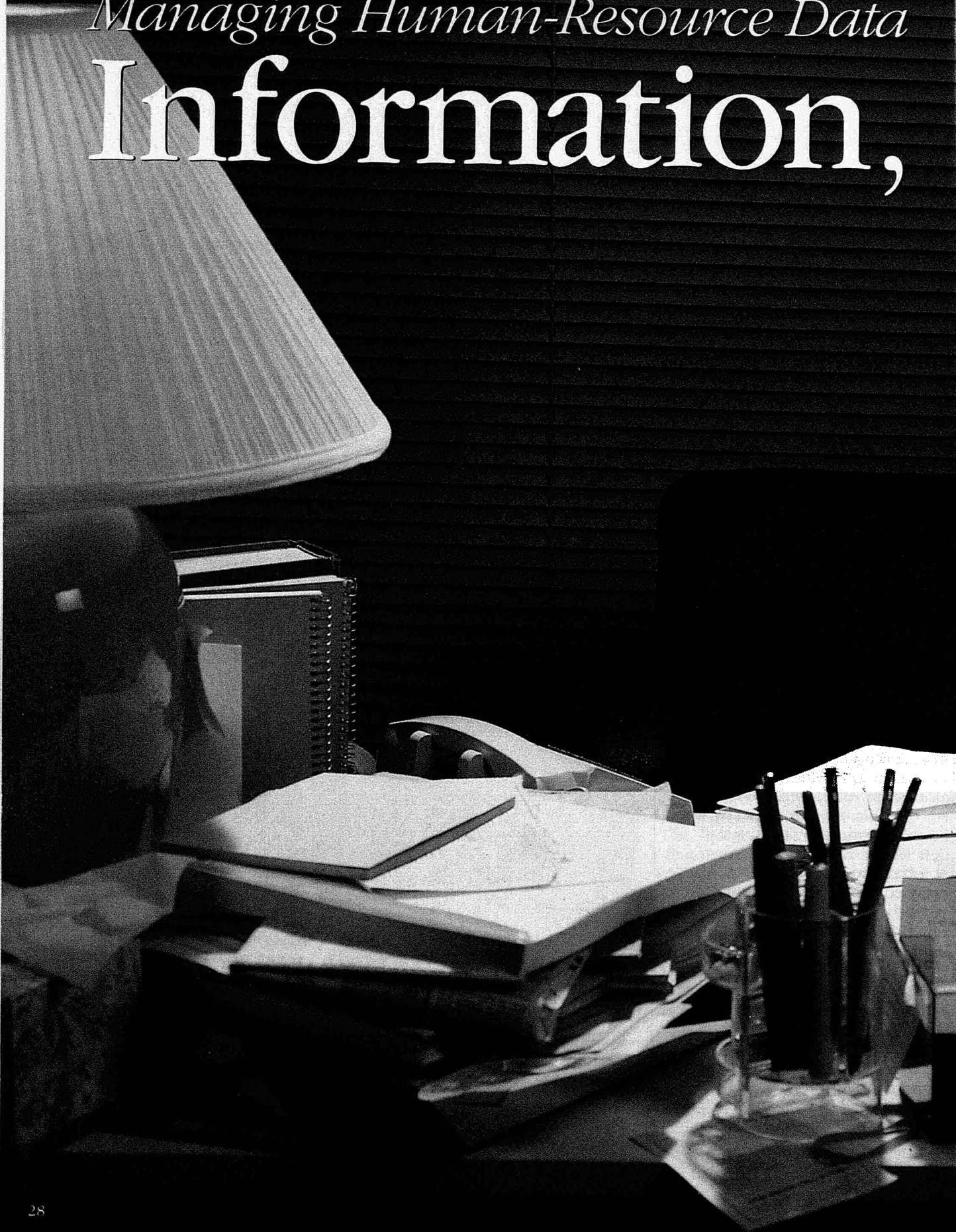*Managing Human-Resource Data*

Information,

Please

By Stephen L. Cohen

A good manager wouldn't dream of making an important operations decision without adequate data. But managers frequently make people decisions that way. In this, the first of a three-part series on human-resource data, you'll learn what kinds of data are important and where managers can find them.

