CHAPTER 1

From Personnel Administration to Business-Driven Human Capital Management

The Transformation of the Role of HR in the Digital Age

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What an exciting time to be in HR! Over the past thirty-plus years, we have seen the emergence of the personnel department and have participated in the transformation of this role from that of an administrator to, more recently, a critical component in the competitive success of the business. When HR (the Personnel Department) first began to surface as a function in business, executives and other decision makers were focused on tangible goods and financial resources. HR's role was to support back-office functions, mainly legislation requirements, payroll, and personnel data maintenance. Fast forward to today—now, every CEO speaks of the people behind the corporation's success. In fact, many corporations brand their workforce as part of their marketing campaigns to attract not only the right talent, but also to attract business and consumer buyers.

Savvy executives understand that, in a tighter, tougher, less predictable economic climate, they have to take maximum advantage of the skills and expertise available in the existing employee pool.

During these past few years, corporations have begun to embrace a “human capital approach,” one that considers the money spent on fostering innovation in the workforce as an investment. As with any asset, by nurturing, protecting, and growing this investment, organizations that align workforce strategies with business goals and objectives will benefit from capturing and focusing the attention of the workforce.

Just as HR’s role continues to change, technology has continued to evolve. If HR’s role has always been to deliver the workforce support and management based on the needs of the business, then technology’s role has been that of an enabler. Over the past years, HR processes and procedures have been supported by everything from complicated file-folder systems to automation, going from usage of multiple systems and databases to a single version of the truth with comprehensive HRMS. Now companies are not only leveraging technology to support the function of the HR department, but they are also leveraging human capital technologies for use by everyone in the business. Human resources as a function has evolved into human capital management (HCM). Where HR was the responsibility of a centralized, or sometimes decentralized, department, HCM is the job of everyone in the business, from employees to executives.

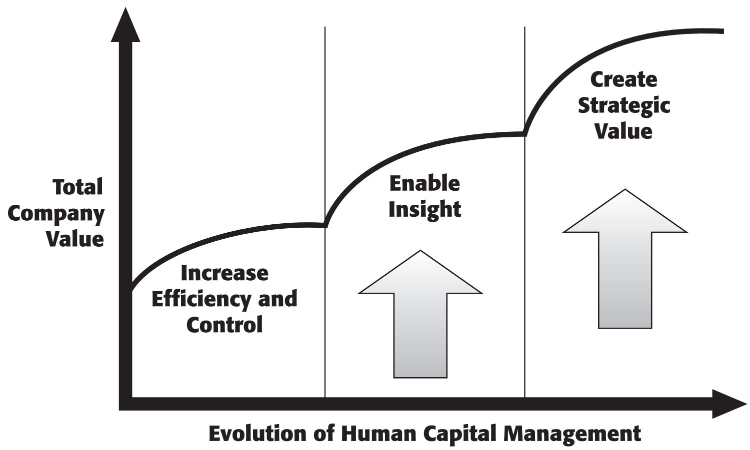
Using the Transformation of HR to HCM in Business graph (Figure 1.1) as a guide, in this chapter I review the transformation of HR from the emergence of the personnel department to the current HR and talent organizations as they stand today. This chapter also provides a review of the evolution of HR processes from manual to complete automation. The transformation of HR is broken down into three main categories that talk not just to the focus of the HR department, but more important, to the value of HR total company value.

Efficiency and Control: Polite and Police Phase

Key Business Issues

For the many who lived through them, the 1970s were turbulent times at best. The collapse of the gold standard and the oil crisis were just a few factors of the struggling economy. With a mostly

Figure 1.1. Transformation of HR to HCM in Business.



opposed and controversial war that resulted in dramatic social change and disillusionment with government, the United States, as a nation, was in a state of chaos. As America struggled internally with conflict and distrust, businesses surged forward with the emergence of new industrial nations, while new legislature promised to ensure employment equality and worker safety. With mostly manual processes in place to support compliance, the worry from the corporate world was not necessarily the legislation itself, but the increased and new burden of paperwork and processes and no internal group to support these new requirements. For many companies, this is when the personnel department was born and employee rights and relations began to take a more focused role in business and the press.

