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Enabling Human Resources

Technology is a key component to helping improve the return on human capital.

Insurance and financial services businesses are highly dependent on human capital for their success in their roles as financial intermediaries. While measuring the return on human capital is more complex than returns on financial capital, the return on financial capital clearly is largely driven by the value added by a financial institution's human capital.

Managing or lowering the cost of human capital has tended to be the primary focus of many organizations as a means of improving profitability in the short term. Human resources generally represent more than half of the operating costs for a financial institution. Many organizations also have been investing in improving their business processes via technology investments to improve productivity. Leading organizations increasingly are focusing on how to best enhance the quality and productivity of their human capital functions to increase profitability on a long-term basis. They are investing in better managing their human capital via enabling technologies across a broad set of human resource processes, including sourcing, recruiting, on-boarding, training, performance management, HR policies and procedures, compensation and benefits.

Comprehensive human capital management approaches also are being enabled via a core Human Resource Information System, which establishes a common database and integrated information management across all human resource functions. The complexity of implementing and managing a comprehensive HRIS has led to the emergence of outsourcing approaches on a comprehensive basis as well as for specific functions with a transactional focus for large organizations and now for many mid-size organizations.

The promise of HRIS and human resource outsourcing has been to enable human resource functions to become more strategic and value-adding to the organizations. While the effectiveness of these approaches is still being fully judged, it's critical for organizations to also leverage technology to better enable the performance of their human capital, not just the human resource process transactions. Most human resource outsourcing deals have primarily involved the HRIS and payroll processing, benefits and contact centers. Recruiting, on-boarding, training, workforce planning, succession planning and performance management processes are less likely to be outsourced and have the highest potential return on human capital performance. This has resulted in the emergence of technology-enabled talent management approaches and systems to better address these higher value-adding human resource approaches.



Integrated, comprehensive talent management support systems are still being developed, while technology-enabled approaches for individual talent management processes are more commonly being implemented. Most large organizations and many mid-size firms have invested in an applicant tracking system to better manage their recruiting efforts, and there are more than 30 major providers vying for large corporate accounts. While integrating recruiting systems into a comprehensive HRIS system is being pursued by some providers and organizations, the value versus cost of integration is questionable and frequently inhibits the functionality of the application tracking system for the recruiting function itself. Focusing on effective recruitment and on-boarding functions alone has an enormous impact on financial organizations as most organizations are adding or replacing about 15% to 20% of their human resources annually.

Retention and enhancement of top talent needs to be an organizational priority. Measuring, monitoring and communicating performance information, as well as resultant compensation actions and attractive career opportunities, are critical components in retaining top performers.

Online corporate training approaches are being used by large organizations to enable easier and less costly additions to classroom-based training programs, while online training portals are growing rapidly, serving many mid-size and smaller organizations with cost-effective and convenient solutions.

Work-force planning and succession planning aren't being effectively pursued by many organizations despite their importance. Technology enablement for work-force and succession planning may help provide a well-defined process and information base from which to better understand an organization's needs and create plans to address these needs.

Effectively using technology to enhance the return on human capital requires a comprehensive strategy and prioritized implementation for pursuit. While much of the attention has been on HRIS and outsourcing alternatives to lower transaction processing costs, the highest longer term returns are possible via technology enablement of talent management processes including recruiting, on-boarding, performance management, training, workforce and succession planning processes. Those investments will also provide sustainable competitive advantages.

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