



Managing People, Process & Strategy for Increased Profitability: How Human Resource Departments Can Leverage Technology to Become a Strategic Profit Center

[by Shafiq Lokhandwala](#)

April 2007

Studies have shown that companies using software to efficiently manage their human capital components are seeing a greater profit and competitive stance. By automating routine HR tasks, you can focus on developing your workforce and building your strategic direction. What is the key component of your firm's ongoing success? Your HR department.

In the past, chief financial officers and chief executive officers had the tendency to view their Human Resource (HR) Department as a "cost center" within the organization. As a result, these corporate executives largely relegated their HR staff to non-strategic tasks such as maintaining employee records, enrolling employees in healthcare plans, maintaining the employee handbook, ensuring legal compliance and assisting with the entry/exit process – which as we know are all "overhead cost" activities. Starkly absent were any expectations about linking compensation to performance, identifying, educating and grooming future executives, and developing specific HR strategies that supported the organization's corporate goals and objectives.

However, with low unemployment rates, an acute skills shortage in certain occupational areas and steady job growth projected for 2007, C-level executives now consider the HR department as a competitive differentiator, enabling them to attract top-talent, reduce employee turn-over and control the high cost of benefit enrollment and utilization.

Industry consultants, and those in the halls of academia, have been instrumental in crafting a new role for HR – a role where the human resource department becomes a key component of a company's ongoing success and a recognized contributor to the bottom-line. As part of this corporate-wide change, best in class organizations now recognize employees as valuable "assets," whose main products are productivity, customer service and expertise.

As a result, some HR experts suggest that Wall Street take a look at the human resource processes within an organization, in order to determine the value of one company over another, which is not a bad idea. Given that salary and benefit costs are the largest corporate expense, it makes sense to evaluate a company's effectiveness in managing its benefit costs, attracting and retaining core talent, reducing turnover, linking compensation to performance and driving the automation of its HR & business processes with self-service and other software components. In fact, numerous benchmark studies have proven that companies that efficiently manage their human capital components using software are significantly more profitable and competitive than those who do not.

Making HR Profitability a Corporate Reality



With the help of human resource management system (HRMS) technology, these concepts are moving to reality. However, the first hurdle that needs to be overcome is selecting and quantifying human capital information in the form of human capital management metrics that are capable of being plotted over a specific timeframe. Common examples include: total compensation; revenue-to-employee or productivity-to-employee metrics; turnover rate; employee assessment or satisfaction; time to fill or cost to hire statistics; employee performance index; etc. Once developed, these factors should be compared across the company and within the industry.

Providing these metrics to C-level executives ensures that they have a better understanding of human capital policy and how it is tightly linked to worker productivity, organizational efficiency and profitability. More importantly, C-level executives will be able to see the overall value and contributions that employees make to the company's success.

However, some executives will still require some enlightening. In fact, one C-level executive recently made a comment that he didn't think an HRMS would help his company at all, stating, "Clearly, human resource management system vendors and HR Departments need to do a better job at educating executives on how human capital management practices and corporate success are integrally linked."

When making a business case for an HRMS system, remember there is more to these systems than just benefits costs. For instance, high Employee satisfaction and a reduction in turnover translates into significant cost savings and greater over-all corporate profitability. So be sure to take the time to "translate" these key metrics into terms readily understood by the C-Level executive so they too can view the larger, strategic picture.

Mapping HR Information to Corporate Strategy

Industry research by leading firms such as Gartner, Aberdeen and Forrester confirm what many organizations already know that companies that have engaged their Human Resource departments in communicating strategic objectives create better shareholder returns than companies that have not. As a result, executives now expect their HR departments to concentrate on Talent Management and HR Services that provide a clear-cut measurement of how employee performance maps towards company objectives in an environment of increased globalization and regulation. Put simply, HR departments now need to focus on People, Process and Strategy if they want to remain competitive and increase the profitability of their companies.

Effectively managing human capital is the key to achieving these organizational goals. The collective effort of all individuals and departments drives the company as a whole to achieve its desired objectives. As a result, organizations are turning to human resource management systems to ensure that their systems, processes and strategies become the foundation for achieving the effective use of their valuable human capital assets.

Competitive Environments Lead to Greater Profitability



Increasing competitive energy is yet another way that corporations are generating stronger returns. By allowing individual departments to compare and share industry metrics and corporate objectives among one another, HR professionals and managers are seeing a productivity up-tick as divisions seek to meet their own objectives, monitor themselves against other departments within the company and compare their results to the industry as a whole.

As a result, and in addition to providing corporate goals and strategy, an organization must also collect information about the workforce in general so it can measure itself against its own goals and industry standards. Today, the crucial responsibility of collecting and disseminating information tends to fall within the scope of an organization's HR department. For human resource professionals to have accurate and up-to-date information about their workforce, it is imperative that their employees have direct access to critical corporate data and benchmarks, which can be accessed anytime, from anywhere.

The HR department has always been vital in harnessing the mind share of employees and managers in working towards corporate goals. There is also the natural expectation that HR is the conduit with which to ensure the effective communications of job tasks, performance measurement and business processes in order to meet the enterprises' over-arching business objective. Given the administrative overhead, numerous compliance requirements and increasing fiduciary responsibilities that are thrust upon the majority of HR professionals, the opportunity to take on a strategic role has remained largely unrealistic. To play a more strategic role within the organization, HR executives are now recruiting and enlisting the help of managers and executives in order to efficiently manage processes, and more importantly, people.

In an environment of increased competition and rapid technological advances, forward-thinking organizations are now looking to Web-compliant, scalable, easily maintainable, and cost-effective HRMS systems as a way to empower managers and executives on the strategic business initiatives and encourage employees to monitor their own progress via an easy-to-use "self-service" learning environment.

Making HR Information Convenient for Employees

Making information easily available to employees is another way to reduce costs across the enterprise. After all, each employee has certain information needs, which often become the starting point for many processes, including life event changes (i.e. birth, adoption, marriage or death) or time off requests (i.e. vacations, sabbaticals, maternity, etc.). By housing key HR information in a secure and password protected employee self-service portal, employees can conveniently review and change their personal information, enroll in benefits or training classes and receive information about themselves and the company. This not only expedites the information gathering process, but more importantly, it frees up the HR department so that they can focus on more strategic activities.

Today, companies are taking these employee self-service portals one step further and converting them into a functional module that can be used to collect and disseminate information via a web page, rather than a paper based system. As a result, employees feel more "empowered"; while the company achieves more accurate and faster changes to employee data and fulfills obligations such as the Employee Retirement Income Security Act of 1974 (ERISA), which requires that every employee be allowed access to summary plan descriptions.



Leveraging the Untapped Profit Center

Implementing HR technology and tools is instrumental in reducing the administrative workloads of today's HR professional. As HR Departments look to derive greater and more strategic business value by carefully mapping people, process and strategy, they are discovering that web-enabled HRMS technology is their hidden and most valuable resource. By automating routine HR tasks, organizations can ultimately deliver far greater gains for the enterprise than was ever thought possible by allowing HR professionals to focus on developing their workforce and better aligning their efforts with the corporate goals. Improving your over-all bottom-line, driving your organization toward sustainable, long-term business success and improving employee satisfaction may be easier than you think, provided you recognize that your greatest untapped resource may in fact be in the HR office next door.