

Case Study

The Need for Visual Thinking

Human resources are the most critical asset a business has. Without people performing productively, no business can succeed. Although few would argue with these statements, not many businesses have figured out how to keep their human resources fully productive – especially in climates of constant change and intense competitive pressures.

Human Resource professionals have too long been seen as "touchy feely" folks who spend most of their time smoothing ruffled feathers of one sort or another. More and more, HR people are being looked to become full "business partners." Line managers want to know what HR can do to help the business perform better. How will various HR activities impact the bottom line?

In order to effectively play the role of "business partner," HR professionals must learn to speak the language of the business. But more than just speak that language, they must understand how the business works, and specifically how various HR initiatives add value.

The *iThink* software is an ideal tool to assist in the pursuit of these ends. It's rigorous enough to talk bottom line, yet supple enough to incorporate the "people issues."

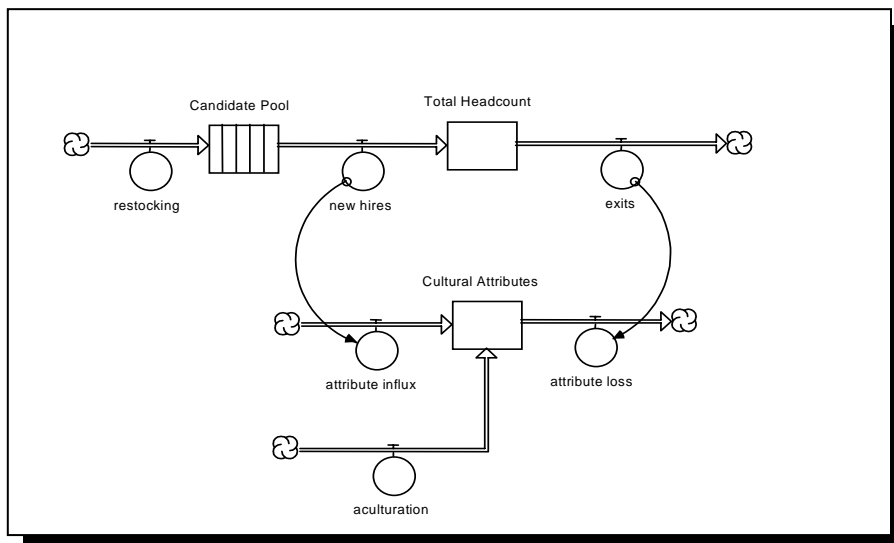
The Setting: A major player in the Silicon Valley

The Need: Preserving culture during rapid growth

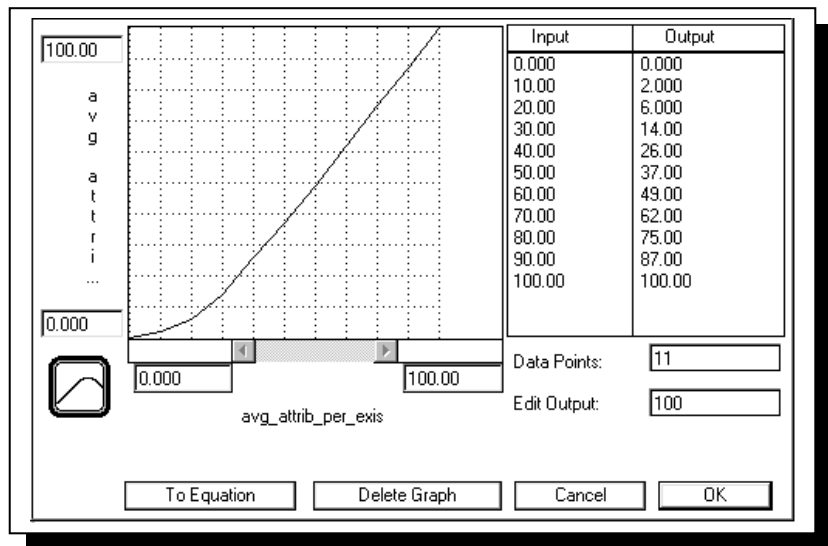
The Challenge: Integrating the hard and soft issues.

