

Talent Acquisition and Enterprise Risk Management – Where’s the Connection?

By Alan Davis

Why is it that we see references to human capital management on an insurance company’s website?

The answer can be found in a survey conducted by the Economist Intelligence Unit which states that “International risk managers see human capital risk as being the most significant threat facing their global business operations”. The survey’s findings show that human capital risk such as skills shortages, succession issues and the loss of key personnel were seen by respondents as being more significant than other, more traditional risks. This represents a very significant shift from previous years where other types of business risk were perceived as number one.

In a seminar on Enterprise Risk Management by the Ximenes Group, out of eleven examples of types of enterprise risk, two were related specifically to human capital issues. These were inadequate succession management and the aging workforce.

Seminar leader Rick Cox explained that all companies take risks but some manage them better than others. Good risk management can increase profits, protect against downsides and become ultimately a competitive advantage. The Sarbanes-Oxley Act of 2002 sets out to implement new standards for companies in which management is required to perform a thorough risk management assessment.

Proactive risk management is concerned with future events whose exact outcome is unknown. Risk management is the science of planning, assessing and managing events in order to ensure more favorable outcomes. The alternative comes in the scary guise of crisis management, a more expensive process constraint by limited options available by the time the risk materializes.

Risk is not something to be avoided, but it must be managed properly. Generally speaking, the greater the risk; the greater the reward.

Risk management appears in two broad guises, the first being enterprise risk management, which provides an integrated framework for managing overall business risk; the second is project risk, a significant example of which is a lack of skilled workers.



In the risk management process, we cannot measure things that we cannot identify and furthermore, we cannot manage what we cannot measure. We deal with risks by identifying them, measuring them and managing them. Typically 20% of risks represent 80% of the exposure.

In the context of Human Capital Management, what can companies do to mitigate the business risk?

First of all, corporate stakeholders must demand a greater focus on all aspects of risk management. Pressure to do this will be driven by the board of directors as well as external drivers such as regulators and investors.

The risk management function in organizations has to evolve into being a core area of business practice at every level of the organization.

Companies of all shapes and sizes must increase their investment in risk management.

Succession management is a key resource to mitigating business risk associated with human capital issues. This entails governance issues to ensure the smooth transfer of senior decision making authority and operational issues at the leadership level across the organization. As well, retention of talented and high potential people has to be managed.

In other words, the ability to assemble, deploy and retain an effective workforce is one of the critical success factors in mitigating business risk.

Alan Davis & Associates Inc. has contributed to the human capital issues associated with succession management with its Strategic Recruiting™ search process. Strategic Recruiting™ has helped our clients build a succession resource management plan that brings external resources to the talent bench.

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