

Human capital management (HCM) 101:

the ultimate guide

www.irisglobal.com

IRIS

People are your most valuable asset! But how can you unlock their full potential?

Introducing the ultimate guide to **human capital management (HCM)** - your comprehensive roadmap to unlocking the full potential of your workforce in today's competitive world.

In this guide, you will gain actionable insights, top tips, and thorough definitions that will empower you to attract, retain, and develop top talent.

We'll delve into every aspect of HCM, from the basics and commonly used terminology to best practice strategies.



Whether you're an HR professional seeking to optimize how you work, a business leader wanting to create a high-performance culture, or an entrepreneur keen to create a winning team, this guide is your indispensable companion.

What is human capital?

Simply put, your people.

In essence, human capital is your people and the capabilities, expertise, and creativity they bring.

Factors that influence your human capital include:

- Education
- Training
- Professional experience
- Personality

What is human capital management (HCM)?

Human capital management is what makes an organization tick - it is a strategic approach to managing people within an organization to maximize their value and contribution towards achieving business goals.

It encompasses everything related to workforce management, including human resources (HR) and payroll.

In the context of the workplace, HCM often encapsulates the strategic approach to building, supporting and developing your workforce, through activities such as:

- Recruitment
- Hiring
- Onboarding
- Payroll
- Training
- Development
- Performance management
- Retention

The concept of HCM aims to recognize that people are not simply disposable resources but the beating heart of an organization, driving its success and growth.



The purpose of human capital management

The purpose of HCM is to optimize the logistical elements of managing a workforce and maximize the value of employees.

HCM helps organizations manage all elements of the employee lifecycle, from recruitment and onboarding to development and compensation.

Focusing on HCM ultimately means you are paying attention to the fundamentals of employing and supporting your people.

The difference between human capital management and human resource management

Human resource management (HRM) is another common term, serving as a strategic structure companies implement to efficiently oversee their people and workplace culture.

Although both HCM and HRM focus on people and share similarities, their goals differ.

For instance, HCM covers a wider scope, such as the entire employee lifecycle, including timekeeping, workload tracking, and payroll management.

This guarantees compliance on a global scale and provides industry benchmark data, advanced analytics, and additional features.

Keyword Glossary

There are a number of terms in the workplace which fall under the HCM umbrella, complicating matters.

To help simplify this, here is a summary of some keywords you typically see within the space.

Human capital management (HCM): an all-encompassing term for all things HR and payroll, used widely to define the overall process of recruiting and supporting staff.

Human resources (HR): the management of workforce-related activities such as recruitment, training, performance evaluation, and employee relations within an organization aligned to your wider goals.

People management: similar to HR and often used interchangeably, people management refers to the administrative duties associated with employing staff.

HR software/HR Information System (HRIS)/HR Management System (HRMS): HR software - also known as HR Information Systems or HR Management Systems - refers to a suite of digital tools used by businesses to manage their people.

Applicant Tracking System (ATS): an ATS can either be an independent piece of software, or a module within a wider HR system, helping automate, organize, and optimize the recruitment process.

HR consulting (HRC): relying on external expertise, HRC refers to a third-party consultancy service specializing in helping companies create a global workforce - ensuring compliance with laws and regulations.

Payroll: the process of calculating, managing, and distributing employee compensation, including wages, salaries, bonuses, and deductions, within an organization.

Payroll Outsourcing: entrusting the processing of your entire payroll to a third-party provider, relying on them to manage all aspects of your payroll and taxes related to payroll.

Why is human capital management important?

Human capital management is essential for recruiting, developing, training, overseeing, and retaining employees.

With effective HCM, a company can:

- Recruit the right talent for their needs
- Efficiently monitor hours, time, and attendance
- Streamline and manage payroll effectively
- Maintain comprehensive digital records of payroll and timekeeping
- Ensure compliance with payroll, timekeeping, and attendance regulations
- Facilitate smooth onboarding experiences for new hires
- Provide every employee with effective training and development plans to continually enhance their skills
- Empower employees to become integral contributors to the business
- Enhance employee retention efforts

How to improve your human capital management

Good HCM practice extends beyond the logistical aspects of hiring and retaining people.