Background: This Company had been experiencing very rapid growth in revenues, profitability and headcount. Because of the rapid influx of new faces, many people within the Company were concerned that the organization was losing what had "made it special," its culture. Senior management was convinced that the "something special" was indeed critical to sustaining growth, and had charged HR with specifying exactly what the nature of the relationship between the business culture and its growth really was.

Step 1: Map the Current Process. HR began the task by using the *iThink* software to sketch out the relationships they felt linked growth in headcount to changes in the organization's culture. As the simplified map below indicates, one vat was used to collect the influx of people, a second to collect the associated influx of cultural attributes. Each new person joining the Company brought with them a certain measure of the attributes which, taken together, constituted the organization's culture. Similarly, each employee who departed took with them a certain measure of those same attributes. The change in culture therefore could be directly related – in a very tangible way – to the volume of hiring and attrition that the organization was experiencing.

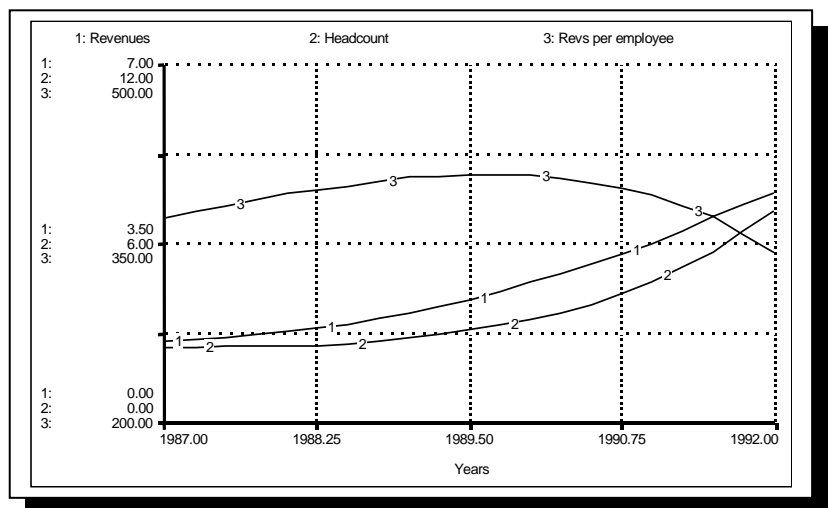


Step 2: Model. Once the basic map had been laid out, the next step was to outfit it with the behavioral assumptions needed to “make it work.” The *iThink* software makes it easy to click or sketch in these relationships. The graph at the right shows one of the relationships included in the model. The assumption reflects the hypothesis that as the average level of a particular cultural attribute possessed by the existing employee population becomes diluted, the average level of the attribute possessed by new hires would similarly decline. The *iThink* software’s graphical function was used to capture this relationship.



Step 3: Simulate. After the group had fleshed out all of its assumptions with respect to headcount growth, cultural evolution and the consequent impact on the bottom line, the next step was to simulate the model.

The simulation results, the nature of which are depicted in the plot shown at the right, provided some surprises. In particular, the results suggested that the historical lockstep pattern of headcount and revenue growth would not continue into the future. Instead, it would take more than proportional growth in headcount to produce a given increment in revenue growth. The break in the historical pattern resulted from both cultural and experience dilution.



Step 4: Celebrate! After a thorough analysis, supported by simulation results from an *iThink* model, the HR team presented their findings to the Company’s CEO – who commented that it was the best report by an HR organization that he’d ever seen!

The HR team was able to talk “bottom line”, and to back the talk up with well-reasoned business logic. Even the inherently more ethereal issues (like cultural dilution) could be cast in an operational context that could be put on the table and examined. HR celebrated its status as a full business partner.