

9 of 914 DOCUMENTS

OPTIMIZE

June 1, 2006

When HR And IT Orbits Meet; For human-capital management to succeed and flourish, HR execs need to seek support and advice from their CIO peers

BYLINE: Tracy Martin

SECTION: CORPORATE CULTURE; Pg. 64

LENGTH: 2468 words

HIGHLIGHT: If businesses truly believe it takes a combination of people, processes, and technology to achieve organizational success, then human resources and IT had better reassess their relationship. Traditionally, the two have operated in parallel spheres of the organization, but those orbits are now overlapping. HR is more technology-dependent than ever, while IT is increasingly involved in decisions about ERP, performance management, and other human capital management (HCM) systems. And like IT, HR has fallen prey to outsourcing, perceived by many as a transactional machine that lacks strategic value.

It's time for the CIO to build corporate partnerships with the VP of HR and line-of-business managers. Working together, they can truly focus on the effectiveness of their human resources and elevate HR's business value. HCM strategy maps, discussed below, can define and specify goals and measure progress.

Broadly speaking, HCM should evaluate, assess, integrate, and manage corporate talent and assets. But since HR technology funding often draws skepticism, HR directors should seek out CIOs as allies who will collaborate on and champion the development of business cases and ROI analysis for HR investments.

Yet with so many other priorities demanding their attention, why should CIOs put HR automation high on their to-do list? Here are some reasons:

- HCM is a key component to the overall business strategy.
- Changing business conditions and labor markets require a new approach to HR program delivery.
- Companies investing in HCM technology to support the transition from HR administration to strategic HCM are setting up high-performing organizations.

What's required is a broader mind-set from both sides. HR must realize its larger role and build bridges within the company. IT, for its part, needs to see HR improvements as a valuable corporate asset it can use to optimize processes.

Admittedly, HR hasn't made a strong case for itself, even though most departments are having a difficult time

When HR And IT Orbits Meet; For human-capital management to succeed and flourish, HR execs need to seek support and advice from their CIO peers OPTIMIZE June 1, 2006

understanding their current human assets and how to best optimize them. Managers tend to focus on day-to-day management of individuals and don't think about long-term workforce planning and what will be needed to drive their organization into the future. They lack adequate decision-support tools about their human resources.

In the current tight job market, lines of business might be having a hard time finding the right combination of business and technology skills to move forward. And in some cases, it might become obvious through rudimentary performance-management processes that teams aren't focused on the right activities or on achieving results. With a predicted shortage of talent in the coming years, it's necessary to develop new ways to manage, develop, and measure the impact of a team on the overall results of the company. Critical to success will be deployment of innovative and improved technologies that provide the data and decision-making capabilities to better manage the workforce. Simply put, by aligning talent and core competencies of the organization, HCM can bring coherence and prove results.

Because of defects and breakdowns in planning and execution, companies typically realize only about 63% of the potential value of their business strategies, wrote Michael Mankins and Richard Steele in their July 2005 Harvard Business Review article "Turning Great Strategy Into Great Performance." In evaluating the factors leading to the 37% performance loss, the authors found that a majority were related to human-capital practices. Most salient were inadequate or unavailable resources, organizational silos and culture blocking, inadequate performance monitoring, insufficient consequences or rewards for success or failure, poor leadership, and obsolete or inappropriate skills and flagging capabilities.

To ensure peak performance and improve operational results, organizations are integrating business drivers that affect both the bottom line and strategy. HCM focuses on processes such as recruiting, performance, learning, and succession management, thereby helping businesses boost performance.

HCM should be distinguished from run-of-the-mill HR. Because the traditional HR department typically oversees details and transactional activities that offer little value to the organization, it's viewed as a cost center. Much like many basic IT tasks, conventional HR is about efficiency, compliance, and cost control.

In contrast, HCM is about strategic talent management, which optimizes and leverages every employee and delivers incremental value to the business. It's about building organizations that accept these challenges:

- Adapting to changing business conditions.
- Accessing information to make better decisions.
- Guaranteeing that business operations are secure and protected.
- Achieving stated business results.
- Capturing the skills, knowledge, and leadership of the retiring workforce.
- Leveraging technology and outsourcing services to create an environment that provides continuous support and learning.
- Ensuring that executive leadership sees HR as a strategic partner.

