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# Why We Hate HR

By Keith H. Hammonds

Well, here's a rockin' party: a gathering of several hundred midlevel human-resources executives in Las Vegas. (Yo, Wayne Newton! How's the 401(k)?) They are here, ensconced for two days at faux-glam Caesars Palace, to confer on "strategic HR leadership," a conceit that sounds, to the lay observer, at once frightening and self-contradictory. If not plain laughable.

Because let's face it: After close to 20 years of hopeful rhetoric about becoming "strategic partners" with a "seat at the table" where the business decisions that matter are made, most human-resources professionals aren't nearly there. They have no seat, and the table is locked inside a conference room to which they have no key. HR people are, for most practical purposes, neither strategic nor leaders.

I don't care for Las Vegas. And if it's not clear already, I don't like HR, either, which is why I'm here. The human-resources trade long ago proved itself, at best, a necessary evil -- and at worst, a dark bureaucratic force that blindly enforces nonsensical rules, resists creativity, and impedes constructive change. HR is the corporate function with the greatest potential -- the key driver, in theory, of business performance -- and also the one that most consistently underdelivers. And I am here to find out why.

Why are annual performance appraisals so time-consuming -- and so routinely useless? Why is HR so often a henchman for the chief financial officer, finding ever-more ingenious ways to cut benefits and hack at payroll? Why do its communications -- when we can understand them at all -- so often flout reality? Why are so many people processes duplicative and wasteful, creating a forest of paperwork for every minor transaction? And why does HR insist on sameness as a proxy for equity?

It's no wonder that we hate HR. In a 2005 survey by consultancy Hay Group, just 40% of employees commended their companies for retaining high-quality workers. Just 41% agreed that performance evaluations were fair. Only 58% rated their job training as favorable. Most said they had few opportunities for advancement -- and that they didn't know, in any case, what was required to move up. Most telling, only about half of workers below the manager level believed their companies took a genuine interest in their well-being.

None of this is explained immediately in Vegas. These HR folks, from employers across the nation, are neither evil courtiers nor thoughtless automatons. They are mostly smart, engaging people who seem genuinely interested in doing their jobs better. They speak convincingly about employee development and cultural transformation. And, over drinks, they spin some pretty funny yarns of employee weirdness. (Like the one about the guy who threatened to sue his wife's company for "enabling" her affair with a coworker. Then there was the mentally disabled worker and the hooker -- well, no, never mind. . . .)

But then the facade cracks. It happens at an afternoon presentation called "From Technicians to Consultants: How to Transform Your HR Staff into Strategic Business Partners." The speaker, Julie Muckler, is senior vice president of human resources at Wells Fargo Home Mortgage. She is an enthusiastic woman with a broad smile and 20 years of experience at companies such as Johnson & Johnson and General Tire. She has degrees in consumer economics and human resources and organizational development.

And I have no idea what she's talking about. There is mention of "internal action learning" and "being more planful in my approach." PowerPoint slides outline Wells Fargo Home Mortgage's initiatives in performance management, organization design, and horizontal-solutions teams. Muckler describes leveraging internal resources and involving external resources -- and she leaves her audience dazed. That evening, even the human-resources pros confide they didn't understand much of it, either.

This, friends, is the trouble with HR. In a knowledge economy, companies that have the best talent win. We all know that. Human resources execs should be making the most of our, well, human resources -- finding the best hires, nurturing the stars, fostering a productive work environment -- just as IT runs the computers and finance minds the capital. HR should be joined to business strategy at the hip.

Instead, most HR organizations have ghettoized themselves literally to the brink of obsolescence. They are competent at the administrivia of pay, benefits, and retirement, but companies increasingly are farming those functions out to contractors who can handle such routine tasks at lower expense. What's left is the more important strategic role of raising the reputational and intellectual capital of the company -- but HR is, it turns out, uniquely unsuited for that.

