



HRA Services, Inc.

Fact Finder

September 2004

. . . helping organizations find solutions to people-related problems

How to Approach a Brick Wall After You Hit One

When you're driving your motorcycle and see a brick wall looming up ahead, you don't need a lot of ingenuity to figure out your choices. In organizations, we often don't see brick walls or we don't understand that we have to make thoughtful choices to deal with them. All too often people just keep driving as far as they can go and then slam on the brakes and two days or two weeks later, they do the same thing all over again. This behavior is but one example that teaches us an important behavioral and organizational principle: "People do what they do because they don't know what else to do." This may sound like a ridiculously obvious statement. For those who fancy themselves students of human behavior, however, understanding this idea is central to improving the performance and effectiveness of individuals and organizations.

Acknowledging the preeminence of this principle in organizational life is an important key to improving performance and profitability. Hence, the popularity and potency of current thinking and writing on emotional intelligence (EI). EI focuses on how our behavior affects us, how it affects others, and how the behavior of others affects us. A bank teller who is having trouble counting cash or adhering to bank policies and procedures or dealing effectively with customers is taken off-line and provided skill-based training to improve his skills and performance in each of these areas. Yet a supervisor or manager who is having trouble assessing and correcting employee performance or getting her staff to work as a team is often provided limited on-line counseling or coaching but little help in the form of real-life skills and competencies that she can practice and improve as part of her continuing growth and development as a professional leader and manager. More often than not time is blamed as the principal

culprit, leading the organization to the rationalization that "we just don't have enough time to get the manager fully on the right track," which is further compounded by lack of follow-up and reinforcement by senior managers who are busy fighting other fires. As a result, building true organizational competence in managing an enterprise becomes an objective devoutly to be wished but rarely achieved.

An article in the September 2004 *McKinsey Newsletter* reinforces the importance of leadership and management in organizational performance: "When European policy makers agonize over how to close the growing productivity gap with North America, they often propose to boost IT spending. Just adding more computing power, the reasoning goes, will surely help. Yet in all likelihood, this approach won't have a substantial impact. Some economists have argued that good management—rather than more computing power—is the key to higher productivity, but they have lacked convincing proof. Now, however, a new study of 100 manufacturing companies in France, Germany, the United Kingdom, and the United States supports the view that IT expenditures have little impact on productivity unless they are accompanied by first-rate management practices. Indeed, companies can significantly raise their productivity solely by improving the way they operate. Our research, undertaken in partnership with the London School of Economics, focused on the period from 1994 to 2002. It offers evidence that specific management practices foster higher productivity regardless of a company's location, size, sector, or historical performance. In essence, the connection between better management practices and improved corporate productivity accounts for the gaps among the four countries in our study and holds true for all of the manufacturers we examined. The payoff from improved management is impressive."

The lesson is clear and simple: Organizations that are serious about their effectiveness, profitability, and future viability focus time, energy, and resources on building leadership and management competencies, competencies that are interdependent and are developed only through interactive training, disciplined practice, and rigorous coaching.

New FLSA Regulations

New regulations for the Fair Labor Standards Act (FLSA) took effect August 23, 2004. See our *HRA Alert*, May 14, 2004, for a detailed explanation of the changes. The FLSA governs when and how employees must be paid based on the nature of their duties and responsibilities and other factors. Should you be audited by the Wage and Hour Division, Department of Labor, or be the subject of an employee complaint, you could face serious penalties if you are not abiding by the law's provisions. While the new guidelines are based on concepts similar to those of the original law, you should review the classification of your exempt and non-exempt positions and how they are being paid under the new, more specific criteria. If you need help with this process, give us a call.

“Fit”—A Little Word with Big Implications

The more you study people, teams, and organizations, the more important the issue of fit becomes. Sometimes staffing specific positions really seems puzzling to the supervisor, to the HR department, and to the recruiter. Almost always, though, the answer to the puzzle lies in going back to the drawing board and clearly outlining the size, style, and fabric of the suit. We love to talk about core competencies, knowledge, skills, and abilities, but somehow that little word “fit” keeps coming back as the most apt expression of what makes for good, lasting staffing decisions. “Fit” includes dimensions like IQ, EQ, physical characteristics, knowledges, skills, temperament, values, assertiveness, relevant functional experience, team-connectivity, inspirational capacity, and many others as well as the interdependencies of these dimensions; but the key to “fit” is clear, objective analysis of the organizational need in the first place. Instead of focusing on interviewing candidates, we should first focus on “interviewing the requirements” rather than enabling the continued

presentation of needs that are poorly expressed in terms of the demands of today and tomorrow. Too often we are simply encouraging the “replacement philosophy” of perpetuating past performance shortfalls rather than forging new paths to reinforce the first team and build bench strength.

Salary Budgets Are Holding the Line

Surveys of employer compensation practices are continuing to report that despite the recovering economy and improving employment prospects, salary budgets are holding the line. 9/11 and related events resulted in the interruption of much of our national life including a sustained pattern of annual base salary increases of 4-6% over several years. Since then, however, annual increase percentages have diminished and the number of employees receiving increases has fallen to the lowest level in thirty years. Late reports of projected salary trends indicate wage increases will remain under 3% into early 2005.

This trend and other economic events have contributed to employers, by and large, experiencing a sense of workforce stability combined with an uneasy and conflicting sense of apprehension about how to manage future expectations. In many cases, low turnover and slow-moving salary increase patterns are creating growing concerns about compression and raising questions about how to keep current employees motivated and also guard against the future loss of good employees as competitive pressures continue to grow. Top this combination off with the ever-present specter of rapidly rising healthcare costs—roughly 28% over the last two years—and the prospects for granting attractive increases and managing total personnel costs become a challenging equation indeed.

The *HRA Fact Finder* is published by HRA Services, Inc., to keep clients and business associates abreast of developments and trends in human resource and personnel management and is not intended to serve as professional advice on specific personnel and organizational issues.

Specialist in Human Resources Management Consulting

**Organization Development
Salary Administration**

**Employee Handbooks
Outplacement Services**

**Management Assessments
Incentive Plans**

If you have questions or further interest in any of these subjects, please call.