

Accountability in Human Resource Management

Connecting HR to business results

Second edition

**Jack J. Phillips,
Patricia Pulliam Phillips, and
Kirk Smith**

Contents

| | |
|-------------------------|-------|
| <i>List of figures</i> | x |
| <i>List of tables</i> | xi |
| <i>Preface</i> | xiii |
| <i>Acknowledgements</i> | xviii |

PART I

| | |
|---|---|
| Setting the stage for accountability | 1 |
|---|---|

| | |
|---------------------------------------|---|
| 1 The need for results from HR | 3 |
|---------------------------------------|---|

| | |
|--|----|
| <i>The pressure is on!</i> | 3 |
| <i>The expanded role of human capital</i> | 7 |
| <i>Payoff of measuring the HR contribution</i> | 12 |
| <i>A self-assessment tool</i> | 13 |

| | |
|---|----|
| 2 Measuring the HR contribution: A history of approaches | 17 |
|---|----|

| | |
|---|----|
| <i>Surveys</i> | 17 |
| <i>HR reputation</i> | 18 |
| <i>HR accounting</i> | 19 |
| <i>HR auditing</i> | 20 |
| <i>HR case studies</i> | 21 |
| <i>HR cost monitoring</i> | 22 |
| <i>Competitive benchmarking</i> | 23 |
| <i>HR key indicators</i> | 24 |
| <i>HR effectiveness index</i> | 25 |
| <i>HR management by objectives</i> | 27 |
| <i>HR profit centers</i> | 28 |
| <i>Return on investment</i> | 29 |
| <i>HR relationships between variables</i> | 29 |
| <i>Predictive models</i> | 30 |
| <i>Summary</i> | 30 |

| | | |
|----------|---|-----------|
| 3 | A results-based analytics model | 34 |
| | <i>Human capital analytics maturity</i> | 34 |
| | <i>Types of data</i> | 36 |
| | <i>Types of analytics projects</i> | 39 |
| | <i>Human capital analytics model</i> | 44 |
| | <i>Purposes of measurement, evaluation, and analytics</i> | 50 |
| | <i>HR measurement and evaluation myths</i> | 51 |
| | <i>Obstacles to measuring the contribution</i> | 54 |
| | <i>Benefits of human capital analytics</i> | 56 |
| | <i>Summary</i> | 57 |
| 4 | Management influence on human resources accountability | 59 |
| | <i>The management support dilemma</i> | 59 |
| | <i>Improving commitment and support</i> | 61 |
| | <i>Developing partnerships with managers</i> | 68 |
| | <i>Manager workshop on human resources management</i> | 72 |
| | <i>Tying bonus plans with human resources measures</i> | 77 |
| | <i>Summary</i> | 77 |
| | PART II | |
| | Measuring the impact and ROI of specific HR programs | 79 |
| 5 | Achieving business alignment with human resources programs | 81 |
| | <i>The importance of business alignment</i> | 81 |
| | <i>Determining the payoff needs</i> | 83 |
| | <i>Determining business needs</i> | 86 |
| | <i>Determining performance needs</i> | 91 |
| | <i>Determining learning needs</i> | 92 |
| | <i>Determining preference needs</i> | 93 |
| | <i>Case study</i> | 94 |
| | <i>Summary</i> | 97 |
| 6 | Selecting the solution and developing objectives | 98 |
| | <i>Combining data from different sources</i> | 98 |
| | <i>Determining the significance of the cause</i> | 99 |
| | <i>Matching solutions to needs</i> | 99 |
| | <i>Using a matrix diagram</i> | 101 |

| | |
|---|-----|
| <i>Selecting solutions for maximum payoff</i> | 102 |
| <i>Levels of objectives for solutions</i> | 104 |
| <i>The importance of specific objectives</i> | 108 |
| <i>Summary</i> | 108 |

7 Collecting data 109

| | |
|--|-----|
| <i>Data collection issues</i> | 109 |
| <i>Questionnaires</i> | 114 |
| <i>Surveys</i> | 116 |
| <i>Tests</i> | 118 |
| <i>Interviews</i> | 121 |
| <i>Focus groups</i> | 123 |
| <i>Observation</i> | 126 |
| <i>Organizational performance data</i> | 129 |
| <i>Action plans</i> | 131 |
| <i>Sampling</i> | 132 |
| <i>Summary</i> | 136 |