**Here's why.**

1. HR people aren't the sharpest tacks in the box. We'll be blunt: If you are an ambitious young thing newly graduated from a top college or B-school with your eye on a rewarding career in business, your first instinct is not to join the human-resources dance. (At the University of Michigan's Ross School of Business, which arguably boasts the nation's top faculty for organizational issues, just 1.2% of 2004 grads did so.) Says a management professor at one leading school: "The best and the brightest don't go into HR."

Who does? Intelligent people, sometimes -- but not businesspeople. "HR doesn't tend to hire a lot of independent thinkers or people who stand up as moral compasses," says Garold L. Markle, a longtime human-resources executive at Exxon and Shell Offshore who now runs his own consultancy. Some are exiles from the corporate mainstream: They've fared poorly in meatier roles -- but not poorly enough to be fired. For them, and for their employers, HR represents a relatively low-risk parking spot.

Others enter the field by choice and with the best of intentions, but for the wrong reasons. They like working with people, and they want to be helpful -- noble motives that thoroughly tick off some HR thinkers. "When people have come to me and said, 'I want to work with people,' I say, 'Good, go be a social worker,' " says Arnold Kanarick, who has headed human resources at the Limited and, until recently, at Bear Stearns. "HR isn't about being a do-gooder. It's about how do you get the best and brightest people and raise the value of the firm."

The really scary news is that the gulf between capabilities and job requirements appears to be widening. As business and legal demands on the function intensify, staffers' educational qualifications haven't kept pace. In fact, according to a survey by the Society for Human Resource Management (SHRM), a considerably smaller proportion of HR professionals today have some education beyond a bachelor's degree than in 1990.

And here's one more slice of telling SHRM data: When HR professionals were asked about the worth of various academic courses toward a "successful career in HR," 83% said that classes in interpersonal communications skills had "extremely high value." Employment law and business ethics followed, at 71% and 66%, respectively. Where was change management? At 35%. Strategic management? 32%. Finance? Um, that was just 2%.

The truth? Most human-resources managers aren't particularly interested in, or equipped for, doing business. And in a business, that's sort of a problem. As guardians of a company's talent, HR has to understand how people serve corporate objectives. Instead, "business acumen is the single biggest factor that HR professionals in the U.S. lack today," says Anthony J. Rucci, executive vice president at Cardinal Health Inc., a big health-care supply distributor.

Rucci is consistently mentioned by academics, consultants, and other HR leaders as an executive who actually does know business. At Baxter International, he ran both HR and corporate strategy. Before that, at Sears, he led a study of results at 800 stores over five years to assess the connection between employee commitment, customer loyalty, and profitability.

As far as Rucci is concerned, there are three questions that any decent HR person in the world should be able to answer. First, who is your company's core customer? "Have you talked to one lately? Do you know what challenges they face?" Second, who is the competition? "What do they do well and not well?" And most important, who are we? "What is a realistic assessment of what we do well and not so well vis a vis the customer and the competition?"

Does your HR pro know the answers?

2. HR pursues efficiency in lieu of value. Why? Because it's easier -- and easier to measure. Dave Ulrich, a professor at the University of Michigan, recalls meeting with the chairman and top HR people from a big bank. "The training person said that 80% of employees have done at least 40 hours in classes. The chairman said, 'Congratulations.' I said, 'You're talking about the activities you're doing. The question is, What are you delivering?' "

That sort of stuff drives Ulrich nuts. Over 20 years, he has become the HR trade's best-known guru (see "The Once and Future Consultant," page 48) and a leading proponent of the push to take on more-strategic roles within corporations. But human-resources managers, he acknowledges, typically undermine that effort by investing more importance in activities than in outcomes. "You're only effective if you add value," Ulrich says. "That means you're not measured by what you do but by what you deliver." By that, he refers not just to the value delivered to employees and line managers, but the benefits that accrue to investors and customers, as well.

So here's a true story: A talented young marketing exec accepts a job offer with Time Warner out of business school. She interviews for openings in several departments -- then is told by HR that only one is interested in her. In fact, she learns later, they all had been. She had been railroaded into the job, under the supervision of a widely reviled manager, because no one inside the company would take it.