Despite new legislation to protect them, the 1970s and 1980s also marked the beginning of a new feeling for employees: the lack of job security. With the promise of cheaper labor in developing countries, manufacturers began to close down factories in the United States in favor of cheaper facilities and labor in developing countries. This resulted in the same products for less money to consumers, but a loss of jobs for Americans. At the same time, lower-cost items from foreign companies, particularly Japanese car manufacturers, made a huge impact on the U.S. GDP.

As Detroit was struggling with the unforeseen competition of smaller, more economic cars, Americans worried about the impact of closing down factories combined with the increase in foreign goods consumption. Economic forecasters began to assure the public that, with millions of service jobs being created during this decade and into the next, the economy would not suffer as long as there was a shift in skills and training among the workforce.

The continued shake-up in the corporate world added to budding workforce fears beyond the 1970s. Leveraged buy-outs, mergers and acquisitions, and hostile takeovers resulted in market consolidation and, at times, confused business models. The effects of market consolidation on business efficiency, insight, and effectiveness became even more critical as much of Eastern Europe opened up when the Cold War ended and the Berlin Wall came down, giving new opportunities for globalization. Western companies knew that they needed to act fast on the emerging market opportunities and often did so, with little understanding of the impact on the existing business. With so many changes to business dynamics, combined with a fluctuating economy and increasing customer demands for better goods at lower prices, executives struggled to maintain control and competitiveness in operational efficiency with little insight into business operations and efficiency. The first step for these executives to compete in the rapidly changing business environment was clear: efficiency in and control of business operations.

HR Transformation in the Digital Age

In the early part of the 20th century, tax and wage legislation was introduced to businesses, and by 1943 federal tax was mandated. To comply with these new requirements, a new function/profession was created—the payroll professional. This was a huge responsibility, with significant consequences for miscalculation and noncompliance. Payroll clerks struggled manually through hundreds and, at larger firms, thousands of payroll records, often with human error, making auditing, efficiency, and control a virtual impossibility. For some companies, technology could not come soon enough. Those who could afford it, like GE, pioneered the automation of the complicated and cumbersome payroll process. GE implemented the first homegrown mainframe payroll solution; they also had the first automated payroll system to process the tens of thousands of employees across the United States.

At the end of the 20th century, social legislation such as Affirmative Action, Equal Employment Opportunity, the Occupational Safety and Health Act, and the Employee Retirement Income Securities Act created a demand for companies to collect, store, manage, and report more personnel data than ever before. It had become very difficult to keep up with legislation and to put it into a practice that did not cost significant time and money. At the same time, employees were becoming more and more aware of their rights, evidenced by the emergence of lawsuits and challenges to corporate policies. What had previously been accepted was now under scrutiny. The consequences for noncompliance or discriminatory practices were significant fines and monetary rewards for victims of wrongdoing.

Due to legislated corporate responsibility for compliance of workforce practices and worker safety, a new function was created—the personnel department. Combined with the payroll department in many businesses, the personnel department was primarily responsible for managing personnel information, data, and processes, and ensuring that the business was compliant with employment legislation. The HR function served as a police officer of sorts to ensure that employment practices were adhered to throughout the business. But HR was also the polite group in the business—often responsible for coordinating company picnics and other outings, sending birthday notes to employees, and carefully treading in a business where little value was placed on the business impact of HR.

As the century progressed, so did technology. As mentioned above, some companies, like GE, forced the issue by creating their own technology before one was available on the market. Payroll vendors began to emerge, offering not only technology, but in some cases, also services to outsource this function.

With the onslaught of legislation, companies began to look seriously at technology to gain control over workforce information without significantly increasing costs to the business. With other companies, sophisticated, and often complicated color-coded filing systems were used to store employee data, but reporting remained an issue. Vendors began to promote ERP solutions that combined personnel data and payroll applications. Some vendors also integrated financial controlling systems with the HR systems, so that companies could not only make more efficient financial decisions, but also increase control over where corporate dollars were spent. Companies could leverage the HR systems to generate reports that demonstrated compliance with legislation, thereby protecting against costly fines, lawsuits, and bad publicity. With technology, businesses were beginning to automate processes that, although important and critical to achieve, did not contribute value. The payoff of technology was not just compliance, operational efficiency, and control; it also helped to focus resources on other activities beyond keeping manual records.