You need to make a decision concerning human resources, but of course, you can't make it out of the blue. You need a solid foundation of "people" data on which to base your decision—without adequate information, the quality of your decision suffers and the decision itself may be questioned. It is relatively easy to generate good data about people if
■ you recognize the characteristics of good data;
■ you are sure of your sources.
   Consider the following scenarios, which provide a glimpse of the key issues surrounding the effective management of human-resources information.

Data for Decision Making

Managing human resources has always been seen as the responsibility of the personnel or training department. That approach, however, focuses on centralized systems that are often forced on operating units, regardless of their fit. This three-part article addresses how managers, rather than human-resource-management (HRM) personnel, can better manage their employees by effectively using appropriate data bases for decision making. For HRD professionals, it provides a framework for helping managers develop human-resource-management skills.
   Part I addresses how to develop a useful and accurate data base. Part II, in the August issue of the *Journal*, discusses how to interpret and better understand the identified data. Part III, in September, focuses on applying the data to making day-to-day human-resource decisions.

■ Upper management in a growing retail operation asks the manager of corporate development and planning to determine the best geographic sites for a five-year expansion plan. By studying the locations of the operation's top two competitors, market penetration, consumer buying habits, costs of construction, and anticipated areas of development, he recommends a list of top, average, and poor site choices for the next five years.

■ A human-resource manager must determine her organization's short- and long-term training and development needs. She creates a survey asking employees to indicate their current levels of skill and expertise, and areas where they feel they need the most improvement in order to carry out their

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jobs effectively. Matching the survey results with a review of the current position descriptions, she is able to identify what the organization needs and to recommend a series of both technical and managerial skill-development programs.

■ An engineering project manager must direct a study to determine the efficacy of automating one of his company's production operations with high-performance robotics technology. Among the factors his team must consider are increased production capacity, costs of conversion, expected maintenance expense, and impact on the existing workforce. After visiting sites where robotics are in use, talking with leading scientists throughout the country, and analyzing his own organization's needs, he puts a report together summarizing what he has found.

■ A finance manager must determine the expected short- and long-term return on investment for a number of securities and then recommend the most prosperous course of action for her organization's pension fund. After closely scrutinizing the fund's past performance, reviewing each security's

historical ROI, investigating various related tax and case laws, and building a long-range model that takes into account various contingencies, she makes her recommendation.

■ A marketing manager must determine the various demographics and feelings of consumers for her organization's top-selling products in order to determine the scope of a new cross-selling promotion campaign designed to reposition them as a family of products. Using appropriate sampling techniques, she contacts users through a mail survey and a follow-up telephone survey. Having collected that information, she evaluates the likelihood of the success of such a campaign and the themes the campaign should take.

■ A plant manager, disturbed by turnover that is consistently higher than normal, conducts an across-the-board attitude survey to determine whether job dissatisfaction is higher than usual. He sends the survey, coded according to various demographic and position levels, to all employees, and collects, statistically analyzes, and compares the results with data from previous years. From the final data, he makes recommendations to senior management for
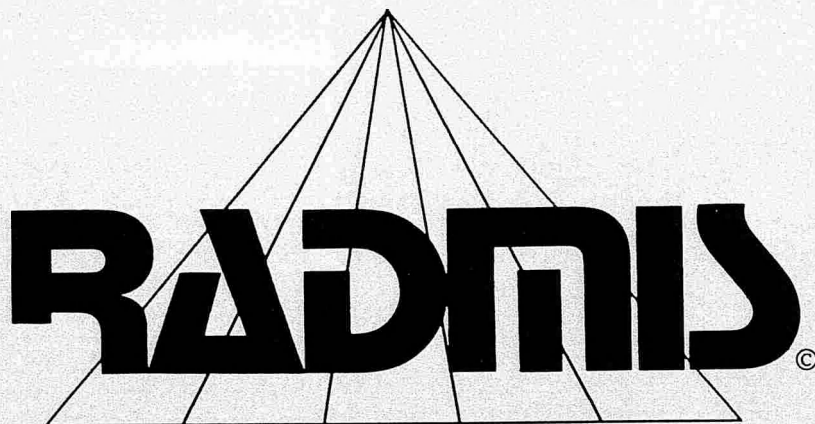
improvements in the quality of work life at the plant.

