition and Network Building Skills
   e) Developing Others
   f) Decision Making

IV. New Competencies of HR, Continued

3. Technical Proficiency (DOWN but also UP)

      a) HR Information Technology (HRIS Systems)
      b) PC/Internet/Intranet/Network/ literacy
      c) Deliver efficiencies via technology

4.Thinking Contribution (UP)

      a) Better-way Driven
      b) Diagnostic Skills and Insights
      c) Mission-to-Results Impact
      d) Innovative/Creativity challenge

IV. New Competencies of HR, Continued

5. Functional Proficiency (DOWN)

a) HR Administration
b) Legal Compliance
c) Employee assessment
d) Benefits design/administration
e) Compensation design/administration
f) Performance Management
g) Diversity Management

6. Life Long Learning (UP)

a) Self Assessment/ Core Values
b) Life-Long learning Road Map
c) Professional/Career Development Action Plan

IV. New Competencies of HR, Continued

Recent comment by the Herman Report, a Future Trends Newsletter in HR states:

"...in spite of these advances, a dangerously large proportion of HR professionals will grow, but not to the level where executives will need them to perform. They won't collide with a "glass ceiling."

Instead...a ceiling which is lower..."Business Literacy"...will be the ceiling they will not achieve and therefore be less valuable to management.

V. Implications for HR Management

HR strategic management issues almost always involve the question of:

"How do we want to run our organization?

a) Do we value performance and recognize the reasons to reward and keep good performers, especially in knowledge jobs and client service jobs?
b) Do we market the employee experience, the employee brand?
c) Do we engage employees in important work? And examine the best job designs for work?
d) Do we value and recognize the relationship between employee continuity and customer satisfaction and retention?
e) Do we value leadership, quality of life, career opportunity?

V. Implications for HR Management

- During this apparently "semi-permanent" period of little available money we have the following opportunities?

a) Influence management as to how to best run their business and their role in HR issues.
b) Check our core values and hire and retain employees to fit our company culture.
c) Use this opportunity to raise the bar...eliminate poorer performers and raise the bar with more qualified employees from within or from without.
d) Train employees to stay current with technology
e) Recognize and reward leadership skills, a key component to increased productivity.
f) Measure Performance based on end results <u>and</u> the needed skills and competencies valued by the company.

VI. The Case for Performance Management

- **Sometimes as managers we don't want to differentiate among performers because everyone works so hard, with such limited resources.**

- **However, when asked if they can identify those who perform better, most managers will agree that some employees outperform others in similar jobs.**

- **It is in the best interest of the Agency to be effective...Because we can serve our clients better.**

VI. Why we must measure Performance?

- **Measuring Performance is one part of a total system of management. This system includes making sure that we have the right people to do the jobs required by the organization now and for the future.**

- **It is the one process for aligning the goals of the organization with the abilities and competencies of the employees of the company.**

VII. Measuring Performance Has Multiple Implications:

1. Is an employee performing well in his/her current position?
2. Does the employee have the capability to perform better their current position?
3. Does the employee have the talent to perform in the next level position?
4. Is that employee ready for the next level position now or does the employee need development? (in what areas?)
5. How should this employee be paid?
6. Should this employee be developed?
7. How does the company measure up in total talent?
    a) by company
    b) by department or function
8. How does the company measure up for future talent necessary to grow the business?
9. To address its talent issues does the company:
    a) recruit
    b) train and develop, etc.

VIII. Core Components of a Performance Management System

1) Convey the values of the organization:
    a) What do we expect as an organization?
    b) How do we want to run our business?
    c) Do we have a forgiveness factor based on subjective or non-job related employee factors?
    d) Do we value high performers?

2) Promotes Excellence:
    a) communicates to employees that the organization values quality

VIII. Core Components of a Performance Management System, continued.

3) **Clarifies Expectations**
   a) **articulates deliverables**
   b) **delivers expectations**
   c) **sets timetables**
   d) **discovers barriers to success**

4) **Documents Performance Expectations and Actual Performance**
   a) **mutual agreement as to key performance requirements**
   b) **eliminates surprises or guess work in performance**
   c) **provides direction and focus on agreed upon tasks**
   d) **eliminates employees own interpretation of job**

VIII. Core Components of a Performance Management System, continued.

5) Communications
        a) between boss and subordinate
        b) between top management and lower management

6) By the way….It's all about communications

7) Motivator:
    a) the entire process allows the employee to see the desired outcome of their overall effort

8) Models Behavior:
    a) focuses employee on what boss and company really wants and expects from that employee

VIII. Core Components of a Performance Management System, continued.

9) Defines Barriers to success:
   a) allows managers and subordinates during job expectation discussions to uncover barriers (in company, and in employee) to the achievement of performance

10) Identifies Resources and strengths:
   a) of the company
   b) of the employee

11) Identifies an overlooked aspect of employee performance, that is the "interrelationships" of goals and behaviors that allow for performance of the company.

IX. Summary

- **Performance Management systems measure an employee against the end results expected from a job, but more importantly communicate from management to employee what core values and specified behaviors are also valued.**

- **It is also a means of rewarding employees with intrinsic as well as monetary rewards, and results in employee development and greater client service and organization effectiveness.**

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X. Finally, there are a few principles of Human Resources Management that are timeless:

1. **The best HR solutions come from understanding the business problems and issues.**

2. **There is over reliance on competitive data.**

3. **Don't take another company's medicine**

4. **Consider everything as an alternative for your organization based on your own needs, size, economics and internal and external pressures.**