You make the call: Did HR do its job? On the one hand, it filled the empty slot. "It did what was organizationally expedient," says the woman now. "Getting someone who wouldn't kick and scream about this role probably made sense to them. But I just felt angry." She left Time Warner after just a year. (A Time Warner spokesperson declined to comment on the incident.)

Part of the problem is that Time Warner's metrics likely will never catch the real cost of its HR department's action. Human resources can readily provide the number of people it hired, the percentage of performance evaluations completed, and the extent to which employees are satisfied or not with their benefits. But only rarely does it link any of those metrics to business performance.

John W. Boudreau, a professor at the University of Southern California's Center for Effective Organizations, likens the failing to shortcomings of the finance function before DuPont figured out how to calculate return on investment in 1912. In HR, he says, "we don't have anywhere near that kind of logical sophistication in the way of people or talent. So the decisions that get made about that resource are far less sophisticated, reliable, and consistent."

Cardinal Health's Rucci is trying to fix that. Cardinal regularly asks its employees 12 questions designed to measure engagement. Among them: Do they understand the company's strategy? Do they see the connection between that and their jobs? Are they proud to tell people where they work? Rucci correlates the results to those of a survey of 2,000 customers, as well as monthly sales data and brand-awareness scores.

"So I don't know if our HR processes are having an impact" per se, Rucci says. "But I know absolutely that employee-engagement scores have an impact on our business," accounting for between 1% and 10% of earnings, depending on the business and the employee's role. "Cardinal may not anytime soon get invited by the Conference Board to explain our world-class best practices in any area of HR -- and I couldn't care less. The real question is, Is the business effective and successful?"

3. HR isn't working for you. Want to know why you go through that asinine performance appraisal every year, really? Markle, who admits to having administered countless numbers of them over the years, is pleased to confirm your suspicions. Companies, he says "are doing it to protect themselves against their own employees," he says. "They put a piece of paper between you and employees, so if you ever have a confrontation, you can go to the file and say, 'Here, I've documented this problem.' "

There's a good reason for this defensive stance, of course. In the last two generations, government has created an immense thicket of labor regulations. Equal Employment Opportunity; Fair Labor Standards; Occupational Safety and Health; Family and Medical Leave; and the ever-popular ERISA. These are complex, serious issues requiring technical expertise, and HR has to apply reasonable caution.

But "it's easy to get sucked down into that," says Mark Royal, a senior consultant with Hay Group. "There's a tension created by HR's role as protector of corporate assets -- making sure it doesn't run afoul of the rules. That puts you in the position of saying no a lot, of playing the bad cop. You have to step out of that, see the broad possibilities, and take a more open-minded approach. You need to understand where the exceptions to broad policies can be made."

Typically, HR people can't, or won't. Instead, they pursue standardization and uniformity in the face of a workforce that is heterogeneous and complex. A manager at a large capital leasing company complains that corporate HR is trying to eliminate most vice-president titles there -- even though veeps are a dime a dozen in the finance industry. Why? Because in the company's commercial business, vice president is a rank reserved for the top officers. In its drive for bureaucratic "fairness," HR is actually threatening the reputation, and so the effectiveness, of the company's finance professionals.

The urge for one-size-fits-all, says one professor who studies the field, "is partly about compliance, but mostly because it's just easier." Bureaucrats everywhere abhor exceptions -- not just because they open up the company to charges of bias but because they require more than rote solutions. They're time-consuming and expensive to manage. Make one exception, HR fears, and the floodgates will open.

There's a contradiction here, of course: Making exceptions should be exactly what human resources does, all the time -- not because it's nice for employees, but because it drives the business. Employers keep their best people by acknowledging and rewarding their distinctive performance, not by treating them the same as everyone else. "If I'm running a business, I can tell you who's really helping to drive the business forward," says Dennis Ackley, an employee communication consultant. "HR should have the same view. We should send the message that we value our high-performing employees and we're focused on rewarding and retaining them."

