



*Michael A. Blickman*

### **"The Importance of Being HR": An Employment Attorney's Perspective**

I talk to HR professionals on a daily basis and work through some of the most interesting, difficult and complex employee challenges. It's easy for me to acknowledge HR's value to our clients, but a conversation I had this week with one my HR friends was concerning to me, and I thought it might be helpful to address it in this column.

She told me her CEO evaluates HR with the same methodology he uses for the sales and production sides of the company. In other words, he expects all departments, including HR, to contribute to the company's "bottom-line." She overheard him saying that HR doesn't contribute anything to the company's financial objectives and, therefore, isn't really key to the company's success. My HR friend told me she expects that by the end of the year, she will leave her current position for an opportunity with a different company.

Is this a common issue for others in HR? While many corporate leaders are enlightened and recognize HR's value, the "profit contribution" perspective still plagues many HR professionals. HR, in many companies, still must prove its dollar value to leadership, and there are still companies that avoid including HR in the C-Suite. HR can find itself in a subordinate role as compared to other areas of the company that are able to more easily demonstrate value through increased sales and improved or higher production.

It seems to me the problem is some CEOs might not see a few basic truths about HR. So, let me address those CEOs:

1. I've heard you say, "Our company's employees are our most valuable assets." I believe you when you say that. I've seen it in your employee handbook. How then can you treat HR as a subordinate contributor to your organization's success? After all, it's HR who makes the most obvious contribution to your ability to locate, hire and retain the best and brightest employees and isn't that what makes your company successful?
2. I've heard you complain that you don't have enough time and you feel stretched in a million different directions. You wish you had more time for innovative thinking focused on the company's long-term goals. You get bogged down by constant interruptions. I have heard CEOs tell me they spend at least one-third of their time on people (i.e., employee) issues. Shouldn't you highly value the department whose business objective is to solve those people issues well before they reach your office? When effective HR solutions occur, they save you and others time, which is the most precious resource.

3. You have no trouble working with your R&D and engineering staff when product modifications are required because of new regulations or laws. An effective HR staff ensures your company's policies remain compliant with an evolving mosaic of complex local, state and federal laws and regulations. They do this quietly, with minimum disruption to the company and without expectation of recognition. Shouldn't you recognize the professional expertise that allows you to continue to operate with a minimum of government oversight and interference? This same expertise also reduces the risk of employees pursuing legal action due to non-compliance.
4. You spend a great deal of your time with your customers and clients. You wine and dine them. Your goals include showing appreciation and creating loyal relationships. Who are HR's customers? An excellent HR team is keenly focused on creating and maintaining valuable relationships between the company and your employees (your most important assets—see #1 above). If that doesn't happen, the results can include high absenteeism, ineffective and inefficient production, high turnover and even union organizational activity. It has been estimated that the cost of replacing an employee is up to three times an employee's annual income when you factor in the costs of searching for a replacement, work delays, higher compensation expectations of new employees, increased training time and expense, less effective work or production from the new employee and the increased risk that a new employee will not match your expectations and will leave voluntarily or otherwise (repeating the above costs and expenses).
5. You sincerely hate being in court with former employees (worse, with current employees). We employment attorneys share a common goal with your HR staff: to keep you out of court. Litigation is a no-win drain on your and others' time and on your bottom line. There is no department more responsible for avoiding expensive litigation for the company than your HR department. Sometimes, a lawsuit is unavoidable and out of your control. But, an effective HR staff is your most important front-line defense against employment litigation. The vast majority of HR professionals actively engage in continuing education and obtain certifications of their knowledge annually from professional organizations. I don't know how to put a price-tag on the value of avoiding a lawsuit, but with the cost of a typical employment-related lawsuit approaching or exceeding a quarter of a million dollars, it doesn't seem difficult to see the value you receive from an educated and proactive HR staff.

With all due respect to my CEO friends, I suggest you eliminate the concept of using a "bottom-line profit" lens to evaluate HR. Instead, recognize your HR staff for the enormous value they create for your company. A pat-on-the-back would be appreciated and well-deserved (not literally, of course, lest we forget the world we live in now).

For more information on labor and employment policies, contact [Michael Blickman](#) or another member of our [Labor, Employment and Immigration Group](#).

*This publication is intended for general information purposes only and does not and is not intended to constitute legal advice. The reader should consult with legal counsel to determine how laws or decisions discussed herein apply to the reader's specific circumstances.*