As the 1980s came to a close, academics discussed the changing role of HR. They speculated that many HR organizations would transform from a police and polite administrator role into a more strategic role in the business. Many thought leaders were beginning to suggest practices through which employees were actual resources, who, if taken care of, could improve their contribution to the company. This, of course, required that the HR function move closer to the business. This was also a time for legitimizing the HR function. Professional organizations such as the International Association for Human Resource Information Management (IHRIM) were founded as a place for HR professionals to meet, learn about, and share new practices and technologies to help their businesses be more efficient.

Enable Insight: Partner Phase

Key Business Issues

As the 1990s approached, the pace of competition continued to quicken as customers became more sophisticated in their demands and Internet technologies began to emerge and tear down the barriers to entry for competition. Manufacturing and services organizations alike began to decentralize functions, while trying to maintain centralized control through standardized processes and information. Many manufacturing organizations, which had long embraced such quality improvements as Total Quality Management (TQM), began to rely more heavily on offshore facilities and companies that were spun off into separate businesses to bring products and services to market. While TQM and other similar business methodologies may have remained, manufacturers struggled with the human side of decentralized business, including basic insight into the demographics of the extended global workforce. For example, until a few years ago, Dow Corning maintained a decentralized organizational structure with a fragmented IT architecture. Employees reported in to a region, a country, or a division, resulting in a lack of insight, coordination, and best practices and processes. In addition to perceived enhancements of operational excellence, Dow Corning wanted a change to the decentralized structure in order to improve workforce performance. Dow Corning found both tangible benefits as well as intangible gains from streamlining HR and other business processes through a global installation of an HRMS. The benefits that Dow Corning realized included a reduction in global organization barriers, a decrease in redundant activities, and a reduction in cycle time for key processes.[1]

In other markets that rely heavily on "knowledge workers," such as services and high-tech industries, companies were beginning to embrace telecommuting or virtual work as part of everyday operations. With a much more diversified workforce in terms of location, gender, race, talent/skills, career aspirations, and culture, companies not only required better, more dynamic insight into personal data, but also tools through which employees could feel "empowered" and connected to the corporation.

From the mid- to late 1990s, for the United States and many other Western countries, the dot-com era was alive and well. Venture capital was being plugged into companies, promising new technologies that would change the way we live and the way we do business. Many of these companies were promoting fairy dust, with little or no technology having been developed, compounded by the fact that many of these start-ups lacked solid business plans or business models that clearly defined how the new products or services would or could make money. This was a time when technology was being dreamed up and, in some cases, created for technology's sake, rather than for an actual market need. With sites like e-Bay and Amazon.com, online commerce broke down competitive barriers and opened new opportunities for budding businesses and a new breed of entrepreneurs. Established businesses such as bookstores, particularly in the west, were feeling the pressure of the Internet push by consumers, business partners, and even employees.

As the century came to a close, companies were not only focused on the Internet, but the entire market was scrambling, waiting with bated breath to see what would happen when the new year began. Consumers with the same fears of data loss were withdrawing savings from banks with the worry that all of their savings would be lost if the bank systems failed when the clock turned at midnight on New Year's Eve 1999. The Y2K scare enabled many software vendors to sell solutions at record rates with the promise of protection against data loss. Businesses needed to ensure that valuable customer, employee, financial, inventory, and supply-chain information would not be lost due to a feared glitch in many software solutions that would not recognize "000" when the new decade began. For many, this meant a migration of core data from old, legacy systems to new enterprise solutions that promised foolproof protection against the potential hazards of Y2K data loss. Additionally, businesses were looking at vendors who could not only promise data protection against loss during Y2K, but also data protection in the form of privacy, particularly with the new Internet technologies and information exchange. In particular, companies that operated in the European Union during this time were beginning to feel the heat from privacy protection acts created by the EU to protect employees from information exchange about them.