Instead, human-resources departments benchmark salaries, function by function and job by job, against industry standards, keeping pay -- even that of the stars -- within a narrow band determined by competitors. They bounce performance appraisals back to managers who rate their employees too highly, unwilling to acknowledge accomplishments that would merit much more than the 4% companywide increase.

Human resources, in other words, forfeits long-term value for short-term cost efficiency. A simple test: Who does your company's vice president of human resources report to? If it's the CFO -- and chances are good it is -- then HR is headed in the wrong direction. "That's a model that cannot work," says one top HR exec who has been there. "A financial person is concerned with taking money out of the organization. HR should be concerned with putting investments in."

4. The corner office doesn't get HR (and vice versa). I'm at another rockin' party: a few dozen midlevel human-resources managers at a hotel restaurant in Mahwah, New Jersey. It is not glam in any way. (I've got to get a better travel agent.) But it is telling, in a hopeful way. Hunter Douglas, a $2.1 billion manufacturer of window coverings, has brought its HR staff here from across the United States to celebrate their accomplishments.

The company's top brass is on hand. Marvin B. Hopkins, president and CEO of North American operations, lays on the praise: "I feel fantastic about your achievements," he says. "Our business is about people. Hiring, training, and empathizing with employees is extremely important. When someone is fired or leaves, we've failed in some way. People have to feel they have a place at the company, a sense of ownership."

So, yeah, it's corporate-speak in a drab exurban office park. But you know what? The human-resources managers from Tupelo and Dallas are totally pumped up. They've been flown into headquarters, they've had their picture taken with the boss, and they're seeing *Mamma Mia* on Broadway that afternoon on the company's dime.

Can your HR department say it has the ear of top management? Probably not. "Sometimes," says Ulrich, "line managers just have this legacy of HR in their minds, and they can't get rid of it. I felt really badly for one HR guy. The chairman wanted someone to plan company picnics and manage the union, and every time this guy tried to be strategic, he got shot down."

Say what? Execs don't think HR matters? What about all that happy talk about employees being their most important asset? Well, that turns out to have been a small misunderstanding. In the 1990s, a group of British academics examined the relationship between what companies (among them, the UK units of Hewlett-Packard and Citibank) said about their human assets and how they actually behaved. The results were, perhaps, inevitable.

In their rhetoric, human-resources organizations embraced the language of a "soft" approach, speaking of training, development, and commitment. But "the underlying principle was invariably restricted to the improvements of bottom-line performance," the authors wrote in the resulting book, *Strategic Human Resource Management* (Oxford University Press, 1999). "Even if the rhetoric of HRM is soft, the reality is almost always 'hard,' with the interests of the organization prevailing over those of the individual."

In the best of worlds, says London Business School professor Lynda Gratton, one of the study's authors, "the reality should be some combination of hard and soft." That's what's going on at Hunter Douglas. Human resources can address the needs of employees because it has proven its business mettle -- and vice versa. Betty Lou Smith, the company's vice president of corporate HR, began investigating the connection between employee turnover and product quality. Divisions with the highest turnover rates, she found, were also those with damaged-goods rates of 5% or higher. And extraordinarily, 70% of employees were leaving the company within six months of being hired.

Smith's staffers learned that new employees were leaving for a variety of reasons: They didn't feel respected, they didn't have input in decisions, but mostly, they felt a lack of connection when they were first hired. "We gave them a 10-minute orientation, then they were out on the floor," Smith says. She addressed the weakness by creating a mentoring program that matched new hires with experienced workers. The latter were suspicious at first, but eventually, the mentor positions (with spiffy shirts and caps) came to be seen as prestigious. The six-month turnover rate dropped dramatically, to 16%. Attendance and productivity -- and the damaged-goods rate -- improved.

