

Human Capital Management Planning

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Abstract

Human Capital Management will help organizations to develop their resource plans. It highlights the importance of strategically anticipating Human Capital changes through planning; it offers basic planning steps, issues to consider, and strategies.

This paper consolidates the concepts and benefits of Human Capital management through a case study for a utilities company. It also describes the various resource models and their advantages and disadvantages. It describes in detail the Hybrid Model for Human Capital Management, various steps involved, strategy factors, and key benefits. We defined and implemented a Business Process Consulting for effectively managing the Human Capital related activities for greater cost savings and resource optimization.

1 Introduction

Organizations that fail to invest in their Human Capital and the next generation work place environment will face erosion of products and services as well as diminished capacity to compete globally as a result of growing employee malaise [1]. Global 2000 Organizations are now focusing more on optimal resource utilization and productivity. A comprehensive Human Capital Management (HCM) strategy addresses the organization's need to measure accurately measure and improve Human Productivity at the macro level and at the micro level.

Human Capital planning is a systematic process for identifying the resource pool and its capabilities to meet organization goals and developing the strategies to meet the requirements to fulfill those goals.

Organization Structure Planning is a continuous process that ensures that an organization has the right Human Capital in the right Jobs at the right time and in the right way.

HCM Planning involves

- Systematic process that is integrated, methodical, and ongoing
- Determine the numbers and skills of needed workers and where and when they will be needed
- Identify the actions to be taken to attract and retain the number and types of workers that the organization needs
- Organizational collaboration
- Educating the staff on the behavior and attitude towards the customer

2 Industry Trends in Human Capital Management

- By the end of 2006, 50 percent of Global 2000 enterprises will implement workforce analytics (0.7 probability) – [2] *Gartner*.
- By the end of 2005, 40 percent of Global 2000 enterprises will have implemented corporate performance management solutions as part of their financial application strategies (0.8probability) – [3] *Gartner*.
- By 2005, 50% of Global 2000 enterprises will have begun a WPI program, but less than 15% will have established a viable BPA component - [4] *Meta*.
- Process Automation itself is insufficient to deliver complete business agility; an enterprise must also increase organizational productivity by making workers more effective in activities dependent on human interpretation, judgment, decision-making, and team collaboration – [5] *Meta*.
- Through 2005, enterprises that fail to define an HCM technology adoption strategy will experience disruptive human resources disintermediation (HRD) (0.6 probability), HRD that stimulates positive results (0.3 probability), and HRD that has no impact on enterprise performance (0.1 probability) - [6] *Gartner*.

3 Prime Drivers

The following are the factors that can change an Organizations Human Capital needs:

- Demographic trends (aging Human Capital, shrinking talent, distracted and worried work force)
- Unpredictable change of market; economic and political events

- Program strategies that affect staffing (expanding, merging, acquisitions)
- Divisional Initiatives, quality improvement initiatives
- Cyclical workload factors
- Evaluation of jobs from defined duties and roles (specialists to generalists)
- Growth of team-based organizations
- Better, faster, and cheaper delivery of services
- Shift patterns and demands
- Optimizing return on investment

4 Benefits of Human Capital Management

HCM planning allows organizations to build and shape the resource pool prepared to achieve strategic objectives. It provides organizations with many benefits. Some of them are that

- It allows for a more effective and efficient use of resources. This will become increasingly important as some organizations find themselves having to do the same amount of work or more with fewer staff members.
- It helps ensure that replacements are available to fill important vacancies. Filling vacancies is especially critical as organizations face an increasing number of resources eligible for retirement.
- It provides realistic staffing projections for budget purposes.
- It provides a clear rationale for linking expenditures for training and retraining, development, career counseling, and recruiting efforts
- It helps maintain or improve a diversified Human Capital.
- It helps an organization to prepare for restructuring, reducing, or expanding its Human Capital.

5 Performance Challenges

Performance advantage challenges faced by the directors and managers of the organization are

- Extracting more work from the existing work force
- Staff required with each skill-set and multi-skill set
- Cost
- Reducing the risk of change and optimizing the processes
- Progressing simultaneously and optimally

Any HCM modeling that is proposed should be

- Flexible
- Accurate
- Visual
- Rapid

6 Different Models

Performance Challenges can be addressed by the following models:

- Common resource pool
- Unique skill-set
- Hybrid model

For this paper, we have closely examined the Common Resource Pool (CRP) model, the Unique Skill Set (USS) model, and arrived at a Hybrid Model that is the tailoring of these two models.