But what companies required most was control and insight into business operations. As globalization continued, so did the rapid pace of competition. Continued downsizing and offshoring meant there was a need for businesses to operate at much lower costs in order to be competitive. Service organizations and pharmaceutical companies, who competed mostly based on the talent of their people, required insight into the current skills and gap in talent. With the war for talent a critical issue on many CEOs' minds and a shortage of real talent available in the market, more and more businesses began to focus on branding as a form of recruiting smart MBAs and other key talent. Understanding where the talent was needed and how to quickly close the talent gap was a core concern for every CEO, which resulted in a push for more strategic technology and human resources practices that were linked to business strategies, which were starting to be coined “human capital management.” In an ROI study conducted by Gartner Consulting in 2003 of SAB Limited, the brewing giant from South Africa, researchers found that HR and managers were once forced to make decisions about attracting and retraining talent based on disparate information consolidated across multiple regions over the course of time, often making decisions based on outdated information. Faced with the strategic focus of innovation and efficiency and through the use of an HRMS, HR and managers alike now make recruiting and workforce development decisions based on current needs, such as skills gaps and up-skill requirements. Now at SAB Miller Limited, the data is real-time, so the right decisions are made at the right time.[2]

HR Transformation in the Digital Age

In the 1980s and into the 1990s, the role of the personnel department continued to transform. In fact, most of these had re-branded themselves as “human resources” in an effort to better align the new needs of the business. And as quickly as the economy began to turn around, the pace of competition also began to quicken. The HR department, which was viewed by most in the business as an expense, was feeling pressure from executives across the business to provide better data on even the most core information, such as total headcount. The running joke among many CEOs and CFOs was that if they asked for a headcount report from five different people, they would get five different numbers. As a result, HR knew that if it was going to change its role in the business, it simply had to adopt a more suitable IT landscape, like what had been implemented across the rest of the business. The hope was that, with better information, HR would be able to deliver better insight into the workforce so that, together, executives and HR could make better, more informed, workforce decisions.

At the same time, confidence in the HR department continued to go down. In most companies, HR remained separate from the rest of the business, with no links to executives, their decisions, or the workforce or managers. And those HR organizations that wanted to integrate with the business struggled with how to do it.

Executives were used to making decisions based on tangible assets such as revenue and supply chain. HR and its value of employee relations and development were not tangible and hard for executives to understand—and even harder for HR to articulate in real, tangible business terms. As a result, HR was very rarely consulted or included in business decisions, both at the board level and day-to-day. Executives and managers alike rarely turned to HR for help with strategies, programs, or people decisions beyond headcount reductions. Employees also held little trust for HR. HR was no longer seen as the group that paid their employees and set up holiday parties, but instead as an agent for executives.

Managers, like employees, had little interaction with HR. Hiring contingent or permanent staff was not a seamless process. Managers wanted the right people to help them deliver and had little confidence that HR understood the needs of the business in order to hire the right people. When HR was involved, managers found the process too lengthy and often missed the opportunity to hire the right candidate. As a result, managers often took matters into their own hands and recruited on their own, bringing HR into the process during the search or hire phase, instead of during the planning phase. This may have shortened the cycle time from recruit to hire, but many times, it drove up the cost to hire.

The employee experience with HR was not that much better. Even the simplest transactions, such as an address change, were often at least partially manual or required help from HR. This resulted in processes that took multiple steps and lead times, which further resulted in errors that aggravated the employee and created extra steps for both the employee and HR and cost the business money, perhaps in the form of paycheck errors.

With such deep dissatisfaction by its stakeholders and a strong desire to be seen as a key member of the business, HR knew it had to change its role in the business and it needed the right tools and systems in order to do so. HR would have to prove its place in the business, and that meant talking in a language the decision makers would understand—with as much tangible information as possible. Using data from such companies as Saratoga, HR departments began to collect employee metrics to compare themselves to others in their industry on such measures as cost per hire, time to hire, and HR headcount per FTE (full-time-equivalent). Many of these measurements were used as justification of the purchase and implementation of HRIS to automate the more non-value-added transactions for which HR was responsible.