People decisions

The scenarios described above are common events in organizations today, regardless of size, industry, product, or service. Indeed, managers are called upon every day to help make such decisions. In all the above cases, there is one common thread: data, be they facts or attitudes, form the basis of all the decisions and recommendations. And every decision above requires the collection of relevant data. Let's contrast those everyday decisions and the processes behind them with some other commonplace decisions the same managers might face.

■ The same manager of corporate development and planning must identify a succession plan for his department—that is, who would succeed whom in each position in the group. For each position, he recommends that the person with the longest tenure be the one to assume the position of his or her boss.

■ The human-resource manager who had to determine her company's training needs in the above example is now called upon to make salary recommendations for her group. Always concerned about fairness and equity, she decides to give everyone the same percentage increase even though she knows they performed their respective jobs at different levels.

■ The engineering project manager must identify an engineer he feels

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HRD hasn't taught managers how to make people decisions

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would make the best project manager for a newly available position. With little hesitation, he recommends the engineer he feels is clearly the best technician and most knowledgeable about his specialty area.

■ The same finance manager has an opening for a junior accountant. She asks personnel to post the position internally and to advertise in the local paper. She collects the resumes but reviews them with little idea of what she is looking for in terms of experience and skills. Then she interviews a few people without any planning or standardized procedure, and selects the applicant who looks the best.
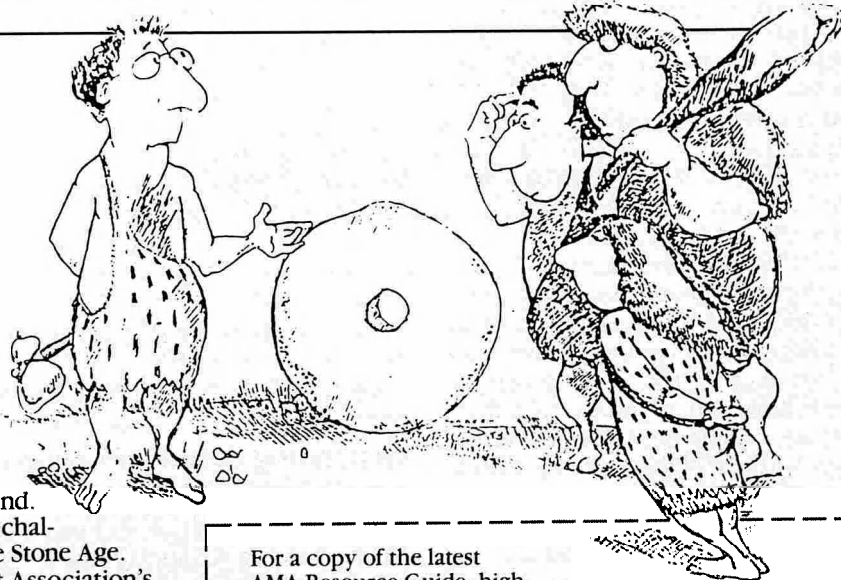
■ The same marketing manager must give her annual performance appraisal to one of her research analysts. The day before the review, she jots down a few notes, based on her recall of the employee's performance during the last year, and then fills out the performance-appraisal form.

■ The same plant manager who was once troubled by turnover now must decide which one of his immediate subordinates should go to the organization's management-training program for high-potential employees. Not wanting to offend any of his people, he makes his selection by putting all their names into a hat.

Unfortunately, those scenarios are also common in the everyday lives of managers. And such human-resources decisions may be the most important decisions they have to make. Why then are the processes for making those decisions so radically different from equally important operating decisions? Is the answer so complex?