6.1 Common Resource Pool Model

CRP's are groups of people from which teams are staffed. CRP is a mechanism for sourcing, not for setting, a manager's span of controls. Resource pools keep the Human Capital experiences, skills, and roles up to date and aligned with business needs; minimize the duplication of resources; and help to identify skills that are scarce and for which supply must increase. Therefore, resource pools embrace not only Full Time Employee (FTE) but also contractors, freelancers, and part-timers.

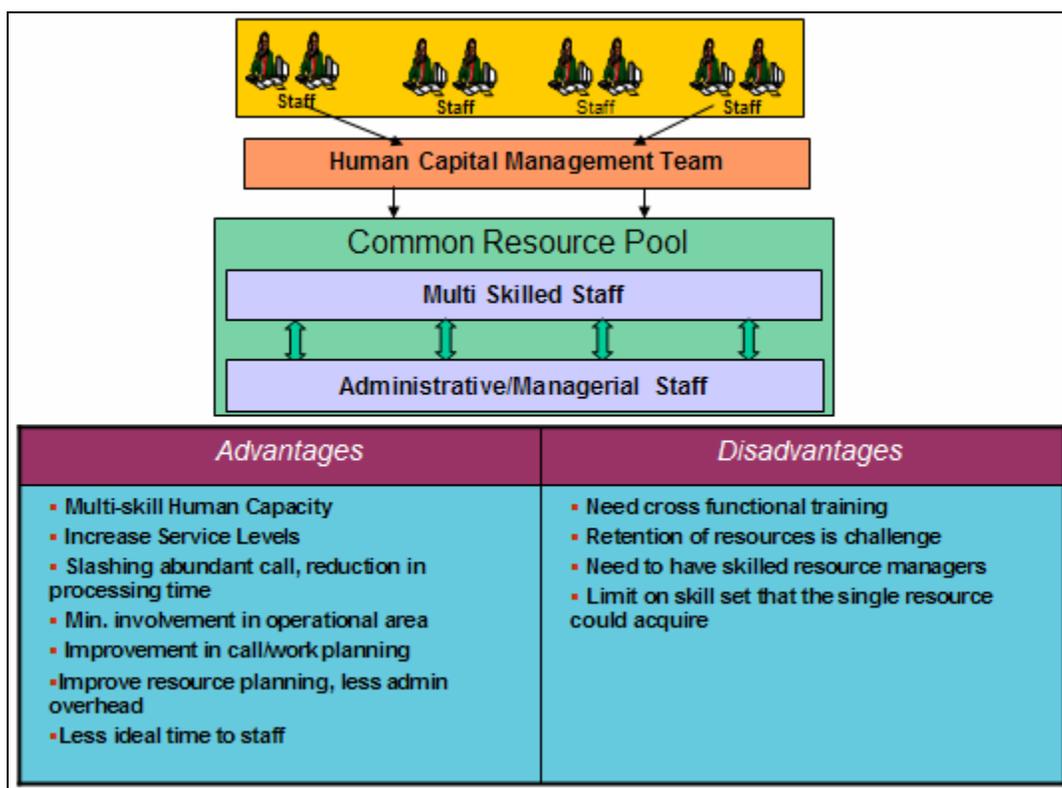


Figure 1. Common Resource Pool Model

In CRP, the resource may get reassigned haphazardly, possibly without completing assignments or achieving milestones. Therefore, resource pooling is about making their managers more efficient and not about making individual resources more effective.

CRP also throws a harsh light on effectiveness and speed of organizational recruitment and on the organization's ability to replace incumbent employees as they move into new roles. In this model, an individual's skills, experiences, and knowledge are the key drivers of assignments. These drivers take shape through the perspectives of colleagues and peers, as well as through managers. With resource pooling, the concept of organization must be viewed differently. The processes of developing, assigning, and administratively managing people are "decoupled" from

the actions and activities the organization performs when completing work. Skill tracking and performance assessment become crucial and are supported by tools.

6.2 Unique Skill Set Model

The Unique Skill Set (USS) staff possesses unique skills and has in-depth processing and business skills. A USS team is very efficient and has no need of any cross-functional training. Members are highly innovative within the process and enable business agility. The staff members can determine the process and what actions to take and the order in which they are performed.