"We don't wait to hear from top management," Smith says. "You can't just sit in the corner and look at benefits. We have to know what the issues in our business are. HR has to step up and assume responsibility, not wait for management to knock on our door."

But most HR people do.

Hunter Douglas gives us a glimmer of hope -- of the possibility that HR can be done right. And surely, even within ineffective human-resources organizations, there are great individual HR managers -- trustworthy, caring people with their ears to the ground, who are sensitive to cultural nuance yet also understand the business and how people fit in. Professionals who move voluntarily into HR from line positions can prove especially adroit, bringing a profit-and-loss sensibility and strong management skills.

At Yahoo, Libby Sartain, chief people officer, is building a group that may prove to be the truly effective human-resources department that employees and executives imagine. In this, Sartain enjoys two advantages. First, she arrived with a reputation as a creative maverick, won in her 13 years running HR at Southwest Airlines. And second, she had license from the top to do whatever it took to create a world-class organization.

Sartain doesn't just have a "seat at the table" at Yahoo; she actually helped build the table, instituting a weekly operations meeting that she coordinates with COO Dan Rosensweig. Talent is always at the top of the agenda -- and at the end of each meeting, the executive team mulls individual development decisions on key staffers.

That meeting, Sartain says, "sends a strong message to everyone at Yahoo that we can't do anything without HR." It also signals to HR staffers that they're responsible for more than shuffling papers and getting in the way. "We view human resources as the caretaker of the largest investment of the company," Sartain says. "If you're not nurturing that investment and watching it grow, you're not doing your job."

Yahoo, say some experts and peers at other organizations, is among a few companies -- among them Cardinal Health, Procter & Gamble, Pitney Bowes, Goldman Sachs, and General Electric -- that truly are bringing human resources into the realm of business strategy. But they are indeed the few. USC professor Edward E. Lawler III says that last year HR professionals reported spending 23% of their time "being a strategic business partner" -- no more than they reported in 1995. And line managers, he found, said HR is far less involved in strategy than HR thinks it is. "Despite great huffing and puffing about strategy," Lawler says, "there's still a long way to go." (Indeed. When I asked one midlevel HR person exactly how she was involved in business strategy for her division, she excitedly described organizing a monthly lunch for her vice president with employees.)

What's driving the strategy disconnect? London Business School's Gratton spends a lot of time training human-resources professionals to create more impact. She sees two problems: Many HR people, she says, bring strong technical expertise to the party but no "point of view about the future and how organizations are going to change." And second, "it's very difficult to align HR strategy to business strategy, because business strategy changes very fast, and it's hard to fiddle around with a compensation strategy or benefits to keep up." More than simply understanding strategy, Gratton says, truly effective executives "need to be operating out of a set of principles and personal values." And few actually do.

In the meantime, economic natural selection is, in a way, taking care of the problem for us. Some 94% of large employers surveyed this year by Hewitt Associates reported they were outsourcing at least one human-resources activity. By 2008, according to the survey, many plan to expand outsourcing to include activities such as learning and development, payroll, recruiting, health and welfare, and global mobility.

Which is to say, they will farm out pretty much everything HR does. The happy rhetoric from the HR world says this is all for the best: Outsourcing the administrative minutiae, after all, would allow human-resources professionals to focus on more important stuff that's central to the business. You know, being strategic partners.

The problem, if you're an HR person, is this: The tasks companies are outsourcing -- the administrivia -- tend to be what you're good at. And what's left isn't exactly your strong suit. Human resources is crippled by what Jay Jamrog, executive director of the Human Resource Institute, calls "educated incapacity: You're smart, and you know the way you're working today isn't going to hold 10 years from now. But you can't move to that level. You're stuck."

That's where human resources is today. Stuck. "This is a unique organization in the company," says USC's Boudreau. "It discovers things about the business through the lens of people and talent. That's an opportunity for competitive advantage." In most companies, that opportunity is utterly wasted.

**And that's why I don't like HR.**

Keith H. Hammonds is Fast Company's deputy editor.