

Life After HR

Outsourcing is forcing many HR professionals to seek other paths. Four who made the change explain how their HR skills helped them to start new careers

By Bruce Shutan

Matt DeLuca's career in human resources dates back 31 years and included stints with Chemical Bank, Bank Hapoalim, and Bank of Tokyo. Between multiple tours of duty in corporate HR (the most recent one ending December 2002), he made the jump to author, consultant and college professor.

Since 1991, Suzanne Gipalo, a self-professed Army-brat-turned-Georgia-peach, has built an insurance brokerage and consulting firm on the knowledge she picked up in a 14-year career as an HR professional with a predecessor of First Data Corporation.

In 1994, Steve Medici quit a 20-year stint as an in-house benefits and compensation specialist, mostly with Credit Suisse First Boston, to set up his own global outsourcing business.

Al Schifano spent 35 years as an HR executive, including instituting one of the first employee stock ownership plans while at The Sundt Cos., before leaving to enter the priesthood in 2001.

These individuals are all part of a group whose membership is no longer so exclusive – and whose ranks are expected to swell. Once part of any large or medium-sized business's organizational bedrock, human resources is undergoing a sweeping transformation as more of its features become standardized and executable by outside providers. Unless HR professionals can argue a compelling business case to justify keeping their activities in-house, many if not most are likely to find their jobs outsourced or given to financial specialists within the organization, says Omaha-based HR educator and author Robert Mathis. Already some one-third of today's HR job openings are outside the traditional corporate structure, estimates Dick Stone, owner of HR consulting firm Stone Group in Princeton, New Jersey.

The basic building blocks of HR will not go away, of course, and professionals who learn how to adapt to the new configurations stand a good chance of following them into their new settings. Roger Herman, a strategic business futurist and CEO of the Herman Institute in Greensboro, North Carolina, predicts that the outsourcing craze will create plenty of opportunities for entrepreneurial HR and benefit executives who are well-educated and business-literate.

Workplace epiphanies

Medici was vacationing on a beach near the bucolic Black Mountains outside Lake George, New York, when the idea came to him. He was reading Peter Van Oech's book

A Whack on the Side of the Head, which encourages thinking outside the box. “It occurred to me I could do exactly what I’d been doing from across the street as an independent operator and try to control my own destiny,” Medici recalls.

The following Monday he approached his boss at New York-based U.S. investment banking unit of Credit Suisse First Boston about outsourcing its entire HR function. Medici and his staffers would form their own company and save CSFB a boatload of money in the process. The answer was yes, and Medici hired away his staff to form Black Mountain Group, a New York-based firm that takes its name from the place where he experienced his professional epiphany.

He calls the new arrangement with CSFB “outventuring,” which essentially refers to HR professionals outsourcing their own jobs. One distinguishing characteristic is that the arrangement is initiated by and focused on individual employees and not the business. Medici says “it requires an individual commitment to a very different way of doing things. It also provides the greatest opportunity for mutual success in that it aligns both parties interests.”

Black Mountain has grown to 130 employees in six countries who serve about 65 customers from offices around the world, including London, Zurich, Singapore, Hong Kong and Tokyo. The firm – a sophisticated boutique provider of HR, comp and benefits outsourcing services – also landed on the 2002 *Inc 500* ranking of America’s fastest growing private businesses. In fact, Black Mountain’s growth rate during a recent five-year period was 500%.

Much of the wild growth reflects incremental work from existing clients. Several have pursued total benefits outsourcing, while some smaller firms in Asia have handed over all of their HR activities and others across Europe are exclusively actuarial clients.

As outsourcing becomes increasingly widespread, Medici sees plenty of room for other HR practitioners to duplicate his entrepreneurial success. But it is also important for them to be clear about their motivation. “If you’re looking to simplify your life, don’t do it,” he advises. “It won’t work. Running your own business is completely consuming.”

DeLuca began rethinking his career after receiving an overture from a small employment agency GM Personnel, a Wall Street firm that agreed to turn itself into an HR consulting firm. He agreed to a full-time commitment after seeing an opportunity for synergies that would translate into growth for three staffers who’d gone from administrative recruiting assignments to full-service HR consulting for high-powered clients that included Nortel, New York University (NYU), Memorial Sloan-Kettering Cancer Center, major foreign banks primarily headquartered in the Pacific Rim and even the Society for Human Resource Management.

What followed was a new career writing books, teaching, and delivering speeches – a symbiotic period that allowed him to deepen his knowledge and sharpen his skills. For 22 years, he has taught management at least one or two nights a semester at NYU. DeLuca’s

first book was written in 1987 about HR cost containment. It was followed by personnel recordkeeping, a handbook for compensation management and his closest attempt at a best seller: “The Best Answers to the 101 Most Frequently Asked Interview Questions,” which now has more than 100,000 copies in print and has been translated into several languages.

