



# THE GROWING MOVEMENT TOWARDS HUMAN CAPITAL MANAGEMENT

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## HUMAN CAPITAL MANAGEMENT (HCM)

How an organization manages its employees to deliver value or return on investment to the organization.

In business, the term 'human capital' equates employees to organizational assets who can provide value to their employers. Human capital management (HCM) then, refers to how an organization manages its employees (its human capital) to deliver value or return on investment to the organization. The term HCM has been prominent in the human resource profession for many years as organizations have increased their attention on the value that employees can deliver.

This increased attention has also produced a trend towards HCM software and systems designed to support employee performance on the job. In a general sense, HCM software combines components of payroll and human resource management such as tracking of benefits, vacation, and time and attendance, as well as employee performance management. It enables an integrated approach to effectively supervise, coach and mentor in order to achieve top performance from employees.

In the January/February 2017 issue of DIALOGUE, we focused on the symbiotic relationship between payroll and HR and the necessity of teamwork and communication for these functions. For many payroll professionals, especially those in smaller organizations, teamwork isn't even an option - many of these practitioners singularly manage the multiple functions of payroll, HR and accounting.

As the role and scope of the integrative payroll function grows to entail even more cross-functional responsibilities, many organizations turn to HCM solutions to consolidate these efforts to achieve the best results. Here are some of the things you should consider when using HCM or when contemplating adopting an HCM solution.

## WHY HAS THE HCM MOVEMENT ARISEN?

The movement towards HCM, in many ways, can be viewed as a natural progression. The past decade has ushered in huge technological developments that have enabled the HCM mindset to translate into comprehensive HCM technology. The timing of these developments is particularly significant when considering the increasing need for organizational system upgrades to manage compliance risk.

"We are in the middle of a technology replacement cycle in North America, where increasingly, organizations are replacing their legacy systems," says Paul Elliott, President of Ceridian HCM. "This is not technology for its own sake. Fresh, modern technology copes better with regulatory change and complexity, as well as the reporting requirements businesses need to succeed in this environment. Regulatory change is happening everywhere [and is] driving the need for innovative technological solutions to mitigate compliance risk."

Over time, organizations have also come to understand the importance of a more "people-centric" approach, one that recognizes the necessity of employee engagement in improving many aspects of organizational culture and performance. So too are organizations placing increased importance on the changing demographics of their employees and the unique needs of multiple demographics.

"Organizations have long realized that employees constitute one of their greatest assets, if not the greatest asset they have, and technology is now at a point where it can enable both employees and employers to not only fulfill key work activities, but also enrich the employee experience with a more personalized interaction, especially across multi-generational segments," says JP Perron, President of Payworks. "The new workforce expects information to be avail-

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able to them when they want it and in the way they find most practical."

This switch in organizational philosophy has meant that the roles traditionally supporting employee administration, such as payroll and HR, have evolved to accommodate the way employees are managed. As the functions of both payroll and HR have evolved, so too have the technologies designed to support them.

"Human Capital Management is not a new idea; it is a new way to describe what HR teams have been doing all along, which is making sure the right people are doing the right work at the right time," says Holger Kormann, President of ADP Canada. "What is new are the powerful technologies that are now in the hands of these teams."

## WHAT IS THE BENEFIT OF HCM SOFTWARE FOR PAYROLL?

Although HCM is more typically associated with the HR function, modern HCM solutions provide opportunities to streamline and improve payroll operations. One of the major benefits for payroll is the increased use of real-time payroll data through an integrated system.

"When the same application is used for time, pay and benefits, organizations can eliminate the redundant data entry or reliance on fragile interfaces between time and pay, which is incredibly valuable," says Elliott. "For starters, organizations should see an increase in accuracy when they remove the transfer of information between applications. It also means changes to time and attendance, or HR data that would im-

pact payroll flow through automatically."

Increased accuracy is also vital to payroll professionals when managing audit and compliance risk.

"For payroll professionals, HCM solutions provide support in managing legislation, government regulations, privacy, security, and more. HCM can help provide compliance risk management and help ensure accuracy, so professionals can be less concerned about auditing issues or problems with employee pay," says Pat Pickren, Senior Director of Product Strategy at Ultimate Software. "From an operations perspective, HCM makes it easy to see the real-time payroll impacts from job changes, bonuses, and overtime, and allows for instant adjustments if necessary."

From an organizational standpoint, HCM has the potential to deliver return on investment (ROI) through improved workflows and efficiencies, no matter the size or scope of the organization. Fully integrated solutions that deliver employee support while streamlining payroll and HR processes create opportunities for organizations to grow the scope of employee responsibility.

"There is so much opportunity for organizations of all sizes to benefit from HCM technology – it is not just for large organizations," says Kormann. "Anytime you can find a way to automate a task, you free up the people who used to do those tasks to create more value. For payroll practitioners, this might include forecasting and analyzing skill requirements or analyzing workforce demographics and market compensation data, all of which an organizations can utilize to plan more effectively for growth."

## WHAT SHOULD BE CONSIDERED FOR HCM IMPLEMENTATION?

As with any new systems implementation, planning remains crucial. Choosing an integrated solution should also mean that the teams responsible for implementation, testing and change management should involve staff from key areas.

“Proper planning during implementation is crucial. Many organizations choose to implement new HCM technology in stages, and I suggest that leaders taking this route work closely with their vendors to create a clear post-implementation timeline,” says Pickren. “Establishing routine check-ups to ensure compliance is also helpful. Finally, develop a comprehensive communication strategy both with the vendor and with internal teams – look for vendors with helpful how-to guides, superior online training and renowned customer service.”

Beyond that, organizations should think

critically about their short and long-term goals and objectives. “First and foremost, organizations should have a good understanding at a business level of what they are trying to achieve and who the audience will be for their HCM system,” says Perron. “If you are going to seek out potential vendors, ensure the solution is fully integrated, that it can scale as your needs evolve, and that you aren’t wasting money having to reinvest in the next version a few years down the road.”

Perron suggests considering the following questions:

- ▶ What would you like to see as an end result to an HCM project and are there obvious phases that make sense?
- ▶ Which key stakeholders in your organization need to be involved in shaping high-level requirements?
- ▶ Who are the subject matter experts in your organization that you can leverage as you get a sense of your detailed requirements?

- ▶ What new information do you need or want in your new system? Do you need to step back and re-think how information is grouped?
- ▶ What data do you need or want to migrate from your old system to the new one? How will you migrate this data?
- ▶ What information will payroll, HR, accounting and management need at their disposal so they can make the most informed decisions in their current jobs? How can an HCM solution provide this information?

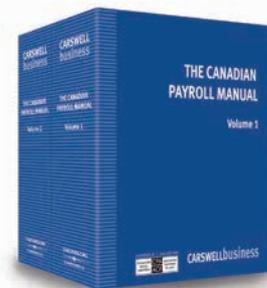
If anything is certain, it is that HCM is a natural progression that better manages the employee experience. New HCM systems are also recognizing the progression of the integration between payroll and HR roles and the impact these functions have on growing total organizational productivity. Organizations should continue to reflect on how their payroll, HR and time and attendance systems are meeting the needs of their clients, staff and organization. ■



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