



Reorient HRM in Tough Times

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In September 2008, business leaders, government officials, students and many workers at every level in the organization were shocked by the massive losses in the financial industry being documented in the press. The largest bankruptcy to date was announced by Lehman Brothers, and this was combined with what seems like daily onslaughts to our consciousness of business disasters, ethics violations, white-collar crime and more.

Although we spend a lot of time reading business books and magazines that feature the most successful of firms, these types of negative events clearly remind us that not all organizations achieve greatness. In fact, many firms cannot execute on their own strategies, and they do not succeed in the growth initiatives that make up their business plans. According to an article in *Strategic Finance* magazine, only 10 to 30 percent of organizations are successful in implementing their own strategic plans. Part of the reason for failure is the fact that shock waves from the external environment wreak havoc on the best laid plans, or barriers to success and growth – more often than we like – erupt from inside the organization.

Major initiatives to grow organizations have high rates of failure. An article in the *Journal of Change Management* shows that the estimate of merger failure is somewhere between 50 and 80 percent, and the same story is told of major organizational change efforts aimed at spurring growth, with failure rates estimated at 70 percent. My own research on initial public offerings (IPOs), also a route for growth, shows that they too have high rates of failure, with rates of organiza-

tional survival only 60 percent five years after their IPOs.

Growing a business, or even stabilizing an organization, is risky business and it's getting worse. As the rate of change in the world escalates, and as business continues to become more global and competitive, the game of business becomes incredibly challenging. However, in this evolving world, many of the tools we use in HR management (HRM) are not keeping pace with the needs of the organization.

Evidence that HRM Needs a New Approach

Recent data from the Leadership Pulse show one more reason for the need for HRM revising its toolkit. Every two to three months I reach out to a sample of leaders (about 14,000 people at the time I am writing this article) and ask them a few questions and then provide feedback and results back to the group. I have been tracking a number of key leadership metrics with this sample since 2003. One such measure is leadership confidence, which is examined once a year. I also study leaders' energy, which is the one question we monitor in each leadership pulse survey. The data that I have gathered from these ongoing pulse surveys with leaders have led to the suggestions in this article.

First, let's examine leadership confidence. In summary, confidence has been steadily declining since 2003 as shown in Figure 1.

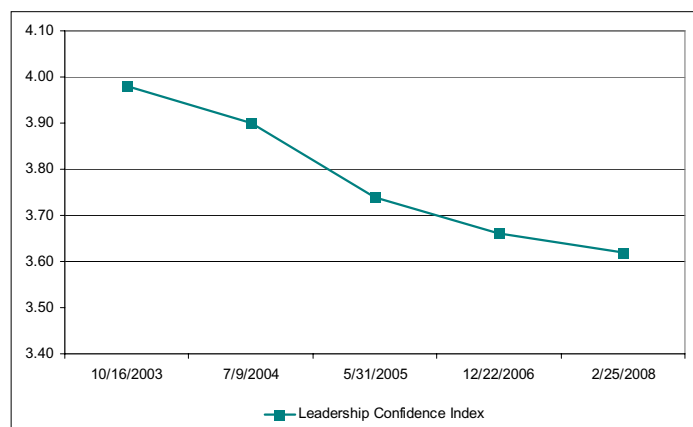


Figure 1. Leadership Confidence Index Trend (2003 to 2008).¹

The leadership confidence index is made up of six questions that tap into confidence in an organization's internal resources. This makes the index unique in that most other confidence metrics assess confidence in the external business environment. Figure 1 provides a summary of the questions used in the study. Respondents are asked to rate each aspect using a one to five scale, where one is not at all confident and five is very confident.

Figure 2 shows the trends for each individual question making up the index. You will note that personal confidence is missing the 2003 data point because it was added in 2004.

