Getting HRD Status in the Corporation

It may seem like a truism, but organizations that value human resources accord greater status to their HRD departments. Discover the hows and whys in this question-and-answer session conducted by Robert Bove with Audian Dunham, personnel vice president of Filene's Basement.

Audian Dunham is personnel vice president of Filene's Basement, an extremely profitable division of Federated Department Stores whose Boston branch should be familiar as one of that city's more unusual tourist attractions. Dunham has had a long, successful career as a kind of HRD intrapreneur for companies famous for their emphasis on human resources, starting with his work at Boeing in the mid-sixties. He spent 8½ years with Xerox, both on the West Coast with its computer company and then in Rochester, New York, where he had a large part in creating that company's initial strategies for employment, training and development, and OD—the basic building blocks Xerox still rests on. In addition to managing Xerox's training and development function, he was involved in the concept of Xerox's massive Leesburg, Virginia, facility and ultimately conducted HRD affairs at that facility.

Dunham next became a partner with Harbridge House, a Boston consulting firm, where he helped establish what the firm now calls its educational products division. After a stint with Rockwell International, Pittsburgh, where he served as corporate director of training and development, he was wooed away by Federated Department Stores in Cincinnati.

Q. *How would you describe your career?*

A. I hope that I have been part of establishing HRD prominence in corporations that now place a heavy emphasis on HRD. I've been described by some people as one who comes in and helps an organization understand the impact HRD can have on an organization and, once that gets established, becomes bored and goes on to the next.

Q. *Are there special problems you've confronted in department stores different from those you encountered in manufacturing?*

A. Without a doubt. Retail requires a special kind of attention, a perspective that may not be the same in other organizations. Human resources probably are more an important resource in retailing than in a manufacturing environment. Or maybe

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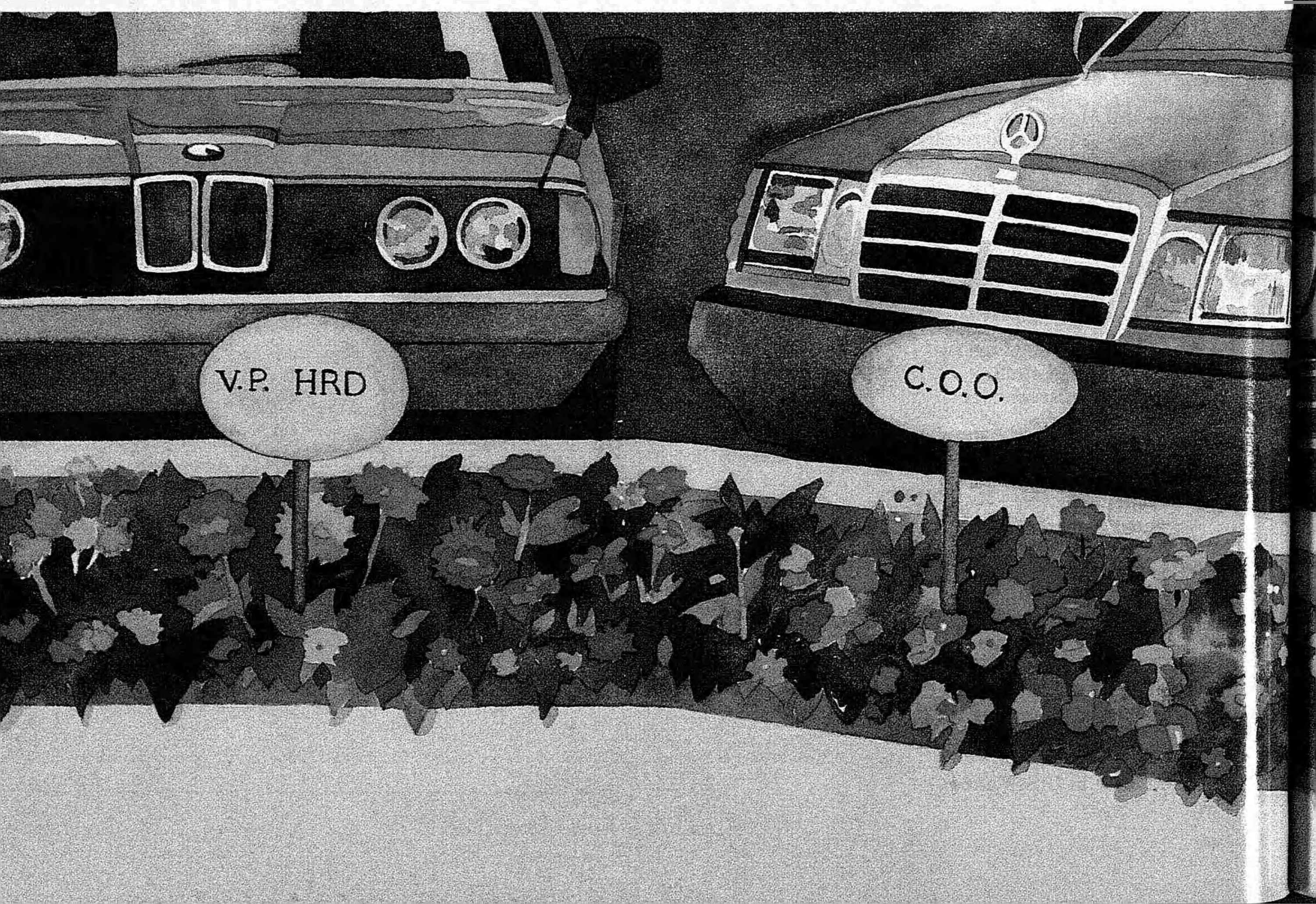