The hope for HR was that with the non-value-added processes automated, the HR workforce could concentrate on providing key services to executives, managers, and employees. At companies such as TransAlta Corporation, a major North American utilities player, reducing the amount of time on transactional tasks meant the ability to focus on activities that would positively impact its business. As shown in the ROI study conducted by Gartner Consulting of TransAlta's human resources system implementation, Shandra Russell, a director of HR at TransAlta, sees the benefits of a new focus: "This cycle-time reduction allows for HR to spend less time completing administrative tasks and more time focusing on strategic activities that are core at TransAlta's business."[3]

Because employee empowerment was such a critical concern for the workforce and because the war for talent included the need to retain staff, HR knew that it had to deliver better services to the workforce. Many HR executives began to understand that the best way to be seen as a valued member of the management team was to partner with key business executives and managers. Depending on the business, this included line-of-business heads and sales managers, among others, to deliver the right tools to the right users, enabling better access to information and better decision making. HR was transforming its role from just a payroll and benefits provider into a key business partner who could enable insight and deliver strategies on the business's most important and critical resource: its workforce. As the war for talent raged on in both white-collar and blue-collar jobs, the timing was perfect.

By the mid-1990s, the Internet, or the Worldwide Web, was a common topic of both social and business discussions. Many businesses had branded corporate intranets that provided information for their employees, virtual bulletin boards for information ranging from internal job postings to a calendar of events, even allowing employees to post "for sale" notices of private property. More and more, companies were providing workers with home access to corporate systems via an intranet. Companies were able to offer employees a way to manage their personal and personnel information, working toward work/life balance, while employers were able to keep employees connected to their own information, enabling a better, more accurate depiction. In a time when the buzzword for employees was "empowerment," corporations began to focus on deploying applications that could give employees all the tools and information they needed to perform their jobs and make better decisions.

In many businesses, HR positioned itself as a partner to the business. Forward-thinking HR departments began to reorganize themselves to match the rest of the business. HR associates were assigned to business groups and became part of the "team," often joining meetings and working with the management team to make the best workforce decisions on such topics as succession and career planning, recruiting, development programs, compensation, and education. As the HR team members became more visible and value-added programs began to be employed, employees in many businesses began to have a better relationship with HR, often seeking them out for career advice. Despite the turnaround in many businesses, there still were many other companies where HR struggled to be seen as valuable.

In order to gain insight into even the most seemingly basic information about the workforce in the 1990s, more and more companies were beginning to embrace a more comprehensive approach to HR automation through which disparate systems and broken processes would be replaced with a "Human Resources Information System" (HRIS). In fact, most large businesses embraced an HRIS strategy that enabled them to replace antiquated, time-consuming personnel processes with streamlined automation. With re-engineering being the technology-to-business buzzword of these times, along with automation came painstaking reviews of antiquated systems and procedures. Academics, business leaders, and vendors alike agreed that simply placing applications on top of antiquated processes and systems would not result in enhanced efficiency, let alone increase insight into business operations. Instead, with re-engineered processes, the promise was that companies would replace most non-value-generating, highly labor-intensive and expensive processes, such as payroll, benefits administration, and employee data capture, with streamlined back-office solutions requiring little human interaction.

A critical component to HR's success would be its ability to capture the right and most accurate information while increasing its service level to executives and the workforce. As we moved further into the decade, corporations expanded the automation of payroll and personnel data and began to capture time worked, as well as intangible information that helped plan careers and successions to key roles in the business. HR began to evaluate self-service applications to help streamline business processes, capture better data, and—most importantly—put information into the hands of those who most wanted and needed it: managers and employees. Additionally, in order to keep control over the integrity of the data and how the systems were used, many processes leveraged workflow to create "checks and balances." With workflow, the corporation maintained control over data, but the processes were streamlined, therefore minimizing the amount of time to completion.

With better data, of course, came better information; and with better information came better and more informed decisions. Businesses were beginning to rely on data warehousing and analytic tools to gain valuable insight into the workforce through dynamic information gathered from across the business. Not only were HRIS applications enabling operational efficiency, cost reductions, and control, no matter where or how the company did business, but they were also starting to enable the type of insight required for key business decisions. With technology enabling the use and deployment of workforce information, human capital management systems began to be pushed into the market and across the business.