In the USS approach, the retention of valuable resources is a challenge. Management of the shrinkage of talent pool is difficult. It requires more administrative overhead and takes more time for actions/approvals.

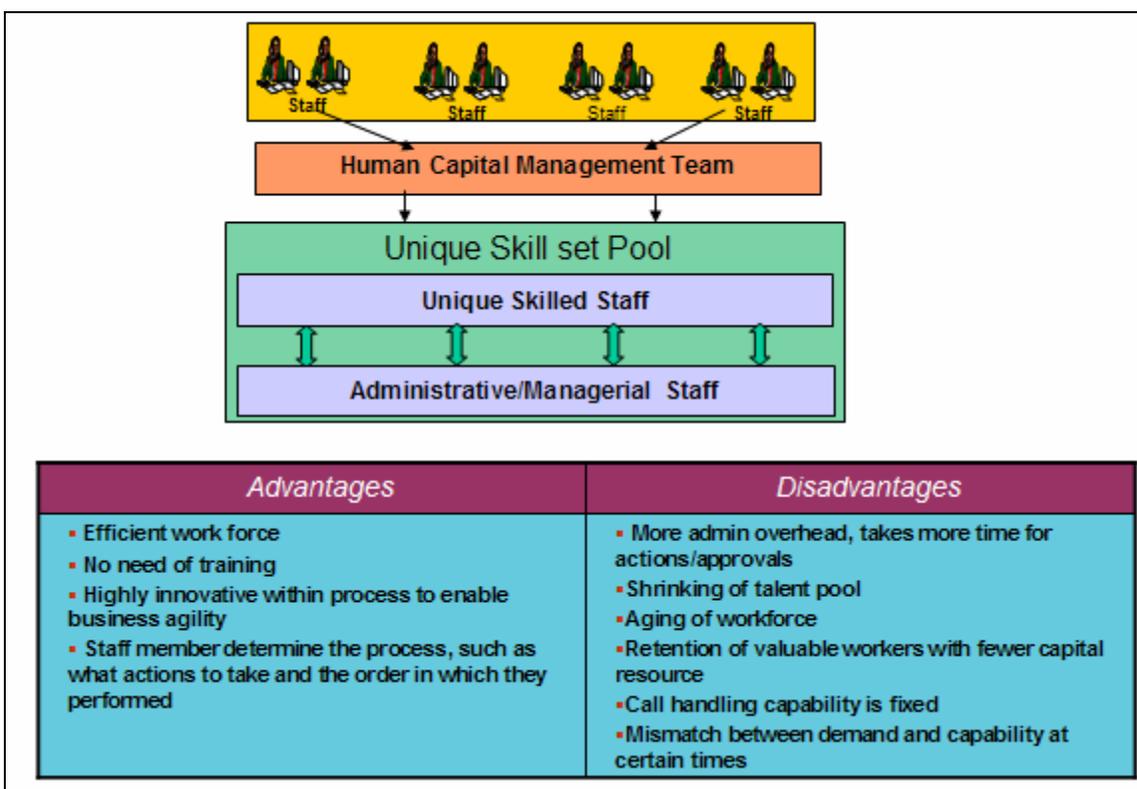


Figure 2. Unique Skill Set Model

6.3 Model

In the Hybrid Model, the resources are multi skill and innovative. Staff will overlap between CRP and USS skill sets. We need to identify the groups that have very similar skill sets and provide the lighter training.