it's that there are fewer resources to rely on so that more attention is needed on the human resources.

In a manufacturing company, or a company like Rockwell or Xerox, technology and certain key products that are being marketed have as much to do with the success of the company as, perhaps, the way in which people are managed, the way in which the company addresses its problems, the kind of climate and culture that's set. In retailing, you basically can buy the same goods any company can. Usually you can get the same locations, although there is some competition for location in particular malls or elsewhere. The two major things that drive retailing, then, are the ability to buy the goods and the ability to put the goods in front of the customer.

The big difference becomes the performance of your people—the way in which your goods are displayed, the kind of creativity that's applied, the kind of cost-effectiveness that's practiced in the organization. And it all comes back to the way in which people manage and how good they are at doing it. Retailing is a very people-intense business, from the sales clerk on the floor all the way up to the chairman of the board. While retailing may not employ as many people as some organizations, HRD is given more prominence.

Q. *What considerations dominate your discussions of HRD objectives?*

A. In a retailing environment, the time frames people work under are very short. It is a segment of the economy that can turn very quickly. If we're moving from a fairly progressive and growing economy to one in which one feels a sense of recession, retailing is probably one of the first areas to be affected. Think personally about it: You begin to wonder, "Do I need to make that purchase now?" You feel less comfortable about purchasing, therefore you hold back on it, and it affects retailing. In retailing, one asks, "What did we do today as opposed to what we did yesterday. Or compared to what we did this day last year?"

Q. *Very high pressure.*

A. Very, very focused on sales from day to day. As a result of that, thinking is relatively short-term. You need to be able to define what are relatively long-term programs—the ability to develop people, or change a culture, or to put in training programs—in a way that appeals to a short-term thinking management.

Q. *How do you do that?*

A. You start by talking about what's going on. You try to do a fairly good assessment of what the environment is like and you may use any number of tools: climate surveys, your own interviewing process. And you then start talking about the importance of people and start relating it to business. You take the strategic plan of the company, the growth plans, and start talking about some of the problems that are sure to exist. You ask the hard questions: How are we going to pull this off unless we have stability in the organization? How are we going to have stability in the organization if we don't have people trained?