Human capital management is essential for fostering a fulfilled and productive workforce in today's skill-driven economy.

Ultimately, well-equipped employees result in more successful outcomes.

Not sure where to start? Consider implementing the following approaches to ensure you have an effective HCM strategy.

Define your business goals

Aligning your mission and objectives with every member of your organization streamlines efforts.

Make sure your employees understand how their actions contribute to advancing your company's goals and the employee's career

At IRIS, we use the **Objectives and Key Results (OKRs) model**, which outlines what needs achieving (Objectives) and provides a measurable outcome that informs how close you are to achievement (Key Results).

Note: prioritizing alignment between individual and company goals ensures everyone is working towards shared objectives, leading to higher employee engagement. For example, if someone is looking to progress in their career, is there a learning opportunity that will help develop them while also progressing toward the primary business goal?



Re-prioritize your recruitment efforts

Create something desirable and the people will come.

A strong HCM framework makes your company more attractive to potential hires - demonstrating genuine care for employees helps in attracting top talent.

Rather than focusing on “selling the role”, take a more holistic approach and look to create a company that “sells itself”.

Creating a company backed by modern processes which focuses on supporting and nurturing is the best way to retain current staff and attract new people.

Focus on employee satisfaction and retention

Recruitment has been a hot topic for a number of years due to the talent shortage.

But fostering loyalty and focusing on retention is equally important (if not more!).

Try to understand your employees’ needs and career aspirations.

Providing staff with support and learning opportunities leads to higher satisfaction and longer retention periods.

Build a workplace environment centered around continuous growth, risk-taking, and cooperation, enabling people to try, fail/succeed, and learn.

Top tip: look into offering workplace opportunities, whether that’s in-house training, role changes and promotions, or third-party courses.

Strengthen your company culture

Company culture is dynamic and requires ongoing attention.

It is typically made up of the following components:

- Values and ethos
- Employee expectations
- Business conduct
- Working environment
- Goals and aspirations

HCM serves as a guide, helping define and shape your culture by anchoring it to your company’s mission, values, and people management practices.

Here are five focus areas for building a strong and successful company culture:

- Align your priorities
- Talk to your people
- Define core behaviors
- Lead by example
- Measure success

Enhance communication

Good HCM should foster stronger, more collaborative relationships across your entire organization.

To do so, clear expectations, collaboration, and transparency are needed, fostered through communication.

As well as communicating regular company updates and news through either on-site meetings or emails, empower your people managers with good HCM software to have more meaningful conversations with their reports.

HCM software provides real people data on crucial areas such as performance and wellbeing, helping managers to foster truly meaningful conversations.

Also, make sure the communication is two-way - ensure leadership requests feedback and utilize workplace surveys to understand employee sentiment.



What are the risks of getting human capital management wrong?

Getting Human Capital Management wrong can pose significant issues for businesses.

Employee dissatisfaction and turnover

Poor HCM practices often lead to lower morale, disengagement, and dissatisfaction among employees.

The result is higher turnover rates, leading to increased recruitment costs and loss of internal expertise and knowledge.

Reduced productivity

Without proper training, development opportunities, and clear performance expectations, employees may struggle to meet organizational goals, leading to decreased efficiency and effectiveness.

Legal and compliance issues

Incorrectly managing aspects such as payroll, timekeeping, and employee classification can result in non-compliance with laws and regulations.

The result can be costly penalties and damage to your reputation.

Inefficient resource allocation

Inadequate workforce planning often results in mismatches between employee skills and organizational requirements.

As such, you may experience inefficiencies, underutilization of talent, and increased costs associated with recruiting, upskilling, and turnover.

Lack of strategic alignment

A lack of alignment with your HCM practices and business objectives can hinder your ability to achieve your goals.

Without a focus on managing human capital, chances are you'll struggle to meet changing market conditions and competitive pressures.

Understanding human capital management solutions

With HCM encompassing such a wide array of areas, the possible software and services are also vast.

HCM software

From a software perspective, you have a few options:

HR software: a digital tool designed to streamline and automate various human resource management tasks, such as employee scheduling, performance tracking, recruitment, and compliance management within organizations.