This is a big shift. Not unlike IT, HR needs to align with organizational strategy and demonstrate results, introduce change, and develop skills in a global enterprise. It must deal with the aging workforce, economic shifts to service jobs, hypercompetition, and the fast pace of emerging technologies, which have all changed the landscape of business as we know it. The fact that organizations are placing greater emphasis on people management as the critical element in determining success or failure should put HCM in the spotlight.

HCM is about leveraging the knowledge, creativity, and efforts of employees; recognizing the value they each

When HR And IT Orbits Meet; For human-capital management to succeed and flourish, HR execs need to seek support and advice from their CIO peers OPTIMIZE June 1, 2006

bring to the table; and unlocking their potential. It can place decision-making tools in the hands of line managers and operations that are as close to the customer as possible, providing them with the information to make accurate value-based discernments. Technology is what ultimately empowers decision-makers at the most critical point in their transactions, and true HCM can exist only if enabling, facile, and agile technologies are available. That's where the partnership with IT is needed.

Currently, however, most organizations are a long way from true HCM. Less than 12% of organizations believe they've successfully aligned their workforce with business goals, according to a survey the International Association for Human Resource Information Management (IHRIM) conducted in 2005. And with so few organizations that have created a high-performing culture, there are few best practices or lessons learned. It's hard to know what performance feels like and how it can be replicated.

Making the business case

Nevertheless, many assumptions can be made and talent-management initiatives that create linkages between workforce activities are a step in the right direction. They reinforce business performance and productivity strategies and measure results in a timely fashion. According to the Yankee Group, spending on talent-management applications will reach \$794 million this year, up from an estimated \$662 million in 2005.

While you might not deploy integrated, sophisticated processes in the early phases of your talent-management implementation, it's important to consider them as part of a long-term HCM strategy. Without a clear vision, HR organizations will implement functionality, own processes, and shoulder administrative responsibility for transactional application-keeping them firmly entrenched in the old models. They'll struggle to become more than transactional data administrators, and won't be able to justify additional investments or resources in HR technology. Worse, they'll be left with multiple systems, disparate data silos, lots of integration problems, and manual processes.

Translating theory into practice can be done more easily with an HCM strategy map. It will outline talent-management actions and provide solutions to achieve specific operational and financial outcomes tied to the bottom-line business. Here are some principles to consider when building these road maps:

- Current state. Conduct an in-depth interview and analysis of the company's current HCM practices and supporting technologies. Difficulty in any critical area-people, process, and technology-inhibits systemic improvement, resulting in a lack of insight into talent, an inability to drive desired behaviors, or a lack of insight into the impact on business performance.

- Future focus. Articulating your future state is a key differentiator between an HCM project and strategy. Determining your future state begins with answering questions that address targeted business results and understanding the perception of managers and employees, then defining what needs to change.

A holistic understanding of these interdependencies is the first step in moving beyond mere process automation to drive true value throughout the organization. The most successful HR organizations are those that engage the entire business in defining their destination-one that reflects the opportunities and challenges of the whole enterprise in managing a large workforce. This global process can then be disaggregated and analyzed by business units or functions.

- Business orientation. HCM road maps can't be just a fashionable exercise; they must reflect the real needs of the business. Commitment is part of the foundation. The most successful organizations take a practical and prudent approach to reaching their destination without disrupting business operations or requiring too much change too soon. Overly exuberant mandates often result in a crisis of confidence, and the credibility of the change agents is at stake if expectations aren't realizable.

- Outcomes focus. Road maps should be based on business outcomes, not just those of HR. While both sets of results are intimately connected, one shouldn't compromise the other. Successful road maps define outcomes in a clear,

When HR And IT Orbits Meet; For human-capital management to succeed and flourish, HR execs need to seek support and advice from their CIO peers OPTIMIZE June 1, 2006

measurable way that's easily understood in business terms. Ultimately, you have to sell your idea on pragmatism.

