

Organizational Solutions

Human Capital

What would happen if employees were to be considered as investments in human capital instead of sunk costs? If the strategic priorities around people were to move away from minimizing employment-related expenses to maximizing the return on investment?

From a socio-technical systems perspective, technical aspects of a business enterprise - business process performance, information infrastructure, financial accounting systems, etc. - must work hand in hand with its social aspects - communication, engagement, learning, etc. From a human capital perspective the social side of the business is a means to achieving the technical objectives of the business.

For instance, a company focused on leveraging its human capital will pay rapt attention to its performance in achieving the social objectives of *clarity*, *accountability*, *commitment*, and *collaboration*. *Clarity* of business purpose; clarity of true values, i.e. those values that are articulated, modeled, and rewarded; and clarity of roles and responsibilities relative to business purpose create a framework in which discretionary efforts are aligned and synergistic. *Accountability* is demonstrated by actions that yield desired results rather than assignment of blame. *Commitment* to business performance is not a fairy tale, but the logical outcome of the sense of pride and achievement that comes from meaningful work. *Collaboration* occurs by design when the workforce understands how optimizing a part will suboptimize the whole.

We have witnessed a recurring phenomenon across organizations and across industries that helps illustrate a human capital dilemma:

A bright, capable employee is targeted for promotion to an important position in another department. The current manager / supervisor views such a move as punishing because it will negatively impact her department's performance. Why should she make the effort to develop high-performing employees when the rest of the company just poaches on her preserve?

Companies that value human capital ensure that managers are rewarded for developing talent as well as for their departmental performance.

continued

Balanced Performance Measures:

Internal

Technical
 Cycle times
 Cost / Efficiency
 Productivity
 Quality of outputs

Social
 Clarity
 Accountability
 Commitment
 Collaboration

External

Social
 Satisfaction
 Relationships
 Loyalty

Technical
 Revenue
 Profitability
 Growth

The realm of human capital falls on the soft side of organizations, where hard data to evaluate return on investment can be elusive. However, a common sense assessment of the talent management process readily uncovers some of the hidden costs of neglecting human capital.

The best way to attract talent is to be an attractive place to work. Talent attracts talent. Opportunities to be part of something challenging and significant attract talent. The chance to be recognized for accomplishments attracts talent. Without workplace attractiveness a company generally must offer higher salary and benefit packages to compete for talent.

Selecting talent is a process of matching job position requirements with candidate capabilities, especially the innate capabilities that are not easily obtained through training. Failing to adequately define position requirements or failing to optimally match candidates to those requirements leads to excessive turnover and/or suboptimal performance.

Orientation is a chance to help new hires hit the ground running. It is the golden opportunity to begin the development of clarity, accountability, commitment, and collaboration. On the other hand, new hires can simply be allowed to flounder around until they pick things up through trial and error.

A great deal of data exists regarding the ROI on training and development. One perspective that pertains here is the contrast of narrow vs. broad scope of job responsibilities. A broad scope of job responsibilities requires greater investment in training & development, but yields much more flexibility in responding to peaks and valleys of demand. Lack of flexibility means opportunity costs with high demand and excess capacity with low.

As far as performance management is concerned, we'll simply state that it is pertinent across the enterprise, end-to-end and top-to-bottom. The potential cost at the management level was illustrated by Bruch and Ghoshal's 10-year study* leading to their conclusion that 90% of managers studied "squandered their time in all sorts of ineffective activities".

*Heike Bruch and Sumantra Ghoshal, "Beware the Busy Manager", *Harvard Business Review*, February, 2002

TALENT MANAGEMENT



Organizational Solutions

Aligning Purpose, Process and People for Business Results

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