The CFO: Your Strongest Ally?

By Jack J. Phillips, PhD

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In a recent study conducted by CFO Research Services and Mercer Human Resources Consulting, key findings cited include:

- CFOs view human capital as a critical driver for increasing shareholder value: 82 percent think that human capital is a central factor impacting profitability, and 92 percent think that human capital is a central factor to achieving customer satisfaction.
- At the same time, only 15 percent of CFOs report having a more than moderate understanding of the return on human capital investments. This is despite the fact that companies are spending an average of 36 percent of revenues on human capital.
- Among the highest priorities from a CFO perspective are: increasing workforce productivity (58 percent cite this as a top priority) and measuring the contribution of human capital to business performance (40 percent of companies with more than $1 billion in revenues cite this as a top priority).
- Finally, 62 percent of CFOs surveyed believe they should be more involved in human capital decisions, especially in terms of helping human resources design the right metrics and linking human resources policy to corporate strategies.

CFOs Will Be More Involved

As noted in the study, CFOs are especially focused on how human resources can better support critical corporate strategies. These strategies are invested in and undertaken with the assumption that they will lead to improved financial results and increased shareholder value. Since most strategies involve some kind of change initiative, it is fair to assume that CFOs will be paying close attention to how the CLO can help drive successful organizational change.

The success of these planned strategic initiatives, such as mergers, acquisitions, restructuring, downsizing and ERP implementations depends largely on what Seth Leibler, CEO of The Center for Effective Performance (CEP), a workforce performance services company that specializes in helping organizations profit from planned change, calls “the skills and the will of the workforce.” In other words, does the workforce have the requisite skills, knowledge and motivation to successfully implement organizational change that leads to increased shareholder value?

Given research that shows that 70 percent of all organization change fails to deliver anticipated financial results (“Conquering Organizational Change,” by Pierre Mourier and Martin R. Smith), CFOs realize that the organization’s investment in strategic change is inherently risky. Leibler said, “More often than not, workforce performance problems are the cause for failed strategic change. Typically, CFOs underestimate the fact that these strategic changes fundamentally change peoples’ jobs. We know that when organizations change, jobs change. As workforce performance experts, we have at our disposal the tools and behavioral-science-based procedures to provide people with the new skills

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Email: info@roiinstitute.net

that are required to meet the changed expectations. What's more, we can eliminate and even prevent the motivational and environmental obstacles that lead to workforce performance problems that result in turnover, lost sales, lost customers, compliance violations, etc."

The CFO-CLO Link

Enlightened CFOs understand that the CLO is positioned to help mitigate the risk of failed change and increase the likelihood that strategic initiatives will deliver the anticipated financial results.

CLOs who want to get ahead of the curve aren't waiting for the CFO to come calling. These individuals are proactively supporting the CFO by becoming directly involved in strategic change and applying methodology and procedures grounded in behavioral science to guarantee that the workforce has the "skills and will" to meet the new performance requirements.

Seven Critical Actions for Strategic Change Implementation

Leibler suggests that proactive CLOs should focus their efforts on the following seven critical actions that will lead to successful change and improved financial results:

1. Identify, with the CFO and other senior executives, those planned strategic initiatives intended to increase shareholder value.
2. Identify the jobs that are most critical to the successful implementation of the strategic change.
3. Help executives determine and clearly articulate the performance requirements for these identified jobs.
4. Identify any new skills required to meet the changed performance expectations.
5. Design and implement state-of-the-art training to address the skill deficiencies.
6. Identify and recommend fixes for motivational and other obstacles (non-skill-related) that may be barriers to successful organization change.
7. Measure the results in monetary terms, and communicate those results to senior executives.

The CLO should provide the company's training-and-performance-improvement professionals with the skills required to carry out these steps as they work together to support the corporate strategies.

Align With Corporate Strategies

The starting point is to gather information from CFOs and other senior executives about the organization's planned strategic change. Without this information, CLOs may spend department resources on activities that won't deliver bottom-line financial results. The CFOs should see that the CLO understands the business needs and can contribute to improved workforce productivity and other significant business metrics.

Identify Jobs With the Most Impact

With any change, there are job groups that can be identified as most critical to the initiative's success. Using analysis procedures, the CLO should consult with both senior executives and managers closer to the work to be sure that all of the right jobs are included.

Determine and Communicate New Performance Requirements

CFOs and other senior executives typically have expectations in their heads about these new

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Email: info@roiinstitute.net

requirements. The problem is that these expectations are rarely agreed upon among the executives, and equally important, they are not clearly communicated to the performers themselves. One of the simplest and most powerful ways to improve performance is to communicate expectations clearly—what the performer needs to do and how well she needs to do it.

Identify New Skills

In most cases, strategic change initiatives call for new business processes that in turn require new, higher-level skills for the critical job groups. CLOs and their staffs can make a substantial contribution to improved financial performance by helping managers determine best practices while eliminating inconsistent procedures and duplicated efforts. Once best practices are agreed on, analysis procedures should be followed to identify both the new tasks required to implement the best practices and the skills required to perform those tasks.

Design and Implement Training

CLOs who institutionalize a behavioral-science-based methodology, such as Dr. Robert F. Mager and Peter Pipe's "Criterion-Referenced Instruction," as the standard for design of training can guarantee to the CFO that performers in critical jobs will have the skills required to implement the change initiative to the level of expectation management requires.

The following benchmarks can help CLOs determine if the organization is applying a scientifically grounded methodology:

- Analysis procedures are followed that ensure objectives are derived from job performance needs.
- Training is viewed as the right solution only if the cause of the problem is due to lack of skills or knowledge.
- Practice situations in training match the job conditions (the environment) as closely as possible.
- Learners receive feedback immediately after practice to identify either what they did wrong and should do differently or that their performance was correct so they can continue to perform that way.
- Skill checks (tests with feedback) to ensure that learners have mastered essential skills needed to perform to expectation follow each unit of instruction.

Identify and Recommend Fixes for Obstacles

As important as skills are, alone they are not enough to ensure successful implementation of change. The failure of many strategic change initiatives can be traced back to motivational issues that were either unknown or ignored. By applying a proven and systematic process like Mager and Pipe's "Performance Analysis," CLOs can pinpoint and even prevent these motivational barriers to change implementation.

Measure and Communicate Results

CLOs who want to build a strong relationship with the CFO need to be able to communicate results in a meaningful way. This requires the measurement of programs that support strategic change initiatives to be stated in monetary terms with hard data.

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Summary
CFOs seek to build competitive advantage, improve financial performance and increase shareholder value through strategic change initiatives. These initiatives are high-cost and are undertaken with the anticipation of improved financial results. There is also great risk, borne out by statistics that show that most strategic change fails to deliver the anticipated results. CLOs can mitigate that risk by applying state-of-the-art procedures and tools to guarantee skills and remove motivational barriers to desired performance. The CLO who contributes to successful strategic change impacts financial results and has a new, powerful organizational ally: the CFO.

Jack J. Phillips, Ph.D., is chairman of the ROI Institute. He developed and pioneered the utilization of the ROI process and provides consulting services to some of the world's largest organizations. He has written more than 15 books on the subject.

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