It may sound glib, but perhaps the

explanation is that HRD hasn't taught managers how to make people decisions. American business certainly hasn't spent the necessary time, energy, and money for teaching the knowledge, skills, and abilities needed for technical job performance. And though management development is a multimillion-dollar industry, its content, in general, appears sorely lacking in people-decision training.

That is not to say that there aren't hundreds of programs that address the issues of recruitment, selection-interviewing, performance-appraisal, and succession-planning. But how many teach the skills necessary to make good decisions, in addition to the methods and procedures one should follow to make them? Too few, unfortunately. It's not that the programs don't attribute importance to such decisions, or that the procedures aren't overwhelmingly useful. More likely, they don't concentrate on skills because

■ we're just now beginning to understand the significance of such skills for effective performance management;

■ we don't know how to train effectively in those areas;

■ we've always reserved those decisions for the HRD professionals.

Clearly the latter is the safest approach—blame all the bad decisions on HRD. While that is convenient, it is nonetheless shortsighted and unproductive.

If you can believe everything you've read recently on managing for excellence, the new management, and leadership, today's manager must frequently make people decisions, and in an educated manner. More and more organizations are creating performance factors such as the development of subordinates, human-resource management, meeting affirmative-action goals, and so forth, and adding them to their standard appraisal forms. More and more, managers must actively help employees fulfill their potential.

Effective human-resource-management decisions by line management have just as much impact on the bottom line as do those involving facilities management, equipment maintenance, purchasing, expansion, and so forth, except that it is harder to see the dollar value in the decisions line managers make. Even turnover, which lends itself to ready calculation, has eluded a consistent and meaningful relationship to cost. Fortunately, organizations are beginning to study those costs and discover how large they really are.

Similarly, human-resource programs —from assessment centers to training workshops to quality circles—have come under the scrutiny of financial analysis to evaluate their effectiveness. Again, not unsurprisingly, such programs can have a significant positive effect, not only on the P&L, but on the balance sheet as well.

It all appears to add up. Better human-resource decisions yield better organization results, not to mention long-term constructive impact on employees. And it appears that it is HRD's responsibility to show managers how to facilitate quality people-decisions. But the key to success with that new skill base is to make it a part of the manager's everyday thinking, to make it second nature so that he or she can

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How many managers today practice MBWA, management by walking around?

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quickly make good decisions. Indeed, the goal of better human-resource management is to reduce the time spent fixing mistakes and to convert it to time spent managing for continued improved performance. How then can we provide the type of skills managers need to make better decisions about people?

The crucial component is the base of data available to the manager. The better that base, the better the decisions that follow from it. The first question, then, is how to generate sound, effective data.

Generating data about people: whose responsibility?

As noted above, a convenient excuse for eschewing responsibility to develop a quality data base about employees is that human-resource people are supposed to do it. But aren't all managers human-resource people? Besides, most HRM departments do not see gathering information as their responsibility, except in terms of serving as a personnel reservoir. They are not even in the best position to gather the appropriate information; clearly, the manager is closest to the source. But how many managers today practice MBWA, management by walking around? Many more than there used to be, but they are still a relatively small minority.

All a topnotch HRM department can be expected to do is to provide the manager with the necessary human-relations tools for effectively managing his or her people. The responsibility rests on the shoulders of the line manager, not only for effectively managing his or her employees, but also for making high-quality day-to-day decisions about them.

What makes good data?

What do we mean when we talk about a good data base?

■ Most important, of course, is its usefulness: can you apply the data readily to a particular decision?

■ Second is its validity or accuracy. Do the data reflect what they purport to reflect? Are they accurate descriptions of events as they occurred? Are they pertinent to the decisions you make?

■ That leads to a third important characteristic of good data: are they reliable? That is, can you replicate them either over time or through agreement by many observers?

