

Lowering Costs with Lean HR

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What are the challenges being faced by most human resources (HR) functions during these trying times? Cost controls are forcing many companies to consider outsourcing all or part of their HR function – sometimes at the expense of services provided. After moving production off-shore, some have discovered that someone else doesn't always do it better, cheaper, or faster. And, if they do, there are oftentimes hidden costs and/or reductions in service levels that were not anticipated. There are now an increasing number of outsourcing decisions being reversed because of these deteriorations in service levels and/or increases in costs.

What other cost control alternatives should be considered when outsourcing is on the table? Lean for one. Applying lean principles and practices to company processes result in the elimination of waste in the form of activity not focused on the product and customer demand. Every lean practitioner can tell first hand stories of the remarkable amount of waste eliminated from processes that were thought to be highly efficient before becoming lean. With less waste, processes are executed faster and more efficiently freeing up time for other activities. More output per unit time lowers costs while services are kept the same or improved. Lean has been widely adopted by operations in manufacturing, healthcare and other industries over the past decade and is now rapidly moving into the office support functions, including Human Resources.

Lean for HR

So how can lean improve a human resources organization? There are two different approaches. "Lean for HR" consists of holding breakthrough kaizen events to identify waste and non-value added activities that are inherent in most processes. For maximum impact, apply lean tools to all HR driven processes to streamline them and gain additional capacity to take on more value-added activities. In a typical example from a recent requisitions approval kaizen I facilitated, the req approval time went from 20 days to 2 days with the number of process steps dropping from 82 to 44. Each employee involved in at least one of the eliminated 38 steps now has some additional time to apply to value-add work making their job more interesting and the company more efficient. Now, multiply these gains from one process by the number of processes within the HR function. Can you feel the impact growing?

HR for Lean

The other avenue to pursue, “HR for Lean”, transforms HR into a function that provides flexibility and support to the company’s lean efforts. By adjusting policies to address the lean work place, HR is enabling greater efficiency and adding value throughout the organization. In this new state, HR serves as an integral part of the enterprise’s Lean journey. HR no longer stands on the sidelines waiting to be invited to the party. Instead, HR is a proactive partner in moving an organization towards its lean future state. Partnering includes using lean tools to adjust policies to enable worker flexibility and mobility as well as lean-centric investments in employee education and retraining. It requires creative compensation schemes that reflect the operational changes being adopted by the organization while still providing needed incentives. Performance management will need to be modified to include behaviors as well as accomplishments.

The Bottom Line

These are all areas that have new realities in the lean organization and require leadership and direction from the human resources function in order to provide the most value. The bottom line is this: Every organization wants and needs to lower costs. Removing waste and inefficiencies within Human Resources and adjusting HR policies to help optimize the lean workplace will result in less time spent by employees on each process, and, thereby, lowering costs. This is a net compounding gain going forward that must be led by HR’s active participation in the company’s lean journey.

If you have interest in learning more about lean human resources and how to apply it to your organization, please contact JCC at 224-688-3504.