Costing Human Resources: The Financial Impact of Human Behavior in Organizations (Third Edition)
Wayne F. Cascio (Kent Publishing Company, Boston; 1991) $25.95

Reviewed by Linda J. Nolte

In today's competitive environment, protecting the bottom line often means that managing people right takes a back-seat to profitability. When I tell prospects and clients they can do both, that effective people management will improve their profitability, they want proof.

This classic work by Cascio provides that proof. It explains exactly how people management affects the bottom line. Cascio tells how to calculate the costs of human behavior in an organization using a method called utility analysis. His explanation of the method is direct and logical, making the formulas as clear as if one were tabulating the cost of damaged goods, obsolete equipment, uncollected receivables, or lost customers. Utility analysis measures the financial impact of specific workplace behaviors and performance in economic terms and then carries those dollars right to the bottom line.

Here is a summary of an example from Chapter Three on the hidden costs of absenteeism and sick leave. First, Cascio defines absenteeism in a surprising manner: "a failure to report for or remain at work as scheduled, regardless of reason." This blends sick days in with other unscheduled absences. Second, he inventories the direct and indirect costs of absenteeism, such as hours lost, wages and benefits paid, supervisory time dealing with production problems, instructing replacement staff, checking performance of temporary staff, counseling and disciplining absentees, fees for temporary help, labor pools for absent workers, overtime premiums, machine downtimes, quality problems, production losses, and inefficient materials usage. Third, the supervisory waste is covered, that is, the lost opportunity to trouble-shoot, plan, and schedule. Next, he cautions readers to compare their own costs to industry standards. He also asks whether these dollars are real and then neatly answers that question.

He does not consider time lost by those who do show up for work complaining about those who do not, managers embroiled in the resolution of the interpersonal conflicts caused by absenteeism, or the costs of labor negotiations over procedures relating to absenteeism policies, grievances, and litigation. But the costs he does consider are detailed dollar for dollar. He concludes that the average total cost of absenteeism per year per employee is $1,000 in a manufacturing plant with two percent absenteeism. That is an average cost per employee, not per absentee employee. So, for 350 employees, the cost of absences is a startling $350,000 a year.

This economic angle on human behavior is new to many. Behavioral scientists typically speak about behaviors and statistics. The language of business is not statistics, it is money. Cascio understands this and bridges both the language and the measurement gap between the world of academe and the world of business.

In other chapters, he explains and calculates the economics of smoking, bad attitudes, turnover, employee assistance and wellness programs, labor contracts, selection procedures, job performance, and human resource development programs. This is all very useful.

However, he does not tell us how to change the behaviors that cost so much money—the steps to resolving attendance problems, the actions needed to cut the costs of negative attitudes and low morale, and so on. Of course, this would be difficult, since one solution would not fit all. Even so, help here would be useful. Further, he does not use utility analysis for strategic, operational, or performance planning; for coaching and feedback; for training of white-collar skills such as customer relations, decision making, and problem solving; or for other management behaviors. Third, the book focuses on workers and does not address the significant economic impact of the organization's leaders. Finally, and most important, no book can diagnose the root causes of problematic and expensive behaviors in a particular company. Cascio convinces us there are costs and opportunities, but we are left on our own to discover the appropriate responses to them.

So, with all its value, this book will leave the CEO wanting more. We management consultants can provide that. We can reframe Cascio's material and provide managers with a hands-on tool. When clients ask, "What is the return on investment for this meeting, this new employee, this new procedure, or this change in work flow?" they can pull out a calculator to crunch the numbers we give them from our utility analyses and see clearly what better human resources management can do for their bottom line.

Senior executives who fail to consider the financial impact of their decisions about capital, equipment, buildings, information, and so forth, are considered irresponsible. The time has come for them to be considered derelict in their duties if they neglect to count the costs of their human resources or fail to calculate the gains available if they manage those resources more effectively. The tools are available to calculate the costs and the gains.

Accordingly, I highly recommend this book, even with its limitations. It provides the framework and examples to help consultants and managers see reality more clearly, and work to change it for the better.

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Coming of Age: The Story of Those Who Have Lived It

Studs Terkel (The New Press, New York, 1995) $25

Reviewed by Bill Haines FIMC

This is a very good book. Terkel has assembled the results of 70 interviews with a vast range of people, including J. K. Galbraith, economist and diplomat, Admiral Gene LaRoque, whistle-blower on the Vietnam War, and many others less famous—farmers, doctors, preachers, and businesspeople.

To qualify for the book, each subject had to be at least 70 years old. The oldest is a sprightly 100 years, with memories of her mother-in-law, who was born into slavery. The other requirement for inclusion was that each was to have done something with his or her life—and still be active. Note the subtitle of the book: *The Story of Those Who Have Lived It*. Lived it, not just lived in it.

Most of the interviewees have kept up to date. Unlike many people half their ages, they have taken on the new technology—such as the octogenarian financial consultant still monitoring investments for her clients on her PC. There are no Luddites in these pages.

These people have the wealth of experience that only comes with years at the "sharp end." No number of case studies at business school can provide this.

So what is here for management consultants? Every assignment over my last 35 years in the profession has involved an initial period of digging to produce the data needed before the assignment can produce recommendations. The consultant has to rely upon the knowledge and goodwill of the client's staff to produce this information. Sometimes, knowledge or goodwill is forthcoming, but they rarely come together. The consultant is then faced with using expensive full-time consultants to obtain the information or young trainees under supervision. Neither is satisfactory, the first on the grounds of cost, the second on the grounds of inexperience.

One approach, suggested to me by this book, is to make use on an ad hoc basis of the fund of knowledge that elders have. Retired consultants may be happy to supplement their pensions. Their experience would be valuable, partly to obtain information, but also to warn of pitfalls they have encountered in their past.

A less tangible benefit for the assignment is that middle managers are more likely to provide information to an older person who has time to tease the information out of them. These managers are often resentful, seeing consultants as interlopers who produce recommendations these same managers once made and had rejected. Experienced consultants know the old refrain: "We put up these ideas years ago. The directors did nothing. Why do they listen to you and pay your expensive fees? You will just pinch our ideas, dress them up as your own, and not even give credit to us for providing them." I suggest that the sight of a few grey hairs helps calm these fears and produces better information. Moreover, when implementation follows recommendations, the older person can smooth the way through the same people who provided the information during the previous stage.

We in the Western world should not be too proud to learn from less sophisticated societies. *Mzee* is Swahili for "old man" throughout eastern Africa. It is a term of respect, a recognition of experience. Here in the culture of the West, "old man" is more often a pejorative, even a term of contempt. As management consultants, we should lead the way, especially in our own professional work. We can no longer afford to waste our most precious resource, which is human experience.

Bill Haines FIMC was an internal management consultant in the UK, Brazil, and various African countries for 23 years. Since retirement, he has been active on a voluntary basis helping young people start their own businesses through the Prince of Wales Youth Business Trust. He is a Fellow of the British IMC and can be reached in the UK at 44-1694-724308.