

The need for an effective HR strategy

Your employees are the key to success and growth; making human resources a strategic partner can lead a company to reach its full potential.

WHEN, in the early 2000s, human resources (HR) professional

Bob Miniger was first considering a move from corporate giant PPG to the relatively small chemical company Balchem Products, he was attracted by the prospect of being a part of the company's senior leadership team. "I can keep you out of jail—meaning, I will ensure we are complying with all the applicable laws and regulations associated with HR"—he told Balchem CEO Dino Rossi, "but what I really want is for HR to be a strategic partner that leads the company to reach its full potential." Today, Miniger is the Vice President for Human Resources at Balchem, and the strategic role HR plays at the company has helped it grow from \$20 million in sales in 2002 to more than \$80 million last year.

For the past several decades, Hudson Valley manufacturers like Balchem have witnessed tremendous changes. Technology, deregulation, and globalization have created a new global playing field where they face competition from companies in nations where labor is cheap, where energy is cheap, where currency values are manipulated and where environmental and safety regulations are lax. Gone are the days when Hudson Valley manufacturers relied solely on the sweat and strength of their workers. Today they rely on the wits and wisdom of those workers as well. It may sound clichéd, but the fact is that the people leading and working in manufacturing firms in the Hudson Valley—people with special skills, knowledge, experience, education and wisdom—are our competitive advantage.

It should, therefore, not come as a surprise that firms that think strategically about their workforce, firms that invest time, money and



energy to optimize this most precious resource, are among the most successful in the region and in their industries worldwide.

What is an HR Strategy?

First, it is important to see an HR strategy as an integral part of the total organizational strategy. Strategy is developed and implemented by people.

Integrating human resource management systems to achieve the overall mission, strategy, and success of the firm, while meeting the needs of employees and other stakeholders, is an HR strategy. According to Greg Chartier, Principal at The Office of Greg Chartier, an HR consulting firm, "HR must ensure that there is a direct link between the policies, procedures, programs and services they offer and the organization's strategic direction and focus. Absent this clear and deliberate linkage, HR is just a cost center. Strategy requires thinking and aligning business and HR philosophies and guiding principles."

There are several components to a successful HR Strategy. First, you place good people in the right positions, which makes for happy employees all-around. Happy employees who feel valued tend to be more productive and stay in their positions longer. Employee turnover is expensive, so less turnover saves money, time and frustration. A savvy HR department can implement a variety of strategies for everything from recruiting (for example, finding people who both fit positions and the company culture) to retention (developing motivation and reward programs) and conflict resolution (making people happier and minimizing employee litigation).

Russell Yeager, President of Alcoa Fastening Systems, and himself a former human resources manager, believes that, "Human Resources



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can play an important role in supporting the organization's strategy and business plans by understanding the entire business operating environment. This includes being a participating member in all critical areas, from sales to manufacturing to the profit and loss statement." Only then, Yeager adds, "can Human Resources play a pivotal role in supporting the organization and be an integral partner." In a manufacturing setting—where workers with technical skills are at a premium—these outcomes are especially important. Balchem's Miniger

says, "People are our differentiator. We need to constantly measure our outcomes and the most significant measure of those outcomes is the corporate balance sheet."

The problem is, human resources professionals are also responsible for the bureaucratic and administrative responsibilities associated with employing people: maintaining employee data, processing payroll, responding to unemployment claims, resolving disputes, maintaining benefits enrollment and scores of other duties. Where can they find extra time to just strategize? These administrative duties, while obviously very important, are huge time consumers. Time spent on these activities is time not spent developing an individual training plan for a key employee or attending the career fair at the University that graduates the best students in your field, or implementing the 360 degree feedback plan that ensures your staff members are meeting the needs of their customers, subordinates and leaders.

Wages, benefits and compliance are, of course, costs. The job of the HR strategist is to ensure that, wherever possible, there is real value derived from these costs. Do our wages attract the best, brightest and most capable people to produce our products? Do our benefits meet our employees' needs, encouraging them to stay on the job and remain productive? An effective strategy allows your firm to answer these questions in the affirmative, essentially articulating the value of the costs.

There are two approaches that can go a long way toward securing more time for strategizing:

AUTOMATION

Using HR software or Software as a Service (SaaS) applications can provide relief from a broad range of daily HR responsibilities. Automating such tasks as maintaining and updating employee data, tracking time and attendance, and monitoring annual performance reviews, can save a huge amount of time and allow you or your HR staff to focus on more strategic planning.

Integrated HCM (human capital management) systems group many HR tasks into a single system. With an HCM system, recruiting processes, employee data, payroll information, benefits information, training and much more can all be housed in one place. No file cabinet required. In this kind of system, all employees in your company have access to the system, with varying degrees of permission. So, while new employees may be able to onboard themselves, change their address and check their pay deposits, HR and management will be able to view an employee's pay history, check the status of an employee candidate and affirm that employees' certifications are up-to-date.

HR OUTSOURCING

Outsourcing is a strategic HR concept. According to the SBA, the average business owner spends 20-40 percent of his or her time on human resources, benefits, employment concerns and government compliance. According to Chartier, "Choosing to outsource enables the

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Outsourcing HR with a PEO

A professional employer organization (PEO) is a firm that provides a service through which an employer can outsource employee management tasks, such as employee benefits, payroll and workers' compensation, recruiting, risk/safety management, and training and development. Partnering with a PEO offers businesses — especially those that don't have a background in human resources — many benefits.

Human resource outsourcing through the use of a PEO is a strategic move to improve the quality and flexibility of the firm's workforce while furthering the organization's ability to accommodate change and stay ahead of market forces. Today, many companies are outsourcing their human resource functions.

The advantages provided by a PEO include:

- Provides experienced professionals in HR, benefits, payroll, risk management and other aspects of employee administration and development
- Assumes certain employment related liabilities
- Delivers professional assistance with employment related regulatory compliance (ADA, payroll, OSHA, EEOC, FMLA, FSLA etc.)
- Provides secure Internet access to payroll, benefits and personnel data
- Provides access to professional HR guidance and materials
- Manages claims related to employment and risk management
- Supplies employee handbooks, policies, procedures and practices
- Improves cost control
- Delivers access to better benefits
- Helps reduce employee turnover
- Provides quality benefits to attract and retain the best employees
- Gives you the opportunity to grow your business faster

firm to divest itself of time- and money-intensive processes and bring in valuable knowledge and expertise. While cost savings is an important consideration, improved service quality and a shift in strategic priorities are just as critical."

An HR outsourcing service, such as a professional employer organization (PEO), can do everything from meeting your many administrative needs to helping you with government compliance and processing your payroll. Outsourcing is a great way to supplement your team and is an especially good choice for overburdened CEO's, HR departments and rapidly growing companies. Bob Miniger notes that Balchem Products uses several outside sources to reduce costs and increase value, both to employees and the company. "We're self-insured for health care and use a terrific TPA to make sure we have the best benefits at the lowest cost, and we use a payroll service to handle all that activity and reporting." He adds with some pride, "When we were at \$20 million the HR department was two people. Now, at \$80 million, we are three — that's value."

Regardless of whether or not you are able to reduce the amount of time spent on HR administration, it is imperative that organizational and HR leaders regularly set aside time to think and act strategically. Perhaps most important is for the firm's top leadership, whether that includes a top level Human Resource professional or not, to integrate human resources into the overall corporate strategy.

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