

## Jac Fitz-enz: Still at the Frontier

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HR pros who have been around for a while know of Dr. Jac Fitz-enz. He is most famous for his pioneering work in HR metrics. Way back in 1980 he founded the Saratoga Institute to gather data on now standard HR benchmarks like the number of HR employees as a percent of total staff and voluntary separate rate.

But he sold the Saratoga Institute to PwC a number of years ago. Now he has gathered a group of supporters including Oracle, the American Management Association, Target, and the Conference Board to spearhead something new.

I wanted to know what that “something new” was, so I gave him a call. Here is what I learned about what he calls HCM: 21™.

### **Overall Vision**

The first thing I learned is that the HCM: 21™ approach Fitz-enz has developed is not easy to explain. This is because there are many big ideas built into what looks like a simple four-step model for directing HR’s actions.

Rather than focus on the steps, I want to focus on the underlying ideas that Fitz-enz has tried to weave together into a coherent methodology.

### **From the Big Picture to Needed Capabilities**

The first idea is that HR planning shouldn’t start within HR or even within the company; it has to start by scanning the environment for the important

factors that are going to affect the company in the near future. So the HCM: 21™ process starts with an environmental scan.

The next idea is that we need to break away from what he calls “industrial age workforce planning.” Some HR managers will be familiar with how, in workforce planning, an environmental scan quickly leads to a process of identifying how many bodies will be needed in certain roles. Fitz-enz thinks this is the wrong approach. He suggests you need to look instead at how changes in the environment will affect broad capabilities like the ability to attract talent. This is in tune with Dave Ulrich’s view that HR actions should be directed at improving capabilities.

As a framework for thinking about organizational capabilities Fitz-enz doesn’t follow Ulrich, instead he has adopted the standard intellectual capital categories of structural capital, relational capital and human capital. These are familiar to specialists in intellectual capital, but for many HR folks it will be a new model to learn.

So what we are seeing in the opening steps of HCM: 21™ is the application of several big ideas to set a direction for HR; this style continues as Fitz-enz’s approach moves down to the more detailed level of HR processes.

## Improving HR Processes by Using Analytics

Having done some strategic thinking about capabilities, an organization will of course start moving towards deciding what actions it needs to take. For example, it may need to improve certain aspects of recruitment and here Fitz-enz draws on a pair of big ideas: analytics and evidence-based management.

If you've read Tom Davenport's "Competing on Analytics" or the book "Hard Facts, Dangerous Half-Truths, and Total Nonsense" by Jeffery Pfeffer and Bob Sutton you'll have some notion about analytics and evidence-based management. The basic idea is that if we want to improve recruiting we shouldn't just buy a new ATS or try out a new assessment method. Rather, we should do a proper analytic study of the recruitment methods we have used and see what combination has produced the best results.

Fitz-enz encourages using this analytics methodology so that HR doesn't go from planning to action without some evidence about what actions are going to be most effective.

Another step at this point is to do succession planning, but that is not so much a new idea for HR, so I won't linger on it.

## Integrating Actions Across HR

The next idea is the importance of integration; we simply have to stop the practice of HR specialists all working in their silos in an unconnected way. Fitz-enz builds integration into the planning process simply by bringing all the right people together at the same time so that

as we go from strategic insights to actions everyone's projects are aligned.

At this point we are into the nitty-gritty of coordinated actions by individual HR professionals; however, there is still one more big idea and that has to do with measurement.

## Better Measurement

Fitz-enz suggests that when it comes to measurement we should concentrate on leading indicators like engagement, culture and readiness. These are of course measures of something intangible. "That is where the game is today," he said, "it's all about intangibles." So for example, if retention were an issue the focus should be on leading indicators like engagement, not lagging indicators like how many people left last quarter.

A somewhat accurate predictive measure is almost always better than a perfectly accurate backward looking measure, because if it is a prediction you can take action to change things.

## Will it Work?

Fitz-enz says, "As always what I'm trying to do is just get the thinking going in a different direction." To me that's the heart of the HCM 21™ approach. For sophisticated HR departments it's a way to put a number of important ideas together into a defined process. For less sophisticated departments, environmental scanning, capabilities, intellectual capital, analytics, and leading indicators will all be new ways of thinking that will challenge them to do things differently.

The value of the process will depend to a large extent on the skill and imagination of the team leading it. When you look at

a flow chart of the steps it looks mechanical, but getting real insight into strategic issues and how that impacts what HR should be doing requires deep thinking. Furthermore, most HR departments have not even started on analytics, so there will be loads of work to get that part going. I expect in practice organizations will concentrate on those

parts of the process they feel most ready to handle rather than simply follow the steps in a rote way.

HR needs to keep pushing itself forward and this is one way to do so. If you are interested in these ideas, feel free to contact Jac Fitz-enz directly at [source@netgate.net](mailto:source@netgate.net).

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