- Multiyear approach. HCM has an enormous impact on company culture and employee morale. Therefore, organizations should take more of a long-term approach and introduce methodical change instead of trying to do everything in a year's time. This is even more critical if the organization is in disarray—for example, where performance reviews and goal-setting are done differently throughout the company following a merger or acquisition. In such a case, it often takes years to attain organizational cohesiveness.

- Showing value early on. Another key attribute of successful road maps is that they deliver business value early. This lets organizations market positive results, gain credibility, and pave the way for additional rollouts across the enterprise. Success breeds success. An exemplary case of reinforcement is a company that reconvened business leaders a year after initial implementation to go through ROI metrics and results. The group demonstrated the value of the performance-management strategy and reconfirmed buy-in.

- Core strengths. Talent-management road maps must take into account what the organization currently does well, then leverage those strengths across its operations. Companies that do a good job with goal alignment and competency management, for example, need to incorporate them in its strategy. At the same time, organizations should understand their weaknesses and identify key areas for improvement. This will help them start off on the right foot and make great strides early.

Once talent-management processes are rolled out, organizations acquire a wealth of data on employees, including past performance ratings, leadership behaviors, skills and competencies, certifications, and career interests. A database should be built that allows this wealth of information to enlighten decision-making.

Again, technology is the key enabler, as integrated systems such as ERP can automate many HCM processes. For example, a manager doesn't necessarily need to know how to build an employee-development plan upon completing the performance review; the IT system can do it automatically.

Critical talent is the ultimate competitive advantage an organization can have to differentiate itself from its competitors. To maximize that advantage, an organization must proactively manage its workforce. It's not simply a matter of finding the best and the brightest; it's about defining how best to use critical talent to outperform the competition. Jointly leveraging technology and HCM initiatives creates a high-performing organization.

TRACY MARTIN is principal consultant at Knowledge Infusion.

How closely do HR and IT work together at your company? Tell us at optimizeletters@cmp.com.

See Related Articles: "Why Workforce Management Is Back In Style," July 2004, p. 67; www.optimize.com/issue/033/culture.htm

- "The Human-Capital Balancing Act," February 2003, p. 53; www.optimize.com/issue/016/culture.htm

- "Transforming IT," January 2003, p. 20; www.optimize.com/issue/015/management.htm.

EXECUTIVE SUMMARY - Given that traditionally separate HR and IT functions now overlap, the CIO should team up with the head of HR and line-of-business managers to elevate HR's value to the business. A human-capital management (HCM) strategy map is useful for outlining appropriate talent-management actions tied to the bottom line.

The90-DayPlan

Collaboration between HR and IT obviously has to be a joint effort. But since the human-capital management

When HR And IT Orbits Meet; For human-capital management to succeed and flourish, HR execs need to seek support and advice from their CIO peers OPTIMIZE June 1, 2006

(HCM) strategy and maps will probably originate with HR, these action items are directed at CIOs and IT executives who may need to get up to speed on HR's requirements before they can form true partnerships.

MONTH 1 - Understand key talent opportunities

- Join forces with HR leaders in identifying current market conditions that impact the acquisition, retention, and motivations of key talent.

- Understand how these macro and micro conditions impact the organization in the short run, and whether and how technology can improve current business processes. Educate HR about what projects can be realistically tackled and what can show quick wins.

MONTH 2 - Jointly develop the HCM strategy map

- Help define the current and future state of the organization in performance and productivity terms, and assess the impact that talent trends will have within the company.

- Address key issues, such as the value-add of improving business processes. Establish how an HR/IT strategy can align the business priorities over the coming years.

- Focus on moving the company from an "as is" to a "to be" strategic vision.

MONTH 3 - Develop a business case for HR technologies

- Leverage the HCM strategy map and the value it provides to the organization in meeting its strategy and vision. Demonstrate how this will happen.

- Ensure a cost-effective solution, and measure progress.

- Explain how technology improvements yield operational results, and assure stakeholders that the transition from current infrastructure can be met with minimal disruption.

- Bear in mind that while an ROI cost/benefits analysis is critical, numbers don't tell the whole story. Some advantages, such as ease of use and employee satisfaction, are qualitative.

<http://optimizemag.com/>

Copyright © 2006 CMP Media LLC. All rights reserved.

LOAD-DATE: June 2, 2006

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Magazine

JOURNAL-CODE: OPT