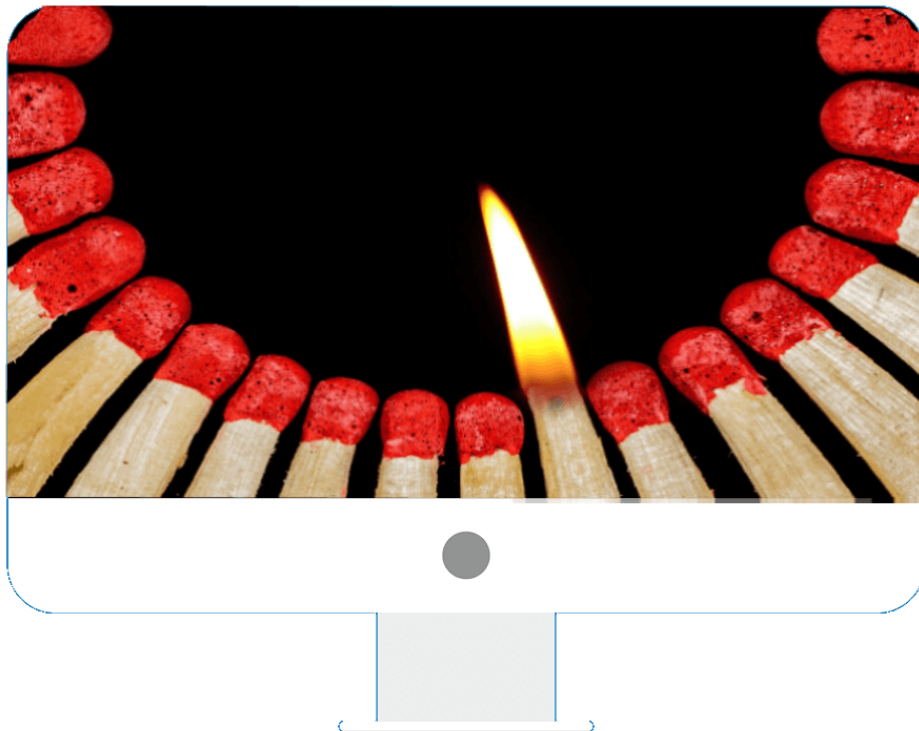


all effective changes

# PAM



**People Asset Management**

*It only takes one good match to light the fire!*

## People Asset Management (PAM)

Hardware Asset Management and Software Asset Management are of common use and well understood within the current ICT environment. A lot of companies have started projects to implement these types of asset management to reduce cost and to be more efficient. These terms are used very often by analysts to point out where to look at and which actions have to be taken to reduce the operational costs. Analysts point out that it is of the greatest importance to be on top of Hardware Asset Management and Software Asset Management to be able to reduce the operational ICT costs significantly. They give examples of cost savings in the Software Asset Management area. Possible savings were achievable at big companies according to Gartner of in between \$100.000,-- en \$400.000,-- per year by just going through the software contracts and/or license agreements and adjusting them to the real situation.

We believe that an important part of asset management is not recognized because there are Hardware Assets, Software Assets and Human Assets within a company. This last type of assets and their management are not recognized as such and we would like to call this People Asset Management. People Asset Management is not used yet by companies and analysts but it is at least as important as the two other types of asset management, if not of more importance. It is strange that this type of asset management is not in use yet, because a lot of companies state that people are their most important assets without having a type of asset management for it. Some companies try to have a kind of People Asset Management by using eHRM or HRM applications. In our opinion this should not be done with eHRM or HRM applications but with a proper People Asset Management application because the eHRM and HRM applications are not equipped for People Asset Management. People Asset Management has a different goal than eHRM or HRM. Central for People Asset Management is not the human being as a person but the human being as an asset with a certain knowledge and capability and to make use of this human asset within the company as effective and efficient as possible.

People Asset Management views the human asset the same way as Hardware Asset Management views hardware assets and Software Asset Management views software assets.

Common issues in the asset management area are:

- We don't know where the assets are
- what they are capable of
- and if they are available

These are definitely issues, which are valid for the human assets. Without using the term People Asset Management, analysts are saying that companies would perform a lot better if they would use their own people as much as possible instead of hiring people from external companies or taking new staff on. They add to this that it is a great challenge to do so, because there is not yet a structured way of implementing People Asset Management within an organization.

