



Authorized Representative

Looper and Associates, LLC
5320 Apple Blossom Loop
Mansfield, AR 72944-9445
cglooper@valuelinx.net
www.assessmentresource.com
+1 (479) 928-2102

Employer's Advantage

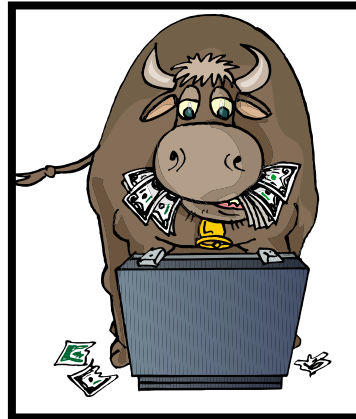
Edited by John W. Howard, Ph.D.

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As humans, we often find that our actions are at odds with our beliefs or intentions. Such is obviously the case in allocation of HR funds, as discussed in this month's lead article. We thank Grant Robinson of People Values for calling our attention to the Watson Wyatt survey cited in the article! If the thoughts of Bruce Pfau and Ira Kay are of interest, look for their book, *The Human Capital Edge*, which draws on much of Watson Wyatt's world-wide research for its conclusions.—*Editor*

HR SPENDING—WHERE ARE WE PUTTING OUR MONEY?

According to the HR Scorecard Alliance, a survey established by Watson Wyatt Worldwide, many companies are *not* "putting their money where their mouth is." Their findings indicated that, in the companies surveyed, HR's allocation of staff time and resources is considerably out of alignment with the priorities of both senior line managers and their professional HR staff. "Currently, there doesn't appear to be a strong correlation between how resources are allocated and the perceived value of the various HR activities," said Bruce Pfau, WWW's spokesman. "Indeed, while line managers ranked staff selection as second in importance, it was 36th in spending. Likewise, employee retention was rated third in importance, but ranked only 44th in spending. We also identi-



fied significant gaps between what line managers perceive as the most important HR functions and how HR is performing those functions."

They found staff selection second in overall importance among HR functions, so it seems amazing that so many businesses still rely on traditional, gut-feel, interview-reference check processes to guide their selection decisions. We are not heeding the carpenter's maxim, "measure twice, cut once."

If retention is our # 3 priority, and we know that "most people don't leave jobs, they leave people," why have management development and training been victimized so severely in the budget cuts of the recent economic hard times? Pfau and co-author Ira Kay, in their textbook approach to increasing company value through HR practices, identified "Achieving recruiting and retention excellence" as the number 1 HR strategy that results in increased value to the company.

If you are in a position to impact the allocation of HR funds and efforts in your business, you owe it to yourself and your co-workers to devote the time to identifying top priority HR activities, and making sure that your HR budgets are in line with your goals.

For more research & opinion from Watson Wyatt:

www.watsonwyatt.com

- "Put your money where your mouth is!"
- Economy surges forward in Q3...
- Want to improve your profits? (Who doesn't?)
- Effective 360's
- Differences in Top and Bottom Customer Service Performers

SURGE IN ECONOMIC INDICATORS...NOW WHAT?

Pick a source, any source: with the differences in fractions of a single percentage point, everyone seems to agree that there's positive news in the US economy!

- 3Q GDP up over 8%!
- Residential construction up almost 25%!

- Interest rates holding a half-century low!
- Stronger spending by governments anticipating rising tax revenues!

Hold onto your ergonomic chairs, things are getting better!

So, have you figured out

how you intend to participate? A checklist for the future might include:

- Do I have the capital to expand with the markets?
- Will my key people stay with me, to provide a foundation for growth?

- How will I add quality employees to handle increased workloads?

- Do I have the skills I need to lead the business to the next level?

Explorers, businessmen & pioneers stay alive with preparation—are you prepared?

OPINION—BASIC PROFIT IMPROVEMENT 101

BY JOHN W. HOWARD, PH.D.

...cutting expenses while holding everything else constant is no piece of cake, either...