■ Last, good data must be measurable. That means that you can somehow get a hold on what the data are really telling you, which usually means that you need an empirical base for the data— data you can touch, see, hear, and feel. You shouldn't have to make assumptions about their existence.

That has enormous implications for the decision-making process. Most errors in human judgment are made because of the absence of an empirical data base.

You can summarize those characteristics like this: good data must be observable, relevant, and quantifiable.

Observable behaviors. Does your wife, husband, or child love you? Do your co-workers respect your judgment? Does your boss feel that you are a loyal and valued employee? Do you really know the answers to those questions? Perhaps you think you do, but do you really? Most of us have difficulty answering such questions confidently. We have problems when it comes to making judgments about the attitudes and feelings of others.

In order for any statement containing a judgment to be valuable, it must be based on behaviors you can observe. You never do know whether your husband, wife, or children love you, whether your co-workers respect

your judgment, or whether your boss really values you. You only know if and when they behave in a way that makes you feel as if they do. You never really know what is going on inside a person.

The only valuable information in any job-related situation is what you see or hear, and the search for what goes on inside another person has relatively little value when you are evaluating job performance. Certainly you know there are differences in what people feel and how they behave, but you must rely on the behaviors you see. You are more likely to err in your personal judgment if you infer or interpret feelings of others.

Relevance to the job. In the world of work, the most important behavioral observations are those that are relevant to the job. The more relevant any behavior is to the way it should manifest itself on the job, the more accurate your evaluation is likely to be. The behavior then gives us important and specific information that relates to an individual's total performance. People's heights, ways of dressing, skin colors, or genders are irrelevant when you consider whether they will, can, or do perform their jobs effectively.

When we speak of relevant behaviors, we must also consider the situations in which we see them. The closer you consider the job situation in which the behaviors occur, the better you can count on them to provide information that is important for the evaluation, development, and effective coaching of people.

Quantification. For evaluation to be accurate and fair, you also must be able to quantify how much of a particular characteristic or skill an individual has and how much of that skill is necessary to do an effective job. Very few, if any, qualities exist on an all-or-none basis for any person; the skills and behaviors that you typically deal with exist and are observed as degrees, not as the total presence or the total absence of a quality.

Consider leadership, for example. It may be contrary to what many of us believe—that someone either is a leader or is not—but a person can be a leader some of the time and under certain conditions; in some situations, a person may be a better leader than in others. The questions you would have to ask yourself in evaluating him or her would be, "How much leadership is required, and under what conditions, to do this job successfully?" and "Have I

seen this person display leadership in the appropriate situations often enough to satisfy the job criteria?"

The quantity, or amount, of a skill is crucially important in job success. It is even more important when you begin to differentiate between individual employees for promotion or development purposes. If, for example, a person must work alone most of the time, it would not be absolutely necessary for him or her to develop interpersonal skills. But if the person were being considered for promotion to a managerial position, then the amount of demonstrated interpersonal skills would become a higher priority.

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Judgment call

While typical data-based decisions in business rely on relatively cut-and-dried situations, some aspect of judgment almost always plays a role in the process. Many times, it comes in the guise of an educated guess. Indeed, we would be foolish to think that all decisions are based on a go/no-go mentality. A manager's years of incalculable experience, education, and perspective, and the ability to draw from that knowledge base are also solid, rational foundations for decision-making. They allow people to reach different conclusions using almost the same data. That is, the data are the same but are interpreted differently. This is natural and perhaps even should be encouraged, with due explanation. But the difference between such everyday business judgments and those made about people is that the data base of the latter, while actually the same, may be perceived as different, thus causing significant deviations in interpretation. Obviously, there is more room for variation in observing people than in observing numbers, charts, and graphs.

But just as some managers may make better decisions based on hard, numerical data than others, some make better decisions based on "softer" peo-

ple data. The goal is to harden the people data as much as possible—make it as objective as possible—in order to reduce the variances of interpretation in the judgment process.