People Asset Management should follow the way of Hardware Asset Management and Software Asset Management and is in our opinion the missing link in the current asset management possibilities. (Figure 1)

Using People Asset Management as a recruitment tool is comparable with the use of (e)HRM as People Asset Management tool. The goals of both are that far apart that it doesn't make any sense to do so. Recruitment uses a 'warm' match and People Asset Management uses a 'cold' match. However it would be a possibility to use People Asset Management as a first selection tool to make sure that available resources do have the required skills and experience for the open position.

Within a company available resources aren't matched on vacancies but on available work that has to be done within a company this could mean a transfer to another department if this would make sense and the need is there. People Asset Management would be very suitable in this case.

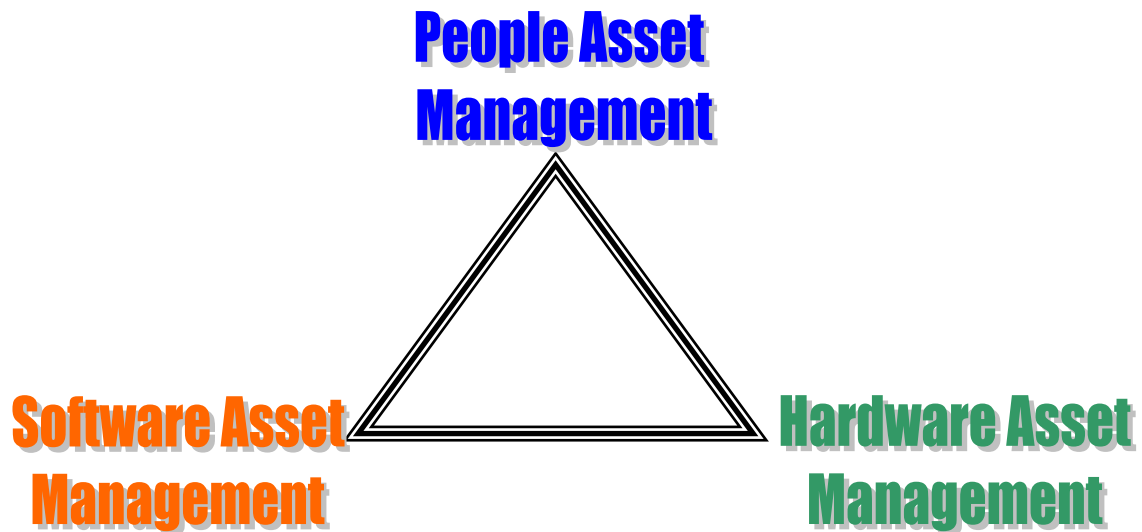


Figure 1.

Looking at People Asset Management in more detail shows that there are two types of People Asset Management.

The first type of People Asset Management is internally within a company and the second type of People Asset Management is the external one for temporary resources of other companies.

#### **Internal People Asset Management**

Internal People Asset Management takes care of effective and efficient use of their own human resources on the expense of external hired staff.

#### **External People Asset Management**

External People Asset Management takes care of effective and efficient hiring of necessary external staff against the best possible price. Selling resources on quality labels won't be possible anymore and CV's written for a certain job by resources that are not fully suitable for that job neither. On top of that the selection process will be a lot simpler and less time consuming because there is no need to go through stacks of CV's offered for a specific job, which will have a very positive impact on the current hiring process.

Ideally there is a connection between the internal and external People Asset Management as a fully integrated solution. In this case it is possible to obtain external human resources if necessary the same way as internal human resources with the same user interface. The total process of resources allocation (People Asset Management) is explained and visualized in figure 2.