“All of this drove me to think in terms of trying the entrepreneurial side of my brain and becoming a consultant,” he says. In 1987 DeLuca joined forces with a former colleague and his wife Nan to build the Management Resource Group in New York. “We did outsourcing before it was called outsourcing,” he explains. His niche was nuts-and-bolts HR consulting on the operational side for the foreign banking community. DeLuca’s consulting firm has employed as many as nine people (seven of whom were HR specialists), with recent clients including the publicly traded Associated Estates Realty Company and his academic home of NYU.

Gipalo got her start in 1973 as a recruiter for CDI Temporary Services, which she followed with a 10-year stint as vice president of compensation and payroll for First Financial Management Corp., which later became the behemoth First Data. At first Financial she took a personality test that was about to be given to employees and realized her strengths were in sales, not labor-intensive benefits plan administration.

Despite a good salary and stock options, “I didn’t like being tied to a desk all the time,” she says. “It was a very taxing job and I was always traveling. But I wanted to be out around people in more of a sales position.”

So she left behind corporate HR to work for insurance broker Sedgwick James & Co., where for two and one half years she was responsible for implementing and administering Section 89 compliance before the infamous equal-benefits provision from the Tax Reform Act of 1986 was repealed. Her entrepreneurial vision came into focus in 1991 when she co-founded brokerage firm Grant Nelson in Atlanta, where she served as regional manager. Then she and her husband John, who left the hospitality industry after 25 years, formed Atlanta-based Key Benefits Concepts in 1998, an insurance brokerage and consulting firm that serves companies that employ up to 1,000 people. Clients include Brigade Quartermasters Action Gear, LCG Associates, Inc., an IT investment consultant, Ammerisave, a mortgage company, and Forbes & Company, a CPA firm.

Schifano, who is associate pastor of Saints Peter and Paul Catholic Church in Tucson, Arizona, decided to leave the business world for the church after becoming a widower. He thought seriously about pursuing missionary work and had no idea the priesthood was even an option for widowers. Nearly five years passed before Sundt’s CEO granted Schifano a six-week paid leave to think over his options at a religious retreat. “We had a two-year plan to find, train and develop my replacement,” he says, “which really was a good model for succession planning.”

But his career move was not as extreme as it sounds, he adds. “Somebody told me it’s not too big of a leap to go from HR to the priesthood: you just turn your collar around,” he quips. “There’s a lot of counseling in the HR field.”

While he was deeply satisfied with his marriage and career, Schifano says he has never felt more at peace than the present. “I had a high-paying job and all kinds of dreams and ambitions of retiring wealthy, traveling, and doing whatever I wanted,” he explains. Today, “My gross pay is about \$900 a month and I have a little IRA that I also use for my grandkids’ trust fund. I work unbelievable hours. But I’m happy and feel more energized today at age 65 than I probably did the last 10 years of my corporate career.”

Career challenges

That career took him through every level of HR management. Schifano started out as a US Army personnel officer for five years before joining Lockheed Aircraft Corp. and staying for 10 years, with titles ranging from factory employment interviewer to director of industrial relations.

His final job in HR lasted for 20 years with The Sundt Cos., where he was senior vice president of HR and a member of the company’s board of directors. Schifano was the company’s first HR executive for Sundt, which is now 113 years old. “They built their whole HR system from the ground up,” he says.

While at Sundt, Schifano was instrumental in helping convert a stock bonus trust into an employee stock ownership plan. “We probably spearheaded the acceptance of an ESOP as a benefit plan under the prevailing wage laws in the early to mid-’80s,” he says.

Sundt had sought benefits consistency for craft employees who’d occasionally work on projects under the Davis-Bacon Act for federally funded construction projects or prevailing wage laws at the state level. This pursuit also satisfied other corporate HR objectives, which were to develop a sense of employee ownership and overcome a competitive disadvantage associated with absorbing the full burden of mandatory payroll taxes on the base hourly wage and benefits amount paid as cash wages found to be prevailing in the area where a particular project was under construction.

Regulatory and marketplace complexity forced the company to design an atypical ESOP that would be considered an approved benefit plan for prevailing wage projects and also satisfied the demands of both the IRS and U.S. Labor Department. “The beauty of the plan,” Schifano explains, “is that the employees on these prevailing wage projects have the guaranteed baseline of the contributions made and their shares in the ESOP participate fully in the success of the company, especially since Sundt is now 100% owned by its ESOP.”

Gipalo also found her HR job included evaluating different types of plans. When First Financial went public, she researched the pros and cons of offering stock options as well as qualified and non-qualified plans. “The education process was invaluable when we put

in a 401(k) plan and our own benefit plans, then got so big that we finally went self-insured vs. fully insured,” she reports.

Gipalo leveraged this expertise to start her career in insurance brokerage, noting that the ability to calculate salaries, conduct surveys and evaluate personality tests now gives her a leg up on other insurance agents when she helps clients with their benefits.

Those efforts include designing and administering new medical and dental programs, as well as short and long-term disability, life insurance, vision and voluntary benefits. Gipalo also benchmarks benefit packages against industry standards, negotiates renewals and educates employees about their benefits package, including making herself available to field employee inquiries. Other services that spring from her HR background include regulatory advice on COBRA, HIPAA, FMLA, and other various state and federal statutes – with practical tips for minimizing employment-law risks.

