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What is Human Capital Management?

Human Capital Management (HCM) is a set of business processes and supporting technology to manage the workforce. Human Resources (HR) and Human Resource Information Systems (HRIS) refer to transactional processes such as payroll, benefits, employee details, employee self-help, and labour scheduling that are normally supported by standard systems and ERP systems in the organisation. Human Capital Management (HCM) refers to strategic process, including workforce planning, recruitment planning and control, succession planning, career planning, learning and development, compensation management and performance management. Human Capital Management is to people management what Finance is to Accounting, and what Marketing is to Sales.

The process from strategy formulation to HR is depicted in the following diagram.
• How many are available in the “open market”?
• How easy is it to develop these competencies?
• What “roles” are key to driving team / department / function / organisation strategy?
• Are these roles well-defined?
• Are the “core” competencies included in these roles?
• Who are our “top performers” in the organisation?
• Are our top performers in key roles with core competencies – if not, why not?
• Who are our “average” and “poor” performers?
• What do we need to do to move “average” and “poor” performers in “top” performers?
• What non-key roles exist where “average” performers can be relocated?
• What is our “Employee Value Proposition” – i.e. the promise of what the company will give in exchange for the use of the skills and competencies of talented high performers?
• What metrics do we have that measure:
  o How the workforce contributed to the achievement of organisational goals
  o How “leadership” lead to the achieving of key strategic initiatives
  o Whether or not the workforce have the skills needed to execute strategy
  o The extent of Employee Engagement

None of the above can be adequately addressed without the “Talent Management” engine or the “Competency Profile” foundation. But they also cannot be fully exploited without an integrated Human Capital Management System that drives all the processes.

A typical Human Capital Management system will comprise of the following:

![Human Capital Management System Diagram]

Each “sub-system” interfaces and interacts with all other “sub-systems” through the common “databases” of Job Descriptions and Competency Profiles.

**Human Capital Management – The Implementation Process**

As with any implementation, Human Capital Management implementation is a process. There are certain aspects that need to be in place before being able to move forward to the next phase.
The HCM Process is depicted below:

**Job Descriptions** need to be created that depict the ability of individuals to grow within job groups, departments, divisions, and the organisation as a whole. This is essential for building Competency Profiles which is essential for Recruitment, Learning & Development, Reward Management, Career Management, Succession Planning and Performance Management.

**Competency Profiles** define the competencies needed to deliver the outcomes, responsibilities, and key performance indicators of the role. These are essential for assessment, Talent Management, and all other HCM sub-processes.

**Technology** is essential to "store" the Job Description and Competency Profile information and to share that information between all of the HCM processes. Technology is also essential for implementing assessments and linking learning and development needs with available developmental processes.

Implementation involves the controlled “roll out” of the sub-systems into the workplace.

**Change Management** ensures that the workforce understands the route to be followed, helps them to understand how the phases relate and to recognise the “current” phase, and ensure workforce readiness at the Implementation phase.

**Create Job Descriptions**

If well-defined job descriptions that describe not only the job, but also the career paths, are not in place this is a very labour intensive process. Firstly, Management is consulted regarding the structure, development paths, core skills and competencies, and role differentiators. Thereafter, job incumbents are interviewed to assess the deliverables, responsibilities, key tasks and key performance indicators. Where necessary further research is undertaken to ensure that the jobs defined are consistent with the marketplace and represent “best practice” for the job.

**Create Competency Profiles**

Very few commercially available Competency Frameworks include comprehensive, descriptive and assessable IT competencies. Even where a Competency Framework does exist, there remains considerable “customisation” to produce a Competency Profile for each job. This requires a lot of input from Subject Matter Experts (SME) and is also a very labour intensive process. In any Human Capital Management implementation project, this phase is, generally, the longest.

**Apply Technology**

It is at this stage that technology becomes critical for the successful implementation of Human Capital Management. A vast amount of data has been created in the first two phases and a repository is needed to, not only store this information, but also to be able to present the information in a variety of formats, depending on the sub-system requirements, e.g. Job Descriptions and Interview Sheets for Recruitment, Competency Profiles for Assessments, etc. It is also at this stage that, if Performance Management is to be implemented, a comprehensive process of defining goals and cascading goals through the organisation is essential. The selection, setup and implementation of the appropriate technology can be a lengthy process, made even longer if the application selected is not a fully integrated system.

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1 Refer our article “The Role and Purpose of Job Descriptions” on our website – www.talentalign.com
2 Comprehensive Role Descriptions are available for customisation on our website – www.talentalign.com
3 A comprehensive IT Competency Framework is available for customisation on our website – www.talentalign.com
Implement

A well-defined implementation plan needs to be set up for the successful implementation of Human Capital Management systems. This implementation plan needs to cater for pilot sites, review of pilot implementation and changes where necessary, the methodology to be used to roll out the system, training of all staff in the effective use of the application, problem resolution in the roll out process, and a final review of the implemented solution to assess impact, ensure return on investment is achieved, ensure the goal of the system is achieved, establish problems that need to be resolved, and look for improvements that can be implemented in the future.

Change Management

Human Capital Management systems change the way that people operate and grow in an organisation, how they are managed, and how performance is accounted for and managed. This can be very threatening for staff if they don’t understand what the direct benefits are to them. It is also very stressful for management who are accustomed to the “Human Resource Department” taking responsibility for “people” issues. Human Capital Management puts the management of the human capital of the organisation directly in the hands of those who manage this essential capital. No longer are “people” issues viewed as “soft” issues – these are hard, strategic issues that need to be owned and driven by accountable management.

A strong, effective Change Management plan that recognises the weaknesses of current operating methods, understands the changes necessary for the effective implementation of new operating methods, and puts in place processes, which includes motivation and training, to ensure that the return on investment of the project is achieved, is critical to the success of the project.

As depicted above, the Change Management process starts right at the beginning of the process and ends only on the successful completion of the project. This is a vital step in the overall process and cannot and should not be overlooked.

See our “Change Management Template” available on our website – www.talentalign.com