That is not to say that number-crunching is the cure for HRM decision-making—in fact, quite the contrary, because overreliance on numbers often masks the effects of time. But you must not find yourself shooting in the dark when it comes to making those decisions. The more data you have, the more likely it is that you will make a rational decision. The better the data, the more likely it is that a rational decision will yield positive results. But without an observable, relevant, and quantifiable data base, you should not expect many high-quality people-decisions. This is not a proposal for taking the judgment out of the people-decision process, but for enhancing it through more and better data.

Sources of data

What human-resource data qualify as being readily observable, relevant to the job, and quantifiable? Actually, there are more sources for data that meet those criteria than you might think. Basically, they come in four packages: oral, written, nonverbal, and third-party, all of which characterize what people say and do.

Oral. You can use anything a person says as an observable data point. Furthermore, what he or she says and how he or she says it can provide valuable insights into that person. The quality of thought, the logic used, the references quoted, and so forth, provide you with considerable information on which to make decisions about that person. How a person says something could give you insight into the individual's clarity, tone, reflection, grammar, vocabulary, energy, and even interpersonal relations.

More difficult to ascertain is why people say something, because you never really know unless you ask them or they tell you. Even then, you cannot be sure that they know and are telling you their true reasons. Nonetheless, you must be careful about inferring what you think lest you project your own wishes and thoughts and thereby draw erroneous conclusions.

Many job activities yield oral data. In general, you can divide them into informal and formal communications.

Informal communications include, among other things, one-on-one discussions with the manager, group discussions with peers, and directions and guidance offered to subordinates. Formal communications usually involve presentations to groups.

Written. The principles of written data are similar to those of oral data. But the data points last longer. That fact provides an interesting distinction between written and oral data points. The written can be captured, analyzed, scored, and released. In many ways it provides a less elusive, more objective point from which you can make relatively more accurate judgments. The outputs of written data are also numerous: they include letters, memos, reports, charts, briefs, and analyses, and offer a wealth of good, solid information.

Nonverbal. We also exhibit nonverbal behaviors. Some are habits and idiosyncratic quirks; others are premeditated for effect. Their range and scope is enormous. Unfortunately, what they mean often leaves a lot to interpretation, depending on the perspective and situation. Even so, careful attention to nonverbals can provide good information. The hand gestures, body movements, and facial expressions someone uses when interacting with others offer insight into the person's intent. Recent research on neuro-linguistic programming has provided fascinating evidence that different eye movements during conversation suggest different ways in which people think about and process information. Even the ways people present themselves through oral and written means—their neatness, thoroughness, confidence, and so forth—are valuable nonverbals.
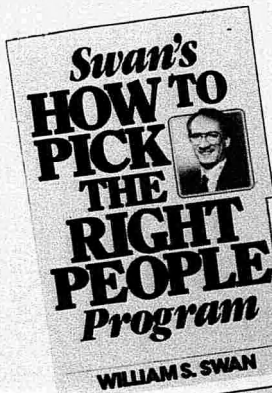
Third-party. Clearly the most dangerous set of data comes from what others tell you about someone—the distance you have from the actual observation could invalidate the judgment. Like the old game of telephone, in which the initial message is whispered to others down the line, the final message is often a shadow of the original. Third-party information, however, can be a useful data point, particularly if you ask for specifics and get corroborations. The perspective it provides could be invaluable in coming up with a meaningful interpretation of events.

Third-party observation is part of the territory in a matrix-management situation, where the manager is not involved in day-to-day operations with the employee, and therefore finds it difficult to obtain firsthand data points. In those cases, hearsay is the norm. Once corroborated, hearsay can also be valuable in other situations. Peer review, for example, is a relatively accurate source of information, assuming no vested—that is, political—interests intrude. Employee comments about their supervisors and the reactions of customers and suppliers can all be sources of useful information.

Moving away from the subjective

The key to useful data about people is that it should be performance-based and specifically relevant to job duties and responsibilities. The more data become contaminated with subjectivity and irrelevant information, the greater the chances for misinterpretation. Part II of this article, in next month's *Journal*, will explore the reasons for data misinterpretation and ways to avoid it.