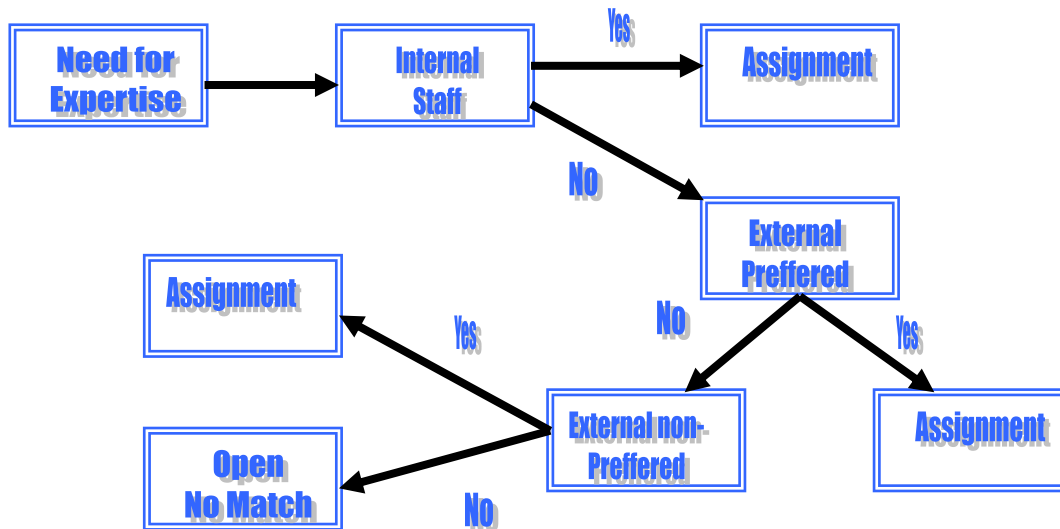


Figure 2.

By leaving People Asset Management out of the scope of traditional asset management the possible cost savings of People Asset Management haven't been explored and taken advantage of.

Important is to see what kind of cost savings proper People Asset Management could realize. This would make it possible to judge if it is interesting to implement People Asset Management.

Let us have a look at the following examples:

We assume an average day rate of €/\$ 700,-- per external resource.

A fictive company A. A hires 1,000 external resources per year. If A would be able to save 10% on external resources by using available internal resources this company would make the following savings:

$100 \times \text{€}/\$ 700,-- = \text{€}/\$ 70,000.$ —per day on savings of external resources and a possible avoidance of a layoff of internal resources.

Another example is the fictive company B. B had to make 5.000 people redundant and was hiring 1,000 external staff at the same time. If this company would be able to fill-in 10% of the amount of hired external staff with the internal staff that had to be made redundant, than this company would be able to realize the following savings:

$100 \times \text{€}/\$ 700,-- = \text{€}/\$ 70,000.$ —per day on savings of external resources. Of these savings we would have to subtract  $100 \times \text{€}/\$ 250,-- = \text{€}/\$ 25,000.$ —per day of the wages of the internal resources. This would give a grant total of  $\text{€}/\$ 45,000.$ —per day.

Additional advantages are that employees who are made redundant would not be hired back so easily as a freelancer because these positions will be taken most of the time by the company's own internal staff. No pay-offs have to be done for the amount of staff that can be kept within the company.

Thus most likely the savings in the People Asset Management area are expected to be much higher than the savings possible in the Hardware Asset Management and Software Asset Management areas.

The economical and market situation forces companies to reduce their costs dramatically and to realize cost savings were ever possible to return to acceptable profit levels.

More and more companies got into trouble because they had to think in shareholders' value and how to create more value and profits. The result: Economic crisis and big companies in all areas are into trouble. Another result was that the stock markets around the world went down very fast and these caused healthy companies to get into financial trouble as well. This was the cause that projects were stopped and that people had to be made redundant (reorganization) to get them out of financial trouble

and to become profitable again. The sad part is that the projects that were stopped mostly were needed to secure the future of the company.

The people that had to be made redundant, had to be made redundant from a HRM point of view, where they are looking at things like, age, early retirement, first in-first out and so on. The fact that people are made redundant according to the HRM point of view and not to the People Asset Management point of view causes that people are made redundant without matching their skills with open positions within the company. This could cause that there is not enough skilled staff to do a certain type of work and companies would start to hire external staff to do that type of work. It is not unlikely that the externally hired staff was made redundant before by that same company because they were made redundant according to a HRM point of view and not of a People Asset Management point of view. Companies would not encounter this kind of problems if they would use People Asset Management, so that they could have an optimal match of their own staff and work needed within the company. The internal People Asset Management application will take care of the optimization to prefer internal staff above external staff. A CV based won't be able to solve the problem due to the fact that most staff won't have an up-to-date resume and it is more or less impossible to distract skills and experience from it needed for a first 'cold' match..Furthermore it is very expensive.

Due to the possible savings with People Asset Management, it seems to be sensible to implement People Asset Management within an organization just like it is done with Hardware Asset Management and Software Asset Management. Additional advantages are that employees are more satisfied, what causes a better image to the outside world and less people have to be made redundant because of the optimization of the staffing process.

Next to cost reduction are Total Cost of Ownership (TCO), Return of Investment (ROI) and surviving the recession with high priority on the boardroom's agenda. All actions taken within companies will be related to this. As a consequence, projects that will be allowed need to be profitable or give a return of investment within 1 year. This is also true for necessary software and hardware. Normally this term used to be 3 years instead of 1 year. Thus the business case for the investments is more difficult to make than before. The effect is the introduction of the short-term thinking. This means no more long-term strategy but a pure short-term cost based management.