Just as HR was at this stage, the business tools and services designed for employees, managers, and executives to both maintain and leverage workforce and personal career information were also being pushed into the market. These tools were designed to enable employees to input personal data such as address changes or direct deposit bank information, as well as to give direct access to corporate information. However, what began to happen—and still continues to be a problem with many systems in use today—with the advent of the "information age" came info-glut. Thus, many vendors began to market "portal" solutions to enable the user to have a window into information he or she would need to perform on the job, manage career decisions, as well as manage personal business more proficiently. Users across the business would gain access to the information needed to make better, more informed decisions on anything from career mobility and job performance to better training options and work/life decisions. As this phase continues, human capital management has become the job of everyone in the business, putting HR in the position of not only helping the business run better, but partnering with key players to make the right business-focused workforce decisions at the right time.

Create Strategic Value: Player Phase

Key Business Issues

From 2000 to the present, the world has seen tremendous change in a very short span of time. Continued globalization, rising customer and shareholder expectations, a volatile social and economic climate plagued by the fear of terrorism, corporate scandal and the resulting rise of corporate governance issues, downsizing, off-shoring, and a "job-less economic recovery" in the Western world have combined to create tremendous pressure on executives to create highly flexible and innovative strategies to outperform the competition and increase profits and market share while decreasing the cost of doing business.

Executives not only have to ensure that they are delivering shareholder value; they have to be able to prove it. With Sarbanes Oxley, Basel II, and International Accounting Standards, governments across the world are now holding executives personally accountable for what they say about their business's performance, with stricter guidelines and legislation than ever. No longer will executives be able to hide behind the corporate curtain; if found and convicted of any wrongdoing, executives will not only face penalties, but potentially also face prison. Originally intended for public companies, these laws are now becoming business practices for privately held and nonprofit organizations, especially those seeking additional funding. Investors and lenders want to ensure honest dealings and clear insight into business operations and financials.

Not only are they looking for insight to prove and protect corporate statements about earnings and performance, but executives must look for innovative ways to deliver value to customers while outperforming the competition. The economy is slowly turning around, and executives must be ready to take advantage of new opportunities as they arise.

More and more companies have realized that, in order to achieve business objectives, as many resources as possible have to be focused on value-added activities, as well as on leveraging existing assets into new market opportunities. Many corporations are beginning to outsource the standardized back-office functions in order to focus resources on competitive activities.

With fewer people, less money, and the increasingly rapid rate of competition, CEOs cite organizational innovation and the efficient and effective management of the workforce as key competitive advantages, enhancing the importance of human capital management. The problem becomes how to manage and measure the contribution of the business's talent. Employees are unlike other points of leverage, such as financial capital, patents, products, and state-of-the art facilities and machinery. This makes the management of the workforce assets the most challenging for the business.

Executives struggle with what to measure and how to clearly tie employee metrics to business performance. With 30 to 60 percent of a company's revenue spent on human capital management, executives want a way to understand how this money is being spent and what the payback is in terms of impact on business performance and shareholder value. Adding to the pressure to better understand human capital strategies is the increasing number of financial analysts whose valuations consist partly of measuring such intangible assets as the ability of the corporate leadership's team to execute on strategy or the ability of the business to attract and retain skilled talent. Mostly, when it comes to people, executives are not sure what to report to analysts to prove that their workforce delivers better and creates more value than that of the competition. Most financial analysts hear revenue per employee as a gauge on how successful the workforce is. Although an important measure, this metric does not tell the story. Indeed, financial analysts struggle with the form through which they can receive data on the results from investments in people and other intangible corporate assets.

With such a strong focus on finding ways to accurately report the results from human capital, business executives, market researchers, and financial analysts alike continue to spend a lot of time trying to identify standardized measurements that can be used. They need to take this information one step further—to make critical strategic decisions on the right human capital approach that will achieve business goals and objectives. This has resulted in the need for new human capital technology that focuses on creating value for the business, but it also has created the need for continued transformation of the HR department and its role in the business.