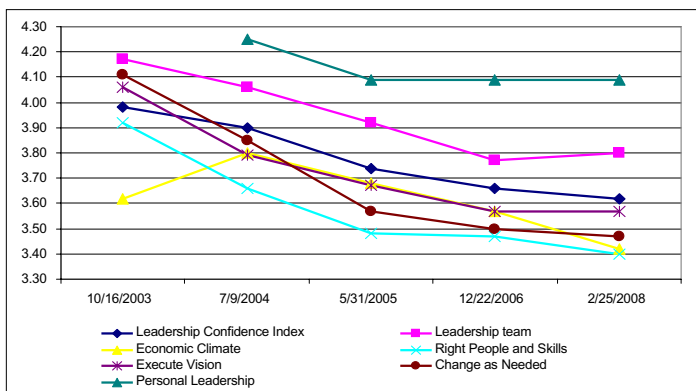


Figure 2. Trend Data Leadership Confidence Questions.

These trend charts indicate that confidence has been going down. Data are tracked by industry, job level and function of respondent, firm size, and by a number of other variables, and although there are some small outliers, overall, the data leads us to conclude that confidence is going down in this sample.²

Changing Orientation of HRM

The Leadership Pulse work has shown declining confidence and energy levels for participants since the first trend point appeared in 2004. Given the current meltdown of business in general, and these data, it seems that perhaps it's time for HRM to think about what it can do differently to help leaders navigate during tough times and simultaneously be assisting their organizations to improve performance.

The time has come to start viewing employees much differently than we have in the past. Human resources management, as a department, does tend to "process" employees. I know we like to talk about being strategic, but we have to admit, the department hires people, administers benefits, makes sure workers get paid, pushes managers to complete performance appraisals, and when employees quit, HRM initiates exit interviews, paperwork and more. Human Resources Management processes people.

But what if HRM spent time learning from people? Human resources management is the conduit to the outside world in a very important way. It is through the employees' ears and eyes that any organization touches all of its stakeholders (customers, investors, suppliers, partners, retirees, etc.) and the world. What if HRM saw that its job was to:

- Help leaders by obtaining information about the business from employees, which top executives are not getting now;
- Organize data, set priorities and report that employee resourced data to leaders;
- Help leaders create strategies to continue the dialogue with employees so that they continue to provide important insights to leaders through the HRM process; and,
- Teach employees how to better interact with external stakeholders to be the link needed for proactive organizational change (if you get information about what's coming up in the future from customers, etc., then your organization will be better prepared for the future).

Employees as Reporters

I like to think of employees as reporters, out there scouting the environment for information that I am going to keep, track and provide to the executive teams. By involving employees in the change process, you can build an organization that has a culture of change. Employees will pay more attention to what they hear because they know they will be asked for data. Everyone will be more alert and aware of the cues in the environment.

Engaging employees in the business, beyond their core job, motivates employees to perform better. When employees perform well, then the executives think the firm has the right people and skills. When an organization has the right people, it excels, it can change, it can execute on vision.

In summary, if HRM thinks about employees and its role differently, and updates HRM skills to go beyond processing employees to learning from employees, then confidence scores will improve. It won't take long and it will not cost a lot of money. The effort requires proactive and innovative HR executives who want to help their organizations by doing what they do best; improving and changing the relationships the firm has with its own employees.

Endnotes

1 Full report technical report now available (at no cost) at www.leadershippulse.com – under reports.

2 The Leadership Pulse now has about 14,000 global leaders in the core respondent group. In each survey (done every two or three months), we obtain about a 10 percent response rate. Respondents are 75 percent directors and above, and the remainder are managers or senior managers. More information and reports are available at www.leadershippulse.com.

About the Author



Dr. Theresa M. Welbourne is the founder, president, and CEO of eePulse, Inc., an HR consultancy delivering Web-based data and dialogue tools to energize and engage employees. She also is a research professor at the Center for Effective Organizations, Marshall School of Business, University of Southern California. With more than 30 years in HR management, Dr. Welbourne's expertise is in the area of HR leadership, employee engagement, HR metrics, HR technology and research methods for HR. She is a prolific writer and featured speaker in a number of management venues, editor-in-chief of *Human Resource Management, the Journal*, and she also works in Executive Education at the University of Michigan. She is the author of the Leadership Pulse™, the first real-time benchmarking and learning initiative for managers. You can join the leaders' forum, a place for sharing knowledge and learning about the Leadership Pulse results at www.energizeengage.com.