8 Analyzing relationships, causation, and attribution 137

| | |
|---|-----|
| <i>Correlation and causation</i> | 137 |
| <i>Experimental versus control groups</i> | 142 |
| <i>Trend line analysis</i> | 144 |
| <i>Forecasting methods</i> | 146 |
| <i>Estimates</i> | 147 |
| <i>Questionnaires and surveys</i> | 151 |
| <i>Interviews</i> | 152 |
| <i>Focus groups</i> | 153 |
| <i>Brainstorming</i> | 156 |
| <i>Cause-and-effect model</i> | 157 |
| <i>Other tools</i> | 158 |
| <i>Select the technique</i> | 158 |

9 Monetary benefits, costs, and ROI 160

| | |
|---|-----|
| <i>The ROI process model</i> | 160 |
| <i>Key steps in converting data to money</i> | 162 |
| <i>Standard monetary values</i> | 164 |
| <i>When standard values are not available</i> | 168 |
| <i>Technique selection and finalizing value</i> | 173 |
| <i>Capturing fully loaded costs</i> | 176 |
| <i>Specific costs to include</i> | 178 |

| | |
|---------------------------------|-----|
| <i>Calculating ROI</i> | 180 |
| <i>Case study</i> | 182 |
| <i>Benefits of ROI analysis</i> | 185 |
| <i>Summary</i> | 186 |

10 Reporting results and driving improvement 188

| | |
|--|-----|
| <i>The importance of communicating results</i> | 188 |
| <i>Seven steps for communicating results</i> | 189 |
| <i>Driving improvement</i> | 198 |
| <i>Case study</i> | 199 |
| <i>Summary</i> | 200 |

PART III

Measuring and reporting the total HR function 203

11 How much should you invest in HR? 205

| | |
|--|-----|
| <i>Let others do it</i> | 205 |
| <i>Invest the minimum</i> | 208 |
| <i>Invest with the rest</i> | 211 |
| <i>Invest until it hurts</i> | 221 |
| <i>Invest as long as there is a payoff</i> | 224 |

12 Do HR practices add value? 227

| | |
|--------------------------------------|-----|
| <i>Index of HR effectiveness</i> | 227 |
| <i>The Gallup studies</i> | 232 |
| <i>The service-profit chain</i> | 236 |
| <i>Huselid Becker studies</i> | 240 |
| <i>Watson Wyatt studies</i> | 242 |
| <i>Deloitte & Touche studies</i> | 244 |
| <i>Other studies</i> | 246 |
| <i>Disadvantages</i> | 248 |
| <i>Advantages</i> | 248 |
| <i>Summary</i> | 248 |

13 Measuring specific human resources functions and processes 250

| | |
|----------------------------------|-----|
| <i>Recruitment and selection</i> | 251 |
| <i>Learning and development</i> | 256 |
| <i>Compensation</i> | 259 |

| | |
|--|------------|
| <i>Fair employment practices</i> | 263 |
| <i>Employee relations and labor relations</i> | 264 |
| <i>Safety and health</i> | 267 |
| <i>Human capital management systems</i> | 269 |
| <i>Summary</i> | 270 |
| 14 Developing an executive-friendly HR scorecard | 272 |
| <i>Innovation</i> | 272 |
| <i>Creativity</i> | 274 |
| <i>Employee perceptions</i> | 275 |
| <i>Workforce stability</i> | 278 |
| <i>Employee capability</i> | 280 |
| <i>Learning</i> | 282 |
| <i>Human capital investment levels</i> | 283 |
| <i>Leadership</i> | 284 |
| <i>Productivity</i> | 285 |
| <i>Workforce profile</i> | 285 |
| <i>Job creation and recruitment</i> | 287 |
| <i>Compensation and benefits</i> | 289 |
| <i>Compliance and safety</i> | 292 |
| <i>Employee relations</i> | 294 |
| <i>Summary</i> | 295 |
| <i>Appendix A How results-based are your human resources programs?</i> | |
| <i>Scoring and interpretation</i> | 297 |
| <i>Appendix B CEO: Check your commitment to the human resources function</i> | |
| <i>Index</i> | 301 |
| | 303 |