Would you like your business to be more profitable? (rhetorical question)

OK, how do you accomplish that? Historically, we have always relied on one of two major methods, or both in combination:

1. Increase Sales

2. Reduce Costs

Which is easiest, and which accomplishes most?

When I ask this question in seminars around the country, most people answer that cutting costs is easier than increasing sales.

I disagree. Put me in charge of your business for a year, and I can almost guarantee that I can double your sales...but be careful that I don't put you out of business in the process. History books are full of stories of companies that successfully sold themselves out of business, and I have participated in a few.

Many businesses must increase their sales by \$100,000 to increase their profits by \$3,000. In that

same business, what happens if everything else is held constant, but expenses are cut by \$3,000?

Which is easier?

Don't misunderstand: cutting expenses while holding everything else constant is no piece of cake, either—or everyone would do it, all the time. It can, however, be done, and there is one area where cutting expenses is usually overlooked: the costs of bad people decisions.

Business owners decry the cost of shrinkage, workers comp insurance, liability insurance, wasted employee time, errors in production, shrinkage, outright theft, customer loss due to poor service, absenteeism, substance abuse....

What do these costs have in common? They all are the result of bad people decisions—in hiring, promotion, and placement. Our process of making these decisions, quite literally the foundation of our business and its profitability (or lack thereof), is overly quick, deficient in

critical information, and more likely than not to fail.

(3 times more, in one study!)

Gut instincts, the primary factor in people decisions, are our worst enemy—seductive, comfortable, compelling—and wrong!

The business leader who would improve profits by reducing costs would be well advised to look at decision processes in the people arena with a powerful magnifying glass:

- Is there a standard, well-designed process?
- Where do we acquire critical information?
- How is the information evaluated?
- How are our decisions formulated?
- Where are our checks and balances?
- And, most importantly, **how is it working?**

Review your processes, improve your information, make better people decisions, and **watch costs drop—and profits rise!**

USING 360-DEGREE FEEDBACK FOR MAXIMUM BENEFIT

The history of 360 degree feedback has been spotty, with a great deal of promise, often unfulfilled. Indeed, in Bruce Pfau's research (quoted in this issue), many companies that have invested in 360's have actually lost market value! The authors go on to caution that 360-degree feedback must be used carefully: "Even when there is nothing inherently wrong with these practices, many organizations simply are implementing

them in misguided ways." Many of the problems associated with poor implementation of 360 processes lie in the obsessive pursuit of "customization." To produce a valid, reliable 360 measure is a very expensive, exhaustive process. "Customization" of such a measure is almost always a reduction in its validity, reliability, & utility. A second major failing in use of 360's is follow-thru. Once you know what to improve in your managers,

how do you go about it? Reliance on internal trainers can be cheap and ineffective, reliance on external trainers may prove more expensive—and may still prove ineffective! Finally, a 360's impact may fall short, unless it provides a "top view" of an entire organization's management competencies and deficiencies. If you are considering a 360 program, be sure that it addresses these issues—get what you intended to buy!

CASE STUDY—TOP & BOTTOM PERFORMERS IN CUSTOMER SERVICE

This company has several divisions, focused on services to **hospitality and tourism customers** across the United States. Centralized reservations services for all of their locations employ from 30 to 70 agents, depending on

the season. The Profiles Customer Service Perspective was administered to all of the reservations agents. The illustrations below are focused on the Top 5 Performers and the Bottom 5 Performers, as rated by their managers, in

