



**Is It Time to Recognize Human Resources
as Internal Risk Managers?**

IS IT TIME TO RECOGNIZE HUMAN RESOURCES AS INTERNAL RISK MANAGERS?

One of the challenges for Human Resources is proving its value to the organization when at budget time it is considered as a cost centre and has to battle with other priorities for spending and staff when it comes to allocating resources for the upcoming year. Where the sales group can measure additions to the sales force in overall sales increases and finance can add staff to improve the rate at which accounts receivables is being collected, Human Resources has invariably struggled to come up with meaningful measurements that can demonstrate bottom-line contributions. Our experience suggests that the approach needs to be altered to get corporate attention and the needed resources to affect meaningful change.

In environments where expenditures are carefully monitored and their impacts measured, HR groups can benefit from approaching their challenges in the same way the organization works as partners with its insurance risk management advisors or HR works with its health and insurance benefits providers. Organizations with risk exposure from its product and services engage advisors who can help them assess the risks and source the insurance that will provide the necessary protection at costs that the organization can afford. Similarly, Human Resources groups are typically already expert in sourcing, managing and controlling employee benefit programs using the advisory resources of the world's top employee benefit organizations to help them. The focus these external advisors brings is a risk management perspective so organizations can get best prices and best benefits coverage over the longer term.

We think that Human Resources groups need to broaden this successful approach to benefits planning and administration and focus their organizations on managing the four kinds of risk that arise over the employee life cycle from:

- § Hiring the wrong people based on incomplete and inaccurate information
- § Toxic work environments where fraud, abuse and wrongdoing goes unreported
- § Exiting employees not giving the real reasons they are leaving
- § References being provided inconsistent with policy and taking valuable time to handle.

Much like employee benefit programs are premised, and premiums are based, on the 100% probability that employees will access these benefit plans, there is a 100% probability that poor employees and good talent leaving will harm productivity, service, customer retention, morale and ultimately reputation, brand value, and profitability. By approaching the people risks in this manner, it is easier to identify the risks and the corresponding costs of not preventing the bad things from happening, and it is also vastly easier to arrive at ways to measure the immediate benefits from reducing risks that hurt the bottom-line.

By presenting the risk factors and their organizational impact visually, this can engage the organization in a broader conversation than budget dollars and head counts. From our experience we know that managers and executive groups like to debate and discuss numbers and ratings. The particular rating may be debatable but what is not up for discussion is the impact of the risk factors on organizational performance. This method of framing the conversation allows non-HR managers to gain the same view of these issues as HR already know.

Chart 1: Risk Factors and Organizational Impacts

	Unqualified	Poor Fit	Abuse	Fraud	Talent Exit
Productivity	H	H	H	L	H
Service	H	H	H	L	H
Customer Retention	H	H	H	H	H
Morale	M	H	H	M	H
Reputation	M	M	E	E	H
Brand Value	M	M	H	E	H
Profitability	H	H	H	E	H

H = High Impact

M = Moderate Impact

L = Low Impact

The strategic allocation of resources to the risk factors as shown in Chart 2 can be a further iteration of the model. The chart below show how the solutions that eeVoices offers are an antidote to the risk factors in Chart 2.

If an HR director desires to strengthen the organization's employee risk management practices this chart is a useful presentation tool along with the impacts shown in Chart 1. What is missing is the allocation of existing HR resources and/or identification of the organizational initiatives that are focused on each risk factor but that too can help HR executives paint a picture that persuades other executives of the organization's needs.

Our company was established to help HR groups improve their effectiveness and address the people risk factors more strategically while freeing up time for the strategic high value agenda items. Our research and experience suggests that the strategic deployment of third party resources can help HR strengthen its value proposition as an effective and cost conscious service provider.

One way our product and services help organizations is by realizing early and immediate benefits from reducing people risks that hurt the bottom-line and which help prove and demonstrate HR's value to the enterprise and make the visible shift from being considered just another "cost centre" to that of a strategic value producer.

Chart 2: Risk Factors and Risk Mitigation and Solutions

Risk Factors	Solutions						
	Education Verification	Reference Checks	Credit Enquiry Checks	Criminal Record checks	eeXpress	eeXit	eeBank
Exaggerated resumes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Fake diplomas/certifications	<input checked="" type="checkbox"/>						
Poor work history		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Cultural fit		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Unqualified	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Poor values fit		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Violent		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dishonest	<input checked="" type="checkbox"/>						
Gaps in employment		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
Unsuitable for financial jobs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
Fraud & abuse		<input checked="" type="checkbox"/>					
Unethical behaviour		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
High employee turnover						<input checked="" type="checkbox"/>	

Our four product and service groups, which includes pre-employment screening (eeScreening), confidential tip line (eeXpress), exit interview (eeXit), and reference bank (eeReferenceBank), help organizations mitigate the risk factors identified in Chart 2 which occur throughout the entire employee life cycle.

If your organization would like to discuss this further, we want to hear from you today.