Examples of this are companies that tell their IT service providers to cut their tariffs, sometimes even up to 50% (2 for the price of 1). In the current market situation this is possible to do but if the market gets better again the prices will rise to the level of before or even above this level. Another risk is the fact that if they have to cut their tariffs so far, the quality of the service will go down and the continuity of the IT service provider will get into danger. Bankruptcy might even be possible. So there is no healthy balance anymore between both parties.

This is the time to use available assets as effective and efficient as possible. That is why People Asset Management should be high on the priority list of the board. However there are hardly any standardized and structured ways to solve the problem of implementing People Asset Management within an organization. A fact is that eHRM is no solution for People Asset Management because of the different goals. People that are registered within the eHRM or HRM system, are registered with their name, complete cv's and other HRM aspects like career possibilities and educational plans. These are parts that should not be in a People Asset Management system. A People Asset Management system should contain things like availability, current knowledge and experience and this completely anonymous. Why is anonymous important? Anonymous is important due to the fact that the assets are important and not the human being behind that asset. It is more important to know what the asset is capable of, where it resides and when it is available than whom the person behind the asset is. People Asset Management is like a fully automated anonymous bulletin board for human assets. This will provide the first selection of assets and has to be as objective as possible. In the next steps human aspects will be assessed to match the asset within the assignment. Due to the fact that the search for resources is much more effective, it is possible the put more effort in the human side of the matching. This is due to the fact that it is not necessary anymore to go through a lot of cv's for the first selection of candidates.

Let us compare People Asset Management with Hardware Asset Management and Software Asset Management. Asset management in general has a focus on the inventory of available assets. Asset management won't value assets.

An example: With Hardware Asset Management it can be detected if desktop Pc's are suitable for Windows 7. If a PC is not suitable for Windows 7 it can be determined what has to be done to make the PC suitable. For example: minimum of 1 GB internal memory. The PC can be identified and it will be upgraded with a procedure outside the Hardware Asset Management tools. People Asset Management



will make an inventory of availability of human assets. If there are no internal assets who fulfill the criteria of for example Cobol Programmer, it will be possible to determine what has to be done to make a certain asset suitable to fit the criteria. The asset will be identified and it will be trained to fit the criteria and thus be “ upgraded” via an eHRM or HRM procedure outside People Asset Management.

But how would it be possible to implement People Asset Management? A combined solution with eHRM looked like the most obvious solution because there were no other solutions available and in both cases it was about human resources within the company. It is however crystal clear that another conclusion must be made because as stated before the goals and starting points of People Asset Management and eHRM or HRM are completely different.

If this is the case then there is nothing else left then to implement People Asset Management on its own in a structured and standardized way. There are three possibilities: developing it themselves, let it develop or buy a standard application.

Developing it themselves hasn't got the preference because it takes a lot of time of their software development department and the result can't be guaranteed. The time to develop an application will take a minimum of a year and a half to two years. The maintenance and the support of the application have to be done by their own organization. The return of investment won't be within one year as stated before and thus it will be very difficult to make the necessary business case.

Let it develop hasn't got the preference either. The disadvantages are nearly the same as developing it themselves with this difference that their own software development department won't be occupied with the development and the execution of the application. In the case of an external People Asset Management application there is no IT service provider who would build this application because they feel it too much as a threat to their own business because of the leveling of their tariffs.

Standard applications and/or solutions for People Asset Management are very limited available but are absolutely favorite because there is no need for long development, there is no risk taken and they can be operational within two or three months. If the People Asset Management applications are offered within the Cloud and as SaaS, it is possible to be operational within a day with a very attractive pay-per-use model. It is very easy to make the business case for a standard application or solution because the return of investment is certainly within one year. However it is important to choose an application of a provider who has solutions for the internal and external People Asset Management because this will make a link possible straight away or in a later stage between the internal and external People Asset Management application without difficult and long development projects.

Our conclusion is that companies should start as soon as possible and without any delay to implement People Asset Management to improve the operational results substantially. Implementing People Asset Management might even save companies in financial trouble. For this reason People Asset Management should be high on the agenda of every boardroom.

The possible savings that could be made with People Asset Management don't justify any delay. That's why it doesn't seem sensible to start projects for developing a People Asset Management application when there are standard applications available.

## **It only takes one good match to light the fire!**

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