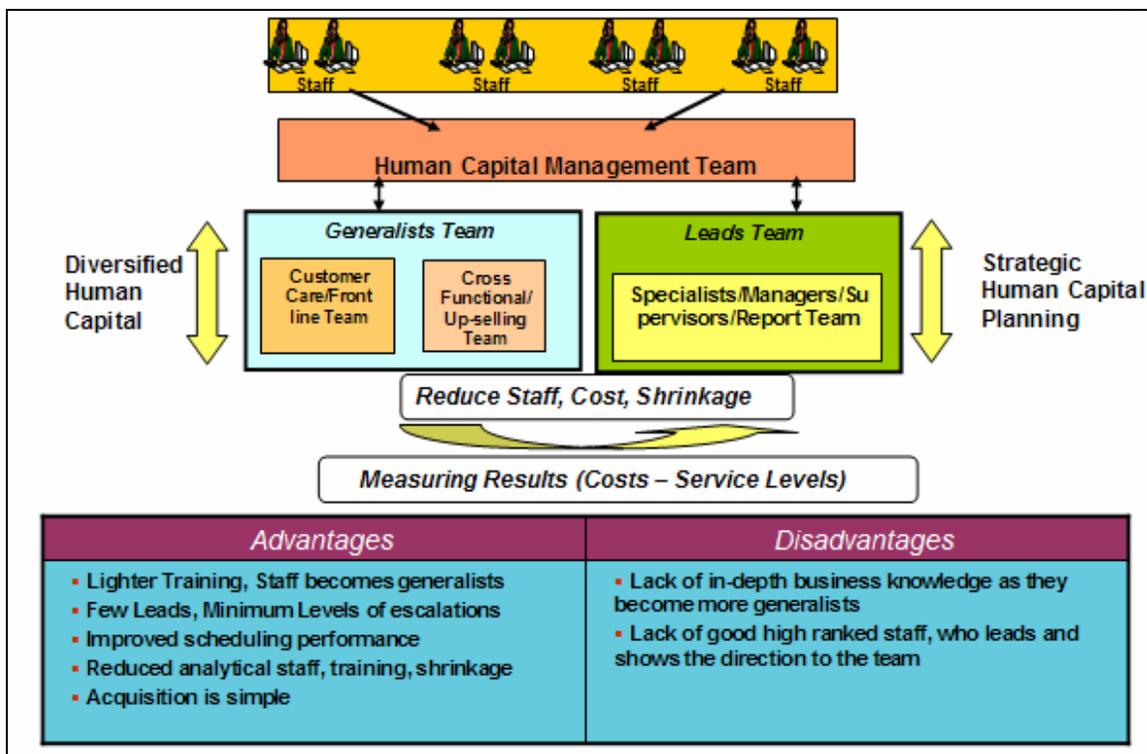


Figure 3. Hybrid Model

Steps to be followed for the Hybrid Model are

- Identify the knowledge, skills, and behavioral competencies that your organization possesses, and identify where the skill portfolio is weak.
- Identify the skills, people, and knowledge that are in high demand and low supply.
- Assess the proficiency of the individuals in the significant areas. Look not only at technical skills, but also at business, management, and behavioral competencies.
- Talk to managers and employees about the Hybrid approach and find out concerns and opportunities.
- Assess the strategic significance of the possessed knowledge, skills, and competencies.
- Forecast the knowledge, skills, and behavioral competencies that your organization will need in six months, 12 months, 18 months, or longer.
- Prepare recruitment, backfill, and employee reassignment processes.
- Evaluate software and tools that will help career coaches and project managers record needed skills, locate people who have them, identify availability and qualifications, and set time frames.

6.3.1 Planning Hybrid Model

Many organizations have developed models for HCM planning. All the models are very much alike, except for variations in terminology and the order of the processes. Hybrid Model is one of the models derived by us to handle calls for the utility industry.

