



TenStep Supplemental Paper

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Better (Man)agement

Irrespective of the business function, managers always need to receive information that would not only provide useful insight into the operations of the organization but also serve as a vital tool for formulating plans. Depending on the frequency of such information, managers formulate tactics (in case of daily, monthly or quarterly information inputs) and strategies (in case of annual or longer period of information input). Considering the growing value of human resources in the prevalent knowledge economy, the annual human resources report is fast becoming a vital tool for formulating business strategies that shape the organization of the future.

Can HR annual reports act as a shining beacon for an organization? Most certainly, as such reports not only reveal manpower and performance trends but also pave the way for future plans and strategies in addition to applications for persuasive purposes with line managers. However, the exact form of utility of HR annual reports may vary from organization to organization. Let us consider some examples of HR annual reports and their varying applications by different organizations.

HR annual reports to lower absenteeism

In 2002, the monetary burden on account of sick-leave pay on the Arizona state government was \$907 per employee. The state government had approximately 37,000 employees during the year. In other words, the state government had to cough up a whopping 33.5 million dollars of public money as compensation for its employees' sick leave. This information was generated from the Arizona Department of Administration's annual human resource report. It also provided trends in sick-leave expenses and enabled the department to adopt cost-saving initiatives.

The report further revealed that sick leave expenses amounted to \$687 per employee five years earlier. In other words, there was a thirty-two percent increase in sick leave pay during the five-year period between 1997 and 2002, or an amount equivalent to three percent of Arizona's 1.2 billion dollar payroll. To counter this alarming issue, agency directors have initiated various measures to minimize unplanned absenteeism. Some of these programs include wellness programs, cost-effective healthcare for disease management and work/life programs.

Another finding of the report was that the state's employees were underpaid by 16.3 percent when compared to the private sector, thereby resulting in job dissatisfaction among the employees. This has led the state legislature to consider a plan to increase salary levels of its employees by a maximum of \$1,000 per employee, or by two percent.

The Arizona Department of Administration has been publishing its human resources annual report for the last six years, as stipulated by the state legislature. Though the report commenced as a compilation of employee and salary data, it has evolved into a thirty-four page dossier that covers employment trends, equal-opportunity information, employee mobility and results of employee feedback. In its present form, the report



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includes the SWOT analysis of the organization, hiring costs and results, outline of training and development programs, and plans for the year ahead. Such an annual report acts as a quick reference tool in a very user-friendly format.

Minimizing costs through recruitment trend analysis

About 3,500 employees work for one Canadian municipality, which offers different kinds of services for its 1 million residents. By utilizing a human resources report for two successive years, the Commissioner of People, Information and Technology at the regional administrative body has managed to save her government approximately \$300,000 (Canadian). One of the useful reports provided by the report was that the government body was investing hundreds of thousands of dollars on ineffective print ads. As a result, the organization adopted the economical and effective Web-based system.

Similarly, another organization based in Minnesota used the report on a trial basis and managed to save more than \$20,000 in terms of recruitment expenses last year. The report findings revealed that the employee-referral program was more effective in locating the right candidates than the earlier method of recruitment ads in newspapers. As per the company's 2004 report, of the 191 candidates recruited by the company in 2003, thirty-eight were through employee referrals and just four from newspaper advertising. The report also lists the objectives and accomplishments of every employee during the year. This helps conduct gap analysis and enable better accountability by each employee within the organization.

HR annual reports still in nascent phase

Though annual HR reports have been generating tangible financial and non-financial gains for organizations, only a few players create them. Some of these include Dartmouth College, University of Saskatchewan and University of Texas Medical Branch. Some organizations such as Minnesota-based Fairview Health Services embarked upon generating a formalized annual report but did not continue for long. Companies like Intel Corp. adopted the less sophisticated informal annual reviews in the form of an e-mail performance review and benchmarking report.

HR annual reports are here to stay

As is evident above, both large public organizations and small private companies are increasingly resorting to the annual human resource report as a tool to manage the evolving role of human-capital management through cost effective means. Annual trends provided by such reports are very useful for business planning rather than mere numerical data on a monthly basis that do not provide much strategic insight.

Even as HR has found a new identity over the last few years with the heightened focus on manpower resources in the knowledge management era, its strategic role in the organization makes it financially accountable for its programs and policies. For this purpose, HR departments of regional governments, educational institutions and private corporations utilize the annual human resources report as a diagnostic and promotional tool.