



Lake County Contractors Association Professional Practice Report

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HUMAN RESOURCES 101

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You Can't Manage What You Can't Measure -

Today, successful businesses are realigning operations to meet the growing demands of a competitive market place. Employers are recognizing the importance of aligning and measuring their Human Capital assets with the other assets within the organization.

A recent survey of 1,000 organizations conducted by Price Waterhouse Coopers shows that those organizations that align their Human Capital services strategies with their business strategies are more profitable. The research emphasizes two major organizational and people management issues that need to be addressed in order to positively impact the bottom line. They are:

1. A Human Capital strategy that is aligned with business strategy.
2. People policies and practices that help deliver the business strategy throughout the organization.

The research also reveals that those organizations that align their Human Capital strategy with their business strategy have 35 percent higher revenue per employee than organizations without alignment. Organizations with a Human Capital Management strategy have a more effective reward system, a better performance management system and reduced absenteeism.

If you would like to learn more about how your organization can begin to measure Human Capital and positively impact your bottom line, contact your Human Capital Consultant.

You Can't Afford Not to Reward Your Top Performers -

Many companies are struggling financially. Sales are down, stock prices are low, executives have downsized their staff and salaries have been frozen. But while companies haven't shown profits

for a while, many are preparing to reward good workers. Top companies know that the only way to increase productivity and to secure dominance in a potentially lucrative market is to take care of the company's producers. Top pay for best performance is the direction companies are taking.

According to the Society of Human Resource Management, forward-thinking companies are using the sluggish economy as a time to capture market share and do things that aren't common in their industry to gain a competitive advantage. National projections for 2003 from a collaborative study between Mercer HR Consulting, the Social Security Administration and The Conference Board show that high performing workers can expect better-than-average raises at some firms.

"Even though their original 2003 pay increase budgets may have been set months ago, employers have been keeping a close eye on the economy and their own business results and are adjusting their budgets accordingly," said Steven E. Gross, who leads Mercer's United States compensation consulting. The newest survey respondents who differentiate pay based on performance told Mercer representatives that their best workers will get average raises of 5.2 percent in 2003, while average performers will get 3.5 percent and poor performers 1.2 percent to nothing.

In our sluggish economy, compensation systems must get a new focus by rewarding star performers more than the rest of the pack. In fact, compensation experts argue that paying for performance is more important in a down economy than in boom times. The reason is that companies typically have a smaller pot of money to allocate for compensation during a slowdown.

So, instead of giving everyone an equal but minimal increase to their base pay, some organizations are dishing out salary increases, bonuses or both in varying amounts, with the most going to the best performers or

to the most essential employees. In some cases, poor performers get little or nothing above their base pay.

Compensation experts urge companies to develop a compensation system that catches a top performer's attention and sends a signal to a poor performing employee. Rewarding top-performing employees does not mean rewarding solely high-level employees.

Robert Heneman, a professor of management and human resources at Ohio State University, says that you need a 7 percent or 8 percent compensation increase just to catch anybody's attention. Anything below that is welcome but doesn't lead to significantly greater effort on the part of the employee to drive business results.

With the same overall compensation budget, reward your top performers significantly more with higher salary increases and larger bonuses while giving your average and poor performers lower salary increases and bonuses – or no bonus at all. The goal is to establish a system that makes sense in bad economic times as well as good ones, and not to undermine it by rewarding employees who have not produced. And while changing any pay system is risky, the biggest risk is mediocrity if a company fails to reward its top employees adequately.

Making a List and Checking it Twice - Are performance evaluations on your to-do list? Managing your employees' performance (your "human capital") is a high-payoff activity for supervisors. Employees feel valued when they know that they are making a meaningful contribution and receive appropriate rewards and recognition for the right results.

The first step in the performance management cycle is to set expectations. You can establish expectations through well-written job descriptions and setting achievable performance goals. Your job descriptions should include specific, measurable results that will be evaluated when you conduct performance reviews.

The second step in the cycle is to delegate, coach and lead. A supervisor who learns to delegate effectively achieves two goals. First, more time is available to plan, organize and maintain relationships with other employees and co-workers. Second, employees become more versatile and valuable as they learn new tasks. Coaching is when you help people win as individuals so the department can also win. Leadership is helping your people reach their goals, helping them feel better about themselves.

The third step in the cycle is to conduct a formal employee evaluation. Performance review meetings give

employees the opportunity to contribute to their own "SMART" objectives for the next year:

Specific - State the specific objective to be achieved and describe the expected results.

Measurable - The performance measurement should spell out the tangible results or outcome.

Achievable - The objective should be in direct control of the employee.

Realistic - Are the goals realistic and set at an appropriate level of challenge for the employee?

Time Bound - Specify the time frame that the objective will be checked or evaluated (i.e. first quarter).

Would you like assistance with the performance management process? If you haven't attended our regional training program Managing Performance, review the fourth quarter schedule on page two and make your reservation now! Or contact your Human Capital Consultant or our Client Relations Department at 888-340-9442.

The preceding Human Resource mini-articles offer strategies and practical tips that will help positively impact your bottom line. LCCA professional services committee member Jim Drost and AdvanTech Solutions contributed these articles. Jim Drost is a sales professional and vice president for local risk management and insurance broker, T. J. Adams Group, LLC. AdvanTech Solutions is one of T. J. Adams Group's Human Capital Management strategic partners. AdvanTech Solutions currently distributes its services through a unique network of independent insurance agency partners operating in 63 markets in Florida, Georgia, Texas, North Carolina and Illinois. It serves more than 500 clients representing nearly 20,000 worksite employees. For more information, please visit the company's web site at www.advantechsolutions.com

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