

The Real Cost of Business: Human Resources By Val Dantzer

Let's face it. For the past several months the objective has been to "keep the doors open." But, if we're really honest...the real cost of doing business is our human resources—the drivers in bridging the gap between performance and one of the most significant cost to any business expenses; salaries and benefits. This is huge in business and yet it continues to be the "white elephant in many boardrooms". Leaders do not want to have candid conversations about employee performance. Some the most significant concerns facing firm owners today are: 1) shortages of qualified workers, 2) cost and availability of health insurance 3) access to capital, and 4) compliance with government regulations. Three of these four issues have direct implications to the staff we recruit, train and retain. All of these challenges are true concerns, but company leaders are missing the point. If you have the right people, at the right time, in the right place, your business will survive and even thrive in any economy. The bottom-line is that people make profit. Who are the people-drivers in your organization? If your answer isn't HR; it's time to rethink your strategy.

Despite their direct impact on human resources, most organizations relegate the human resources function to an administrative level focusing on payroll, new hire processing, and open enrollment in order "to save money". But, does it really? Former Chairman/CEO Jack Welch said, "To manage people well, companies should ... elevate HR to a position of power and primacy in the organization, and make sure ... managers build leaders and careers." This is true—even in downturns.

The evolution of human resources has taught us: 1) administrative functions do not add value; we are now in the age of technology 2) The primary role of HR is not administrative; it's strategic, and 3) HR is under-utilized; many organizations do not understand how HR contributes to the bottom line.

For small companies, the HR function can add the most value in the area of compliance and talent management. Small companies with 15 or more employees should hire an HR expert to recruit the right talent and establish policies and procedures that will ensure that the organization is in legal compliance with federal and state laws. With discrimination and worker's compensation claims on the rise, small businesses that are struggling to keep their doors open cannot afford litigation claims nor can they afford to have an average or below average workforce.

Hiring and retaining qualified workers is another significant challenge for small companies. To sustain a competitive advantage, HR's role is to identify current and future competencies of the organization and adapt HR practices that deliver people results and respond to external business realities. Small businesses that are pro-actively looking for ways to control costs and increase growth potential, in a tight economy, invest in HR. With fifty percent or more of the total expenses in the organization being labor related costs, the efficient utilization of human resources is vital to business success.

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