HR Transformation in the Digital Age

For most HR departments, the struggle to gain and maintain partnerships across the business continues. Like any other line of business, HR has to prove itself and its value time and time again. What has changed is how businesses are managing people. Unlike the traditional HR approaches of the past, the practice of human capital management views employee and collective workforce success as a responsibility of everyone in the business. No longer are corporate "people issues" the exclusive province of the HR team—a group that was, and many times still is, distant from strategic decision making and whose contribution to the bottom line often goes unrecognized.

The organization that heartily embraces HCM understands that maximizing the workforce is the job of CEOs, board members, business unit executives, departmental managers, and every employee who wants the company to succeed. Every stakeholder has a role to play in the process of maximizing the value and contribution of the company's human capital. It is HR's job to help drive and steer the HCM strategies to align with corporate goals and objectives and to find a way to measure the success of programs against these objectives. To be a player in this new corporate world, HR must be a proven successful partner who understands the needs of the business and can leverage this understanding to attract and retain a robust, competitive, engaged, and impassioned customer-focused and competitively driven workforce. HR must also possess a technology acumen like never before. They must recommend and provide the right tools that not only give access to personal information, but also aid in workforce productivity and value creation.

With this type of value creation, HR can no longer be viewed as a mere cost of doing business. In today's knowledge-based economy, how well a company leverages its human capital determines its ability to develop or sustain competitive advantage. For some, this may mean a shakeup in the HR department. Some believe that a new business unit that focuses solely on talent acquisition and the value creation of this talent should be formed. In some businesses where talent truly is the only competitive advantage, Chief Talent Officers (CTOs) have been named and focus on attracting, growing, and retaining the right talent to meet current and future business requirements.

As a player in this new business age, HR or the organization focusing on talent must be able to translate business opportunity into strategies that will clearly impact the bottom line. In order to be taken seriously as a player, this function, like any at the decision table, must be able to clearly measure its impact. This requires not only the insight capabilities from data mining and analytics tools created in the 1990s in and into today, but also the new ability to interpret and use this information to make value-creating human capital decisions about investments and divestitures.

In order to meet the needs of the new HR department, many companies have begun to seek out executives from the business to head HR or the "talent" organization. It is believed that these executives, many of whom have led a line of business and have had P&L responsibility, understand what it means to be accountable for delivering business results. Additionally, these are the very executives who have either ignored HR in the past or have seen HR as an inhibitor, or in some cases an enabler, for success in sales, development, or other line of business. It is this experience and business acumen that the new HR requires.

For existing HR executives who remain in the game, many are turning to MBAs and other trained businesspeople to help reshape HR. No one really believes that HR will ever be a profit center, but it is believed that HR should ultimately be accountable for the performance of the workforce, enabling the most profitable, engaged, loyal, and innovative workforce in the market. That is how an HR player in the business can create value.

A key element for HR to create value at the decision-making level is for them to deploy the right people to the appropriate strategic initiatives throughout the business. Executives must quickly respond to changes in business by making workforce-related decisions based on real-time information—decisions that align corporate strategies with team and individual goals, supporting employees in all phases of the employee lifecycle.

A successful human capital strategy enables success because employees are truly engaged, which means that their focus (this includes contractors, temporary staff, and full-time equivalents or FTEs, as well as part-time workers) is aligned with the goals and objectives of the business. It also means that workers are actively contributing to achieving individual and team goals that in turn contribute to the success of the business. Engaged employees work productively and are dedicated to achieving optimum business performance because they feel a sense of ownership in the success of the business.

If HR can deliver tools and services that focus employees on activities that increase their contribution to the bottom line, then HR is creating tremendous value to the business. By minimizing administrative tasks, HR can focus on what is important to the company's bottom line. At TransAlta, for example, HR has achieved the ability to create value by automating approximately two thousand employee data transactions yearly, thereby enabling the HR department to refocus. Shandra Russell, director of human resources at TransAlta, stated in the company's business value assessment white paper: "This cycle time reduction [from implementing an HRMS] allows for HR to spend less time completing administrative tasks and more time focusing on strategic activities that are core to TransAlta's business."

As HR's role transforms into a partner and player in the business, the focus has broadened and now includes, in some cases, workforce productivity. Now when HR looks to technology to enable business functions, it no longer looks to solutions to solely automate back-office functions, both transactional and strategic; they also want solutions that enable a more productive and focused workforce. As a result, many corporations have adopted a portal strategy that leverages not only internal production systems, but also enables collaboration across and outside of the business.