Applicant tracking system (ATS): software that automates the recruitment process by managing job postings, resumes, and candidate communications - this can be a standalone system or part of your HR software.

Payroll software: automates the process of calculating and disbursing employee compensation, including wages, salaries, bonuses, and deductions, while ensuring compliance with tax regulations and labor laws.

Top tip: HR and payroll software integration eliminates the need for duplication and manual intervention while also providing a single source of truth.

HCM services

From a service perspective, you have the following options:

HR consulting: expert advice, guidance, and solutions on various human resource management issues, such as recruitment, training, performance management, compliance, and organizational development.

Recruitment service: assists businesses in sourcing, screening, and selecting candidates for job openings, providing expertise in talent acquisition strategies and helping to match qualified candidates with suitable positions within organizations.

Payroll outsourcing: delegating payroll processing tasks to external service providers who handle functions such as calculating wages, managing deductions, and ensuring compliance with tax and labor regulations on behalf of organizations.

How to choose the right HCM solution

Selecting the appropriate HCM solution for your organization may seem overwhelming, especially with all the available options.

However, with a focused approach, it's achievable.

A great starting point is to develop a checklist outlining your goals reliant on HCM and assess the potential impacts of not meeting them.

This outline aids in evaluating potential solutions, ensuring they're aligned with your requirements.

To influence your checklist, also craft an action plan detailing the project scope, resource needs, budget, and relevant stakeholders.

Top tip: understand your organization's process for approving transformative projects and external solutions. Gain stakeholder buy-in by presenting the solution's benefits, including business, financial, and end-user advantages.

It is also worth chatting with friends, colleagues, and peers to see what software they use and recommend.

If you don't have any contacts in the industry, consider looking on providers' websites for case studies that showcase customer successes, or attend industry events to network and discuss with like-minded individuals.

There are also numerous review platforms dedicated to software, including Software Advice and G2, which provide insights into the customer experience.

These platforms typically present an initial score, offering a summary, while some reviewers also include comments.



What IRIS has to offer

As a recognized Great Place to Work, we know a thing or two about good HCM; we have a range of HCM systems and services to meet the needs of any organization.

Apex HCM

Apex Human Capital Management (HCM) software helps you do more by giving you the tools to better find, grow, and manage your employees.

- Simplify recruiting with our fully integrated applicant tracking system
- Streamline the onboarding process by eliminating manual processes helping new hires be ready for the job on day one
- Develop talent with our talent management tools

[Learn more](#)

IRIS Global HR Consulting

IRIS offers global HR consulting services for organizations looking to expand internationally. Operating in 135 countries, we provide global HR, payroll, benefits, and payments.

- Become compliant at a global scale
- Have complete visibility across every aspect of your global HR
- Trust us to take responsibility for all of the complexities of global HR

[Learn more](#)

myPay Solutions

myPay Solutions is a full-service payroll & workforce management system designed for accountants to offer payroll solutions to their clients without the hassle and liability of preparing it themselves.

- Provides back-office payroll support that is responsible for the processing and tax compliance needs of your clients
- Ensures all employees are paid on time and accurately, which helps protect and nurture your client relationships
- Takes on tax liability and takes care of quarterly and annual returns

[Learn more](#)

IRIS Fully Managed Payroll (FMP)

IRIS FMP is a trusted partner in 'in-country' and global payroll and payment services for organizations expanding internationally. We provide managed payroll services in the US, Canada, Mexico, and 135 other countries.

- Seamlessly and compliantly onboard and offboard employees from your payroll
- Processing complex 'in-country' payroll calculations on time, every time
- Ensuring you're meeting local deadlines with compliant filing and reporting

[Learn more](#)

Apex HCM Payroll Software

Apex is an all-in-one, cloud-based, configurable HR and payroll management system with the power to handle complex payroll tasks with the flexibility of full control over all payroll and tax functions.

- Modern, easy-to-use interface with employer and employee mobile access
- Advanced payroll tax functionality including e-filing and automated quarter-end and year-end processing
- Simple and seamlessly integrated, our proprietary time and attendance solutions

[Learn more](#)