

Linking HR Strategy to Shareholder Value

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Proof: Forward-thinking human resource strategies impact corporate profits.

Are the decision-makers in your organization aware of the link between human resource planning and profits? Some firms in negative growth may choose to layoff thousands of employees so that profits and stock price immediately increase. However, slash and burn tactics can lead to irreversible damage to the organization's future performance, because the increase in profits that result from this tactic cannot be sustained unless remaining employees can compensate for the productivity losses. More often than not, they can't, and at least 7% of remaining employees quit in the 6 months following a layoff.

"The number one priority for the value-creating HR function is to... point to human capital problems that limit the ability of the firm to achieve important business priorities & can provide HR solutions to those problems."

*Becker, Huselid, Pickup, & Spratt
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Losing valuable employees to layoffs can lead to the loss of clients because the level of expected services may decrease, giving competitors the opportunity to cut deals to steal the business. Sudden human capital strategy shifts, such as mass layoffs, can demoralize employees and decrease performance. In their study, "HR as a source of shareholder value: Research and recommendations," Becker, et. al. found that combining HR initiatives with strategies like performance management systems has a 50% larger effect on firm performance than implementing single policies alone. Executives, who fixate their objectives on share price, may achieve short-term success but are apt to encounter long-term costs if their objectives are achieved at the expense of productivity and customers.

Human Resource planning as a part of your business strategy.

As employee and customer needs frequently change, an integrated workforce development strategy helps the organization adapt to shifting goals. HR plans that address employees' professional needs as the organization grows add value to the organization. Engaged employees are able to drive customer loyalty as well as corporate profits through their consistency and quality of service. An HR strategy that translates business goals into individual accountability, creates long-term value for the organization. For example, Hillenbrand Industries is realizing a 15% annual growth target in their shareholder value by targeting their human resource development practices, namely performance management. Investing in employees' performance confirms to shareholders that you are concerned with growth and not minimizing costs, which provides a much smaller competitive advantage than innovation and expansion. Subsequently, increased *shareholder value* results from the value created by your human capital.

Understanding your People is what Our People Do.

Retensa is the leader and innovator of Employee Retention Strategies. They combine **experience** and web-based **technology** to develop, motivate, and retain a company's **best employees**. Retensa customizes solutions to help organizations achieve significant **cost-savings** and **performance** improvements.

Through the creation of a "Retention Environment," Retensa provides additional expertise in **Leadership** Development, Human Capital **ROI**, **HR Metrics**, Employee **Surveys**, Exit Interviews, and **Diversity** Initiatives, with a cutting-edge focus on workforce technology. Retensa can be reached at **212.545.1280** or visit www.retensa.com for more information about the solutions you can receive.

Is this a challenge at your Company? Give me a call:
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