Considering that it is impossible for the competition to copy the talent of the workforce or the relationships among the workforce, a new portal strategy with a strong focus on collaboration is critical to competitive success. Now employees can collaborate with partners, customers, and other employees, leveraging private and secure virtual chat rooms and private knowledge management warehouses to share data across teams of internal and external players. These warehouses also ensure that all IP (intellectual property), such as trade secrets or R&D (research and development) works in progress, is kept with the business and does not leave when an employee does. With a growing number of the workforce, particularly those in high-tech and services industries, being virtually based, this type of collaboration enables better, more efficient teamwork than ever before.

As the market is slowly turning around, many businesses are looking at and implementing e-recruiting solutions to not only attract outside talent, but to manage talent internally. New e-recruiting solutions enable employers to maintain a talent pool, with CRM-like capabilities to maintain relationships with viable internal and external applicants, alumni, and partners, even if employment is not offered immediately.

As the market struggles to recover, corporations continue to look for ways to maintain an educated workforce that can meet customer demands and help bring products to market faster without driving up the cost of doing business. Many companies have cut training costs, but still need to get out new information in order to maintain competitiveness. HR and training organizations alike are increasingly turning to e-learning solutions, many of which provide simulated training so that employees are better prepared to perform their jobs. e-Learning solutions that are integrated with performance management and development programs provide automatic links to suggested training for employees, based on performance requirements, career aspirations, and so forth. Online scoring enables employees and managers to identify areas of strength and where more work is required. In many applications, e-learning is also integrated with knowledge management so that employees can access training documents and other related materials.

From an individual perspective, many HR organizations are turning to an automated balanced scorecard approach to link employee and team goals to corporate objectives. Balanced scorecards provide a series of predefined indicators built around metrics that measure the effectiveness of the HR department, as well as ensuring that employee and department goals are consistent with company strategies. With performance management solutions, employees can view how individual performance impacts corporate success. Managers can monitor progress in terms of employee-level and team-level objectives, so that opportunities or challenges can be managed before problems occur.

As companies implement more value-added, strategic HCM applications, insight into learning and talent strengths and gaps means better decisions around customer service, product go-to-market, and so on. Executives can make better decisions on whom to ramp up and leverage the workforce, regardless of economic conditions. As metrics and methodologies that help to define how the investments in human capital programs and their impact in shareholder value become available and automated as part of analytical decision support, executives and HR will be able to move forward and make forward-thinking decisions with known impacts to business performance.

Conclusion

Today, every HR department is in the midst of a seemingly endless transformation, one that not only encompasses the function of the HR department, but also its role within the business, the relationships it maintains, and the technology it uses and is responsible for deploying. It is clear that transformation of HR is inevitable. More and more, businesses are realizing that people are the only true differentiating factor in long-term competitive success. For so long, workforce strategies have not been aligned with business objectives. HR technology was focused only on automating back-office functions and was not necessarily leveraged throughout the business to give employees, managers, and executives the tools they needed to make better personal decisions, let alone better people management decisions.

Now that human capital management permeates the business, companies are committed to deploying the right collaborative tools to employees so that they can not only make better decisions about such personal options as healthcare or 401(k) investments, but also leverage collaborative tools that enable better teamwork across and outside of the business. With this teamwork comes innovation, access to better and more relevant information, and so forth. HR can now contribute to the many capabilities that impact key performance drivers and ultimate business performance, workforce productivity, and leadership developments. With a more strategic role that extends beyond ensuring efficiency in back-office functions, HR is primed to help businesses change the way they leverage their people to compete and deliver unmatched customer satisfaction. HR will continue to create strategic value for the business.

Notes

1. mySAP HCM at Dow Corning. This study was conducted by Gartner Consulting in 2003.
2. mysSAP ERP HCM: ROI Analysis—SAB Limited. This study was conducted by Gartner Consulting in 2003.
3. A Business Value Assessment: mySAP ERP HCM at TransAlta. This study was conducted by Gartner Consulting in 2003.