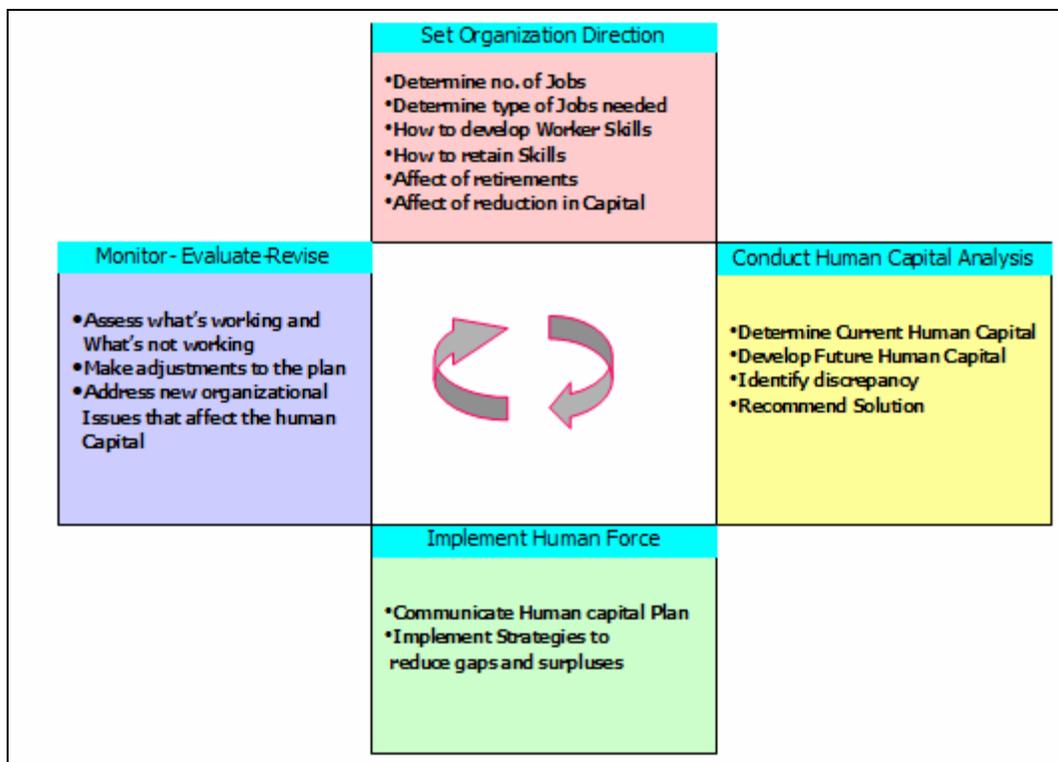


Figure 4. Planning Hybrid Model

Human Capital planning is to ensure that the organization has the necessary staff to support its mission and strategic plan. Human Capital planning should identify the organization's mission and the key goals and objectives of its strategic plan. In this phase, it attempts to determine number of jobs, type of jobs, and how to develop and retain resource skill.

Analysis of Human Capital data is the key element in the planning process. Human Capital Analysis considers information such as occupations, skills and experience, retirement eligibility, diversity, turnover rates, and trend data.

Initially it focuses on the specifics of an organization's existing Human Capital and projects future Human Capital supply. It also identifies the Human Capital needed to carry out the mission of an organization. The focus should be on the *functions* that an organization must perform and not just on the *people*. It also performs the gap analysis to determine future shortage of needed resources or skills or future excess in some categories of workers that may require action.

Implementation brings the Human Capital plan to life. The Human Capital plan should be implemented in connection with the requirements of the organization's strategic plan.

Ongoing evaluation and adjustments are imperative in Human Capital planning and are keys to continuous improvement. The Human Capital plan will be reviewed annually. If an organization does not regularly review its Human Capital planning efforts, it runs the risk of failing to respond to unanticipated changes.

6.3.2 Role Usage – Hybrid Model

The following diagram depicts the Role usage in Hybrid Model:

