

## **Stepping Onto A Business Tightrope – With No Net**

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As reported in the April 9, 2014 edition of the *Wall Street Journal*, some mid-sized and larger companies are joining the start-ups and smalls by taking a gamble and operating with no Human Resources department.

The companies' motivations range from financial to idealistic. Certainly there's a cost saving. And for the idealists, one executive expressed it as wanting to "force the people issues into the middle". As reported, one company notes that the "traditional HR department... stifles innovation and bogs down business with inefficient policies and processes." To transition to their new model, this Company and others have a plan – "working out the glitches as they go". (*The Wall Street Journal Article* doesn't mention "traditional" Finance or Legal departments which can have a similar obstructive impact.)

The underlying issue here seems to be the "traditional" HR Department. That is an HR organization focused on administration and transactions. These "traditional" HR Departments are not clearly tied to their employer's business enterprise and not strategic enough to understand the business issues or to help impact long term outcomes. They're neither trained nor expected to present real alternatives. These "traditional" departments are instead relegated to finding status and meaning in raising obstacles to progress.

[The frustration with underperforming HR Departments is not new. A watermark example: "Why We Hate HR", *Fast Company Magazine*, August 2005]

But if all businesses want from HR is to process transactions, the staffing and development of the Department will only reach that contribution level. That's the HR Department that too many Companies build. So what's happening in considering the elimination of HR Departments is the junking of a valuable vehicle because we ordered the wrong color.

Without an HR Department the void will be filled, in the short term by inexperienced managers trying to make day to day decisions on complex matters without knowing the alphabet soup of agencies, laws and regulations, or the full impact of each decision on the total workforce.

Outback Steakhouse is cited by the *Wall Street Journal* as one example of a substantial business that did run without an HR Department. Then in 2009, one of the alphabet soup agencies, the EEOC (the federal Equal Employment Opportunity Commission) extracted a \$19,000,000 settlement from Outback for sex discrimination violations. That sum would have easily paid for an HR executive for 100 years or more.

So now what? This HR Department elimination fad will play out until more businesses learn how to structure and deploy a valuable HR function. In the meantime the void will be filled by union organizers capitalizing on mistakes (ineffective managers are their best friends); by courts and agencies avenging inappropriate or illegal management actions (actual or perceived); and by \$400 an hour attorneys engaged to explain away or defend a wave of transgressions, after the fact.

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