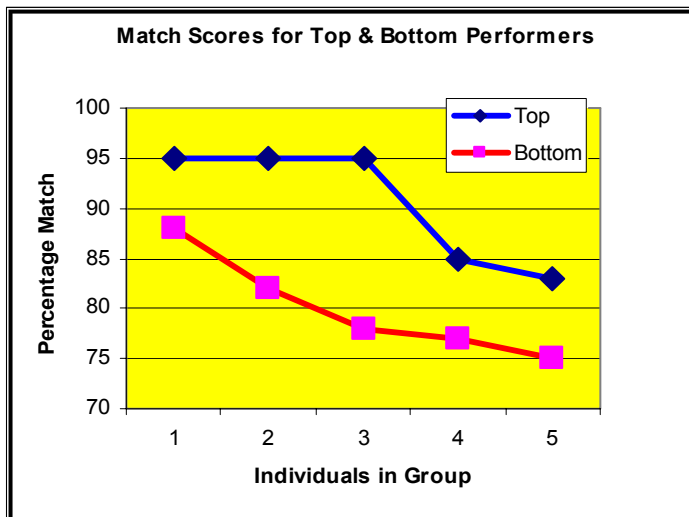
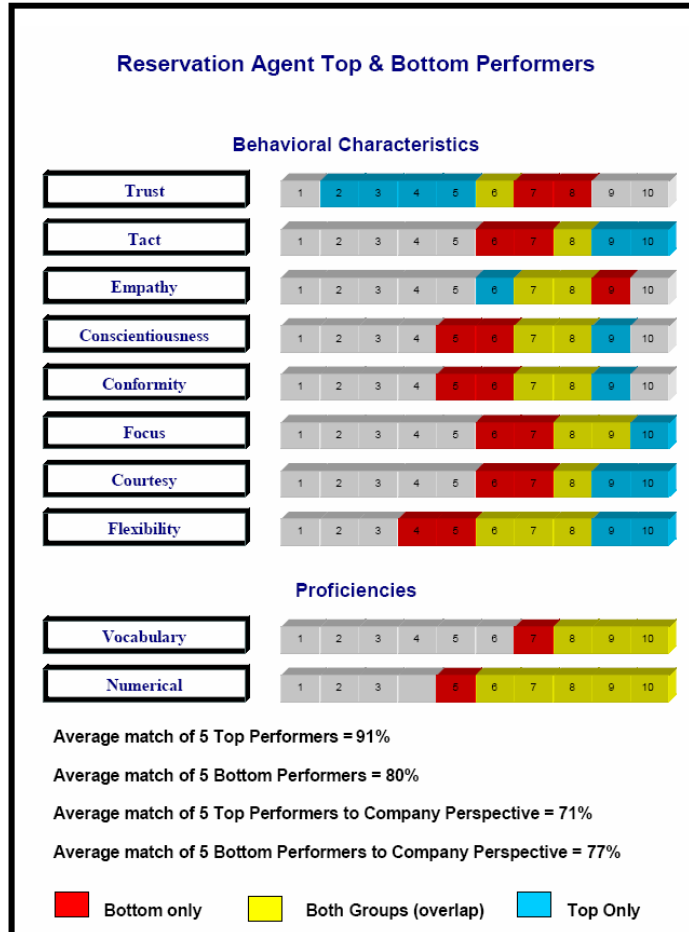
the reservations center. All had been employed 6 months or more, and none were considered in imminent danger of losing their jobs, based on performance measures. Scores were matched to the Top Performer Pattern.

Group Differences:

The most striking difference between groups was evident on the Trust scale: Top Performers were characterized by lower scores on this scale, indicating that they were more wary of what the customer intended and said—more likely to “take it with a grain of salt”. They combined that wariness with a higher degree of tact, however—they might not believe everything the customer said, but they were tactful in confronting issues. Top performers were also more courteous, and flexible when dealing with the customers.

Note that Top Performers actually matched the Company's Service Perspective at a lower average than Bottom Performers. Management speculated that these differences might be attributable to the Top group's somewhat higher Proficiency scores, combined with higher flexibility scale scores—Top Performers were more likely to see more than one way to answer a service challenge.

The graph of the Match scores, with the evident overlap in the 82-87 range for some members of both groups, indicates an opportunity for using the coaching information to bring Bottom Performers to a higher level.



...they (top performers) might not believe everything the customer said, but they were likely to be tactful in confronting issues...

**"Nothing is
more terrible
than ignorance
in action."**

– Johann Wolfgang Von Goethe



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