

## **Boudreau on Retooling HR**

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I was a big fan of *Beyond HR* by John Boudreau and Pete Ramstad, so was pleased to see John has a new book, *Retooling HR*. To my mind it's a kind of sequel so I asked him about the two books.

*“Beyond HR” made the point that one of bottlenecks in the advancement of the HR profession was how leaders outside HR think about, and make decisions about, talent. The book argued HR should take an interest in what is going on beyond HR in talent decisions. Pete Ramstad and I laid out some examples and a framework for working back from strategy to talent to illustrate where the big decision points are.*

*In “Retooling HR” I began thinking about what is the nature of that problem: why do smart, well-meaning leaders make decisions about talent with less rigour than they use in other areas? One reason may be that we are asking them to use unfamiliar ways of thinking. If we draw on models they are already familiar then it will be easier for them to think analytically about talent.*

The book outlines a variety of frameworks and I asked John to take us through the story of one framework drawn from engineering.

*I was working with a tech company and was discussing the Disney story about how while the Mickey Mouse actors in the theme park were important, there was little variation in performance and hence little room for improvement. The contrasted with the sweepers where there was wide variation in customer service behaviours and hence that was an area where an investment in talent would yield a big return.*

*The room was full of business leaders who were all engineers and one said “Wait a minute what John is talking about is no different than the idea of performance tolerances—that’s an idea we use all the time.” His insight really helped those managers grasp the concept.*

*Here’s how engineers think about performance tolerances; imagine an engineer is designing an optical computer mouse, they know the tolerance on the length of the cable doesn’t need to be nearly as tight as for the focal length of the laser mechanism. There are a whole series of possible curves of performance versus impact. There will be some*

*things where it is important to hit a minimum standard but it's no value to go beyond that; for other things increases in performance improve impact in a linear way. Engineers are used to thinking this way but don't apply it when thinking about jobs. We can help them make better decisions about talent by using this framework.*

One of John's examples is how McDonald's and Starbuck's approach the performance tolerance of customer service. McDonald's has very tight specifications and every server is much the same—no bad ones but no great ones either. Starbuck's give much more latitude on how servers interact with customers; they accept performance variation because they feel empowering the great servers is worth the variation in performance.

If we look at the various elements inside a job we see that each one has its own performance curve. A delivery driver needs to handle equipment precisely according to regulations, but we are not looking for anything beyond compliance. When it comes to customer interactions there is an opportunity for a wider range of tolerance and more upside from excellence.

*Managers tend to treat all the elements on a job description as important; it seems that everything should be improved. However, when they start thinking about performance tolerances they will focus their efforts on the elements of the job where an improvement will make the most difference. The model trains them to be analytical and to focus on what is pivotal, not just what is important.*

*Working with the driver example, the performance tolerances also vary depending on whom they are serving. For big format stores being efficient unloading and being on-time are very pivotal; the customer service angle isn't so pivotal since that is handled at a different level in the organization. For the small owner-operated stores the exact time of delivery is less pivotal than the personal relationship. This sort of analysis has a big impact on training, hiring and who you deploy to which routes.*

Just to give a taste of another framework I asked John about his inventory models.

*Normal recruiting practice is that if a manager is short staffed HR works hard to quickly fill the empty position. Interestingly, that's not how supply chain professionals think about shortages. They don't say "we'll never have shortages" or "we'll never overstock", instead they optimize inventory levels taking into account the costs of holding excess, the*

*costs of being short, and the costs of bringing in inventory. It raises the question of why we don't apply some of those ideas to our human inventory—the workforce.*

John is not suggesting we think about people like widgets, but it may be true that it's better to live with shortages in some areas and then hire a batch at the same time rather than react to every vacancy. It may be true that it's better to stay overstaffed in a critical area so that you are never shorthanded. Frameworks from inventory management provide a fresh way of thinking through how to handle recruitment.

What is really important in John's approach to analytics is that it is driven by logical thinking, not by having a bunch of HR metrics. It is very helpful to have metrics and actually crank through some numbers, but in many cases good numbers are not available. The key to successful analytics is to have the logical framework to guide your analysis. Often you won't need precise metrics to make better decisions. Furthermore, if you do need better metrics the logical framework guides you towards exactly which metrics are going to be important in making decisions.

Most HR books are for HR people but John sees *Retooling HR* slightly differently.

*I hope HR will be sitting across the table from a manager, say an inventory expert, and talking through the frameworks in the book together, thinking about how they can work together to make better decisions about talent.*

Buy two copies, one for yourself and one for a manager who will appreciate taking a more analytic approach to talent.

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David Creelman writes and speaks on human capital management ([www.creelmanresearch.com](http://www.creelmanresearch.com))

*Retooling HR* is available at Amazon.com