Q. *Haven't retailers always had to do some training?*

A. Training really has not been an issue in retailing for a long time. They've believed that you must train the clerks to run the cash register, you must train the person to understand the merchandise, and to buy the goods to sell to the public.

However, other issues exist. Individualized development plans, succession planning, the whole idea of integrating training along with other developmental things—retailing departments never really paid attention to these issues until

recently. So you start relating those issues to business strategy. Get them talking about succession: Who are we going to have to back up person A or person B? Why don't we have someone ready today? Once you begin to relate that to the business in terms of where the company wants to go, it becomes pretty clear that programs are needed. And then you just produce at a quality level.

Q. *Would professional development be a factor?*

A. Yes. It answers the question of whether we have the talent in the organization prepared to back up the hierarchical structure. You need a new buyer, for example: the key person, like the key engineer in a high-tech or manufacturing company. The buyer is the one who goes out and actually sees the merchandise and decides what's going to sell and what isn't, and then commits the company to spending millions in purchased goods. Those are key people; so who do you have to back them up to keep that process going? In retailing, there are usually people called assistant buyers, clerical people who do some analysis. But how do you make sure that they understand how to go out and negotiate, how to handle the marketplace and commit the company to a successful line of goods?

Management is obviously the other element. Most of the time they never thought about that; they just assumed that today's people are going to be tomorrow's people because they don't think long-term. However, the interesting thing is that retail management is much more willing to make decisions and commitments than manufacturers are. You don't need to be perfect in a particular analysis to get a decision.

Q. *How would you explain that difference?*

A. I think the difference is a result of most of the senior management in retailing having grown up as buyers, having gone to market, and having made—from their own points of view—decisions about the merchandise they're going to buy, taking a risk in buying, and if it didn't work, then getting rid of it—through markdowns, sales, etc.—and buying new merchandise. It's a cycle that they've lived through for most of their working careers. When you start applying that mode to other things—HRD or whatever—once you're able to show the rationale of a program, once you're able to convince them of your particular point of view or your particular philosophy or program, they buy in with the idea that if it doesn't work they'll refine it and change it or get rid of it and get something else. Same philosophy they had when they bought those disastrous dresses or those Nehru jackets.

So there is a fundamental belief that no decision is permanent; no decision has to be totally right. It's only got to be in the right direction. You have to make sure you're not wasting the funds. If it seems right, if your analysis seems correct, you get them to make a decision pretty readily. Which works to your advantage, obviously. You get to present something and you get it installed much more quickly than you might in another kind of firm.

Q. *Is there a specific program you introduced that illustrates this flexibility?*

A. When I first came to Federated, there was a need to educate the senior management across the corporation and its divisions on strategic management and strategic thinking. They really had not spent a lot of time on that area. We put together a program called the Senior Management Institute, in which we introduced a couple of things: climate as concept; how climate can help the organization stay together and, as a result, end up in higher productivity; and strategic thinking. Management must understand what the competition is doing, who the competition is in the first place, and how to build barriers to the entry of competition into the organization's markets. Getting management to think through that whole concept and applying it to their businesses around the country took all of six months to initiate, get started, and have in place. It's been in place for a couple years; it's being refined.

The result was putting together an annual succession planning process, an organizational analysis review that had not been done. Once management understood what some of the potential payoffs could be, they said they'd do it. Within the same six-month period, we had a 19-division, Federated-wide organization-review and succession-planning process underway.

It's now done annually. Each of the divisions identify key individuals, and that all sums up to a corporate-validated list of high-potentials and the key individuals to back up the top 200 execs in the company. Development plans are built for those individuals today. None of that had been done before.

Q. *How was that done on the corporate level?*

A. The same concept works in a division like Filene's Basement where we are presently a company with 22 stores, a quarter-million dollars in sales today and, probably a a quarter-billion dollars in sales by the turn of the decade—very fast growth. So we clearly have an immense need for the right kind of HRD programs.