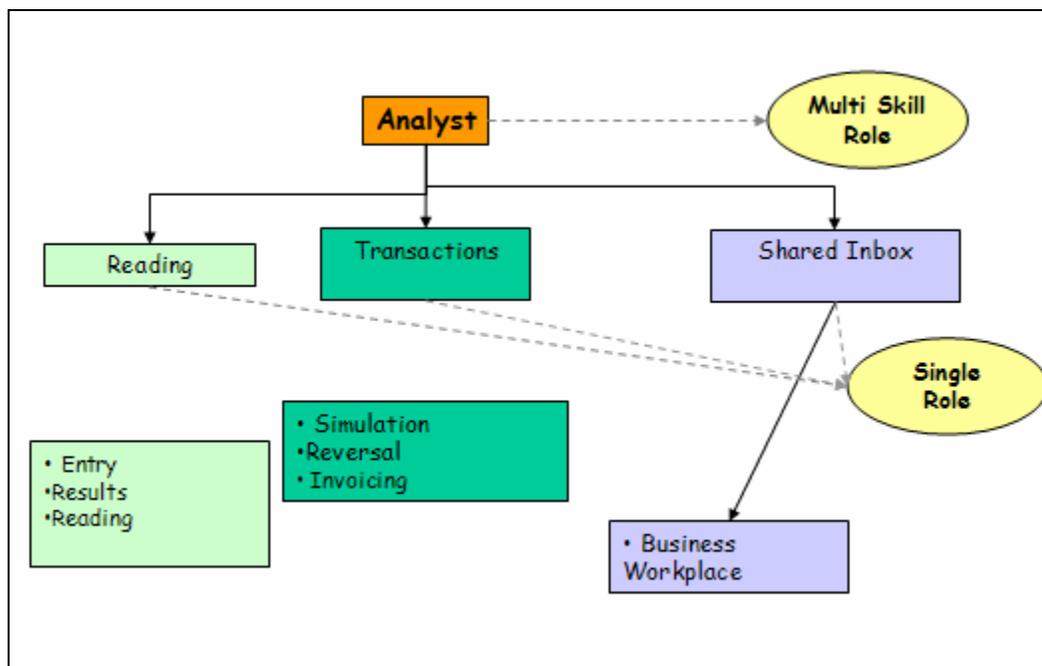


Figure 5. Role Usage in Hybrid Model

6.3.3 Key Benefits of Hybrid Model

The following are the key benefits of the implementation of the Hybrid Model:

- Centralization of certain functions and standardization of processes
- Keeping people's experiences, skills, and roles up to date
- Aligning with business needs
- Minimizing duplication of resources
- Helping into identify skills that are scarce and for which supply must increase
- Tracking of Planned vs. Actual
- Ability to calculate operational costs before work commencement
- Easy to use and train system
- Effective communication between managers and employees
- Increased flexibility in operations
- Consolidation of redundant processes

Conclusion

In summary, Hybrid Model is the surest way for the organization to achieve significant operational improvements. Implementing Human Capital Management System in conjunction with business process management can increase organization productivity. Process automation itself is not sufficient to deliver complete business agility. Organizations must also increase organization

productivity by making resources more effective in activities dependent on human interpretation, judgment, decision-making, and team collaboration.

To address the challenges of organization change, the following recommendations are offered:

- Build staff role and competency matrix
- Audit staff behavior against the brand values
- Provide light weight training to resources that supports organization's business
- Set up skill mix team to cross-pollinate skills
- Address differences between head count and head content. It's about keeping and developing quality resource with right skills.

Appendix A: Simulation Analysis Results

8.1.1 Stream Ranking

The following table shows sample of ranking of the streams according to FTE count obtained from simulation.

Process	FTE Count (By Simulation)	FTE Count as per customer analysis	Rank as per current simulation	Rank by Benefit
Process 1	95	99	1	7
Process 2	4	3.8	8	10
Process 3	1	9	10	1

8.1.2 Role wise FTE count by BPDD

The following table shows the sample FTE Count by Roles for each stream.

Process Role	Process 1	Process 2	Process 3	Process 4
Role 1	64			
Role 2	5			
Role 3	13			
Role 4	13			
Role 5		21		
Role 6		1		
Role 7		4		
Role 8		2		
Role 9			4	
Role 10				1

8.1.3 Resource Utilization by Roles

The following table shows the sample resource utilization percentage for roles following streams.

Process Role	Process 1	Process 2	Process 3	Process 4
Role 1	69%			
Role 2	61%			
Role 3	59%			
Role 4		73%		
Role 5		67%		
Role 6		53%		
Role 7		70%		
Role 8			74.5%	
Role 9				2%

8.1.4 Role definition in terms of Skill Sets

The following table shows the sample role definition in terms of the skill sets.

Role	Skill Set
Role 1	Skill Set 1
	Skill Set 2
	Skill Set 3
Role 2	Skill Set 4
	Skill Set 5
	Skill Set 6
Role 3	Skill Set 7
	Skill Set 8
Role 4	Skill Set 9
	Skill Set 10
	Skill Set 11

8.1.5 Role / Skill Set Matrix

The following table shows sample Roles vs. Skills matrix.

Role Skill Set	Role 1	Role 2	Role 3	Role 4
Skill Set 1	Y	Y	Y	
Skill Set 2	Y	Y	Y	
Skill Set 3	Y	Y	Y	
Skill Set 7				Y
Skill Set 8				Y

9 References

1. Research paper. "Predicts 2004: HCM and Financial applications," 17 November, 2003 Gartner [1,2,3]
2. White Paper. " Workplace Performance and Innovation: Making knowledge Workers More Productive," 8 May, 2003 Meta Group [4,5]
3. Research Paper. "Managing Human Capital in the New Economy Enterprise," 29 January, 2001 Gartner [6]

10 Glossary of Terms

Acronym/Abbreviation	Definition
HCM	Human Capital Management
HRD	Human Resources Disintermediation
CRP	Common Resource Pool
USS	Unique Skill Set

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