DeLuca, too, has found himself making many of the same decisions for his consulting clients that he made running an HR department in-house. He started his career in 1972 at Chemical Bank, now JP Morgan Chase & Co., followed by tours of duty with two New York branches of foreign-owned banks – Israel’s Bank Hapoalim and Bank of Tokyo. At Bank Hapoalim he was vice president and manager of HR and payroll.

“My mission was to build an HR department and do all the things HR should be doing,” he says, noting that the firm’s comptroller had previously handled these duties. The U.S. operation had grown so rapidly that during this period it had become the world’s 83rd largest bank. Apart from overseeing a doubling of staff during his tenure, DeLuca had to design and communicate a new defined benefit plan at a time when 401(k)s were starting to catch fire.

Given their previous pension experience, the Israeli-owned bank believed a DB plan was the right thing to do “It made me really appreciate the value of a defined benefit vs. defined contribution plan,” he DeLuca.

One of DeLuca’s consulting clients with Management Resource Group was the World Wrestling Federation, now known as World Wrestling Entertainment, Inc. The colorful, Stamford, Connecticut-based WWE retained him in 1994 to conduct a sexual-harassment training program, an assignment that led to a five-year stint as director of HR. He left in October 1999, when the company went public.

Along the way he introduced the WWF’s 401(k) plan, fending off concerns whether the company, then teetering on the brink of bankruptcy, could handle the contributions. A generous match came only after flamboyant CEO Vince McMahon survived a federal indictment and the WWF’s television ratings improved. DeLuca later convinced McMahon and his wife Linda to add a cash balance plan to provide greater financial security for retirees.

Medici, too, found that as an HR professional with a succession of financial services firms, he was drawn to the combination of high finance and meaningful human interaction – a connection that would extend into his independent consulting work. “One day you’re making strategic decisions about pension administration, asset allocation, and plan design, which has multimillion-dollar long-term effects,” he says. “The next day you’re sitting with a little old lady who’s been with the company for 35 years and is about to retire but not sure how to handle her lump-sum distribution. You can go home that night and feel like you made a difference.”

But Medici eventually became concerned about the toll the investment banking industry was taking on his personal life. “I had three young children at the time and didn’t want to miss them growing up,” he says.

Words of wisdom

Gipalo believes HR professionals have endless opportunities to lend their expertise to a multitude of outsourcing clients and that the skills they carry with them are still the lifeblood of US business. Through her work as a broker, for instance, she noticed that many of her clients in the less-than-50-lives market could not afford to hire an HR person. And so she found herself answering HR-related questions short of offering legal advice and working with small businesses. “That’s where I feel I’m needed most,” she says.

DeLuca in recent years has bounced back and forth between consulting and full-time corporate HR assignments for dot-com start-up DSL.net, the Lifetime cable television network, and Flipside, a subsidiary of Vivendi Universal. Why not stay on one career track? “That’s a good question,” he admits. His underlining objective is to build HR systems and programs for organizations that see value in this area. DeLuca knows in his heart the time to move on is when an organization no longer is committed to designing new and more innovative HR, training and development programs to attract, retain and motivate top talent. The way he sees it, this should be an ongoing commitment.

“I prefer being totally immersed in one environment so that I know it inside and out,” he reports.

On the retirement side, he’s most proud of introducing the WWE’s cash-balance and 401(k) plans, as well as a 401(k) at interactive games provider Uproar Inc. and major redesign at the time it was acquired by Vivendi Universal. Other career highlights have included replacing the WWE’s self-insured arrangement with United Health Care and Oxford at a substantial cost savings and the introduction of dental coverage at Bank Hapoalim where he also was instrumental in switching health carriers.

Unlike the skeptics, DeLuca’s outlook for corporate HR work is sanguine. “I feel very strongly that bright, dedicated, hard-working people definitely have a future,” he says, noting the \$21 million compensation package recently awarded to Home Depot’s top HR executive. “My point is he’s not going to be the only one at that level for long.” When DeLuca speaks to groups of HR professionals who are just starting out in the field or

career-transition open houses, he's amazed that people hardly ever believe they can be paid more than \$100,000. He believes the key to success in HR is a lifelong commitment to self-evaluation and continuous growth, adding "you don't learn human resources by taking three courses at NYU."

While DeLuca sees continued growth in corporate HR, he predicts that the high-flying outsourcers increasingly will appreciate and value as core competencies benefits administration skills and similar expertise. "In-house HR will play a new and more demanding role as it moves away from the more traditional control and bureaucratic aspects," according to DeLuca. That means the emphasis will be on consulting as a HR subject matter expert, stewardship of human capital, knowledge facilitation and relationship building.

As for those who either choose or are compelled to seek another path, "The clear message I'd say to anybody is there *is* life after HR," says Medici. "The experiences that you gain working in an HR department and managing an HR function can apply to any part of life. What you learn is how to interact with people, measure performance and focus on metrics – skills that will be applicable to anything you do."

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