9 Ways to Turn Human Resources Into a Profit Driver



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If you think human resources (HR) is your highest sunk cost, you're right. If you think HR is your biggest profit driver, you're also right. What gives?

You get out of HR what you put into it. And it isn't just about budgets and staffing and benefits, either (i.e., sunk costs).

In the simplest terms, company performance is directly related to how well HR empowers employees to do their best work every day, week and year. In the absence of schools and colleges

teaching essential life skills (career, financial and business management, communication and resilience, for starters) and a government unwilling or unable to fund continuing education, corporations are the provider of last resort, given their inevitable, insatiable talent needs.

But beyond platitudes, suffice it to say that HR is like the Cinderella of corporate departments. Everyone knows it has great potential, but nobody wants to invest the time and money to make it genuinely stellar.

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Most founders are either top salespeople, product people, finance or marketing people, but seldom HR people. The vast majority have never built HR departments from the ground up. Most still take the "bodies in seats" approach for talent acquisition, throw money at software instead of coaching, cut costs, skimp on quality benefits and think annual reviews are effective performance management. Like in a daydream, founders expect the sheer mission of changing the world (with some ramen noodles and free coffee tossed in) to sustain their young employees through 80-hour weeks, low pay and worthless equity. Call me back in six months when they've left you, dear CEO.

People are the lifeblood of any business. Fail to take care of them and they'll fail to take care of your company. Even so-called enlightened founders and CEOs know treating their people well is critical, generally resigned to paying through the nose for it, and expect little to no ROI – big mistake.

First of all, you can't change what you don't measure. Benefit costs are straight forward. But these values are less easily quantified

- Employee lifetime value
- Aggregate costs of employee turnover

- Attrition rates on teams with toxic managers
- Low productivity and disengaged employees
- Employee absenteeism and impaired work performance
- Real total compensation costs
- Poor internal communication

In the pursuit of more sales and product features, marketing campaigns and merely making the proverbial trains run on time, HR is an afterthought – and often the last key hire, long past the time of critical need.

Before working in HR, I worked in finance and operations at one startup and in product at another. I saw that, without connecting your HR, benefits and hiring plan to finances, companies either quickly overspend, endangering runway, or remain too conservative in hiring and talent development and miss out on critical growth opportunities.

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Empowered HR function as a profit driver. It won't be easy to shred legacy thinking as agile, business-savvy, analytics-driven HR is still a relatively recent invention. Yet, once you realize the inherent value of HR that empower employees to be healthy, covered by great insurance, given the tools for physical and mental wellness, trained and engaged, productive and doing their life's best work now and for your company, rather than later and for someone else, it will suddenly click.

Here are nine ways that HR can finally its rightful place in the sun and at the C-suite table, driving profitability.

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1. Link your hiring plan, benefit costs and related outlays to your financial model

Linking these HR responsibilities helps you make quick hiring decisions based on your runway, cashflows and predictive analytics. If you haven’t made one already, make creating a financial model a top priority. This will save you many hundreds of thousands of dollars on over-hiring and future layoffs, as well as allow you to hire quickly to take advantage of market opportunities.

2. Drive digital transformation organically in concert with IT

Start prioritizing digital by improving internal communication: the number of channels, open and anonymous, as well as cadence, centralization and connection of different apps through APIs. Remote work has accelerated this process for many companies, with HR at the forefront of implementation and communication. The results are faster and more efficient business processes, more productive and engaged employees and more cash flow left for growth.

3. Ensure mental health awareness and care for employees

Help your employees maintain good mental health through regular check-ins, employee surveys and early interventions. Remote work brings strong teams closer together but drives weaker teams farther apart. You can’t fake genuine concern and care for employees in 2020. Burnout is real, with significantly longer hours despite or caused by a lack of commutes.

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If you can’t save an employee from burning out, odds are they’ll quickly leave and find another remote job where they do feel supported. There goes 150 percent of their salary — plus the hidden costs of turnover.

4. Survey employee engagement anonymously

Find out how employees feel about everything from office paint color and food in the stocked kitchen to conflicts with managers, feedback about trainings and needs for personal and professional development, among other topics. Instead of guessing or hoping employees will react with higher engagement and productivity, hear it from the employees themselves and act quickly to get them what they need.

5. Have HR post internal projects so the entire company can see

Transparency helps companies take advantage of internal resources and limits hiring from outside, which is usually riskier and always more expensive.

6. Empower HR to run trainings

Let HR host internal hackathons, learning and development trainings and lunch-and-learns, as well as have them help employees start side projects, which can lead to breakthrough products and new service and revenue lines. Google and other corporations have employed this approach, leading to massively profitable creations such as Gmail, Google Maps, Twitter, Slack and Groupon.

7. Create internal mobility programs

These can include rotational programs, secondments from other firms and cross-functional roles that straddle departments. These programs lead to a more agile exchange of ideas, better talent alignment with projects, higher engagement and longer average tenure.

8. Create an internal gig economy

Hire for talent and demonstrated potential as well as fit — not skills alone. Then create flexible roles to let the best talent get staffed to the right teams and projects, creating a virtuous cycle of high engagement and productivity, increased exchanges of ideas, higher profitability and a better employee brand to attract more top talent.

9. Let HR run regular offsites

Offsites introduce people from different departments to each other and each other's work, show them how what they do rolls up to the bigger mission and reiterate the company's vision. This un-siloing process helps people feel more connected to a higher purpose and mission and increases engagement, productivity and tenure.

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Notice how perks didn't make this list? That's because they don't move the needle.

Agile hiring (and firing) tied to your finances, stacked on top of an empowered (and unleashed) HR that's always human-first and advocates for employees consistently will help you build a top employer brand, a raving mob of employee fans and

ambassadors. It will also attract more top talent, leading to more great products and services and attracting even more talented people to join the rocket ship.

HR itself is changing by leaps and bounds from the staid fortress of compliance and the status quo. With more top talent joining HR from other disciplines, there is a prevalence of empirical, analytical decision making, systems and human-centered design thinking and best practices from different functions and departments.

The biggest change-makers and tools are often much cheaper than you expect, or free. Great benefits can be had for less through a professional employer organization or vendor-agnostic broker. Employee engagement surveying and internal communication, the drivers of employee-driven change, can be done for free or with no added cost to existing tools. HR can coach and train employees on a host of skills and subjects, resolve conflicts, drive better decision-making and clarify career pathways, among other things, without the need for costly software.

If you’re guilty of seeing HR as a vestigial organ, take another look. Should you fail to appreciate or make the most of their true value to your company, you will have lost your biggest ally and a lightning rod for change.

Now let Cinderella collect her glass slippers.

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