We have agreed that we need a certain kind of culture in place, that we need to have a certain priority on the people who exist in the company, and that we need to make sure that the company pays attention to the dignity and respect of those people. There is no other way to retain the people we've got, and it will help us attract new people.

So we've put in a program that will allow us to get there: individualized assessments of people to help us identify what the talent is like and lots of recognition programs that are new to retailing. I'm talking about the Xerox/Apple Computer/MBI kind of recognition where you have key performers of the year and of the quarter, which culminates in a sort of three-day getaway weekend in Bermuda or an equally appealing place. That has been rare or nonexistent in retailing. And we're doing it at a rather low level in the organization.

Q. *How was the groundwork laid for these programs to be well received? The decision makers have to be leaning that way already, don't they?*

A. Of course. You need to start with someone who has an open mind, and it doesn't hurt if that someone is the president of the company. But it takes more.

Here, over the past year alone, I have done two major studies—one on communication, which appeared to be a serious problem. We now know where and why it has existed from time to time—where we lacked typical communications vehicles, from within the organizations to the newspapers. Any fast-growing company has communications issues, and we're no different. It led us to look at what kind of recognition and what kind of payoff we can give.

We brought in a couple of consultants to help us understand how we can afford to pay for those programs through improved productivity. We showed in the sales area how we can increase sales by 1, 10, and 20 percent, maintain the same level of productivity, and save the company millions of dollars. Those millions of dollars, then, are reinvested in the kind of recognition that's going to get us improved productivity. Not all of it, certainly. We've used the formula that if we generate a million dollars in sales, we'll use 300,000 of that to go back in and pay for what we did to get it. So two-thirds of it will be additional savings for the company.

Q. *Is there much management can do that doesn't translate into handing over a check or tickets for a trip to get things going? Perhaps,* *in some organizations, management has more discretion than it knows?*

A. I think here we're using every bit of that discretion and then some. We started with a concept we've entitled "Priority on People," in which we've identified a basic philosophy that says, "We believe that the success of Filene's Basement is, to a large measure, dependent upon the quality of our people as well as how professionally we manage and treat them in the running of the business. To this end we promise to focus on and do what is right, both individually and collectively, for the organization. . . ."

Q. *How does that translate into action?*

A. We've identified seven precepts:

- We provide our existing associates with development opportunities and challenging careers.
- We always consider promoting from within as a first option in filling positions.
- When we must go to the outside, we hire the most productive and effective talent we can afford, never settling for mediocrity.
- We strive to operate with an open and aboveboard management style, and we actively encourage our associates to speak up about problems and decisions that affect them.
- We communicate company goals, priorities, and important directives throughout the organization, and we involve our associates as a key to their implementation.
- We encourage problem solving through innovation, individual initiative, and reasoned risk taking, and we recognize and reward individuals who strive for excellence and achieve positive results for the organization.
- We provide the tools, the systems, the work environment, and the organization that enhance opportunities for associates' success, and we live by the highest standards of professional conduct, allowing our own behavior to serve as an example that will be required of everyone in our organization.

Those are the basic precepts. We've used them in our five-year business plan. And we've used that fundamental philosophy to underpin what we'll do to ensure that the people side of the equation is in place. We've gone through and identified programs that we'll put in place to ensure that we are living up to and making that kind of culture happen. We saw a need, created a document, and got the president and chairman to buy it. We got the top 40 managers in the company to modify it and agree to it.

We went through lots of discussions on whether it should be published or not: Shouldn't we just do it and come back and later say, "Look what we're doing," as opposed to sticking our neck out and saying what we're going to do and letting people laugh at us? We concluded that it was better to publish it as intent and commit ourselves to living up to it. Once such a document is aired, you're committed, and it's more like the Ten Commandments—public things you've got to live by.