

# CORPORATES LOOK TO SCIENCE FOR PEOPLE MANAGEMENT

*Advances in applying measurement and evaluation science are transforming basic people management into human capital management – the shape of things to come for organisations worldwide, writes Nicholas Higgins*

■ A strange phenomenon exists in many 21st century organisations. It has become almost a cliché – for perfectly honourable reasons – for a chief executive to claim that “our people are our greatest asset.” Senior executives typically share a clear view of the company or institution’s aims, strategy, differentiators and competitive objectives. They allocate significant amounts of personal and corporate time and resource to attracting and paying a workforce (typically at least a third of the annual operating budget in cash terms alone).

Yet, despite this clear intent, similar questions come up time and again in boardrooms: “Do our people see us as a high-performing organisation with a future?” “Why is the view from the ‘front-line’ so different from our senior management perspective, and how can we quantify and address that?” “What makes our people stay here and be most productive?” and “Are we investing sufficiently in, or even over-spending, on related people programmes?”

Why does this disconnect arise? Organisations globally spend billions on financial management audits and yet comparatively trivial amounts on defining, auditing and evaluating their approaches towards managing people, or, more precisely, human capital management. Despite its longevity, the very phrase ‘human capital management’ still seems to provoke surprising reactions, even among human resource professionals.

## DEVELOPING CONSISTENCY

The point here isn’t about the merits of financial audit spend – rather the seeming disparity of approach.

Most senior executives acknowledge that an organisation’s collective human capital is a key determinant of the success of that organisation. And it doesn’t matter how much money or access to finance an enterprise has – it is only as good as the people tasked with leveraging it and delivering on the corporate objectives.

There is a key acknowledgement that people are assets. However, from an organisational perspective they can also be simultaneously resources and potential liabilities. This provides a clear ‘business case’ for managing people accordingly (and well).

There is no denying that organisations do spend considerable sums on human capital in-

terventions, be they training-, IT system- or organisation behaviour-oriented. But what most CEOs and CFOs need to know is how effective is this spend? How does it affect productivity, performance and/or reduce operational risk?

In his studies of thermodynamics, Lord Kelvin once stated that “if you can’t measure it, you can’t improve it.” Without evaluating human capital management, C-class executives of many enterprises would have to bow to Lord Kelvin’s foresight. Indeed, they would have to ask themselves a more serious and troubling question regarding organisation spend on human capital management initiatives with what amounts to ‘leaps of faith,’ or worse, having no fundamental understanding of what effectiveness means in this context.

Over the last decade, ‘employee engagement’ has become a more prominent focus of management attention and is to some extent seen as a proxy evaluation for broader human capital management approaches.

There remains, however, a wide disparity of embedded practice and the nagging feeling that corporate initiatives can have more to do with internal/external PR, rather than deliberate attempts at sustaining real levels of higher engagement and its link with performance.

In part, this confusion stems from a diverse group of suppliers with very different capabilities, sometimes with overly simplistic definitions of employee engagement and approaches towards evaluating it; or alternatively an in-house option is used with limited knowledge.

Despite this barrier, organisations are beginning to see the link between employee surveys and employee engagement through more sophisticated approaches towards measurement and action; and starting to explore more deeply the relationships between employee perspectives and organisational productivity through enhanced modelling and systems understanding.

## THE WHOLE PICTURE

Historically, employee surveying was seen as ‘a thing to do’ – a reaction to when something was organisationally wrong. In fact, emerging practice sees employee surveying practice increasingly viewed as a pro-active, continuous process involving various collation frequencies and sampling – what is termed the ‘pulsar’

method – linking to other operational performance, most commonly but not exclusively with service aspects.

However, awareness and measurement of employee engagement (and wellbeing) is in reality only half the answer, because ‘engagement’ is collectively an outcome of the human capital management practice within the organisation’s operational/strategic environment.

Aside from this observation, a senior executive should also want to know how effective the organisation’s talent management is, for example, or the success of reward mechanisms in driving requisite behaviours; the effectiveness of the performance management system; the organisation design in terms of roles and decision rights; workforce planning and resourcing among others. And then there’s the competency of the line manager at the centre.

Observers would acknowledge the various efforts that organisations have pursued in measuring people-based subjects. However, these same observers would agree that too many of these initiatives have focused on efficiency rather than effectiveness, if at all.

The people management industry is full of metrics which provide little information to C-class executives. The historical focus has been skewed towards benchmarking (and its inherent limitations) rather than evaluation, which offers more insightful intelligence (improving decision-making and performance assessment) together with the growing use of predictive analytics.

ValUENTiS has been at the forefront of developments to bring a more measured approach (for example, the ‘Management Pathfinder’) to evaluating human capital management. Our client work has encompassed many private and public sector organisations over the years such as financial services, transport, healthcare, pharmaceuticals, manufacturing and business services to name but a few. The ethos has been consistent – to embed effective people management supported by robust evaluation systems and methodologies.

As pioneers in our field, we’ve introduced first generation human capital reporting standards (GHCRS2006) on an open-source basis; second generation evaluation techniques using a synthesis of qualitative and quantitative techniques to bring C-class executives a summarised view of

how human capital management looks along with comparative intelligence.

Armed with such a comprehensive framework and the means to evaluate against it, organisations can be far clearer on their current performance and the related business case for further intervention (or maintenance of current approaches) and spend. This results in an evidence-based approach towards successful people management execution, supporting organisations in achieving higher performance and reduced operational delivery risk.

From a professional services standpoint, we have witnessed, too often, the over-simplification of many people management aspects and/or the lack of core understanding with the result that optimisation of people contribution is seldom attained.

As we have found, each organisation has its own ‘human capital management signature’ (see diagram and boxout) similar to the expression ‘profit signature’ as used in financial/actuarial parlance.

Looking ahead, we note that corporates and organisations based in emerging and fast-growing economies are showing a willingness to bypass more ‘historic’ or traditional European and North American approaches to ‘jump up the people management curve.’

Either way, the portents look increasingly as if an embrace of human capital management and its measurement evaluation is taking place in whichever part of the world an operation resides.

In today’s economic environment, the question of effective people management practice throughout an organisation is no longer ‘nice to have’ but a ‘must-have’ – a precursor to delivering competitive advantage or even survival; and, for state sector entities, delivering to taxpayer expectation.

Nicholas J Higgins is CEO of VaLUENTiS Ltd and Dean of the International School of Human Capital Management ◊

*For more information*  
 VaLUENTiS Global Headquarters, 2nd Floor  
 Berkeley Square House, Berkeley Square,  
 London, W1J 6BD;  
 Tel +44 20 7887 6108; nicholas.higgins@  
 valuentis.com; www.valuentis.com ; www.  
 ISHCM.com



## HUMAN CAPITAL MANAGEMENT SIGNATURE

<b>Diversity</b>	The focus and effectiveness of organisational workforce diversity and diversity policies	<b>Organisation Communications</b>	The current effectiveness of communications in the organisation as perceived by managers and employees
<b>Employee Centricity</b>	The degree to which the organisation has ‘employee-centric’ policies in place and delivers on them in terms of effectiveness (includes legacy)	<b>Organisation Design</b>	The degree to which the overall organisation architecture, e.g. management structure, job/role design, decision rights is effective
<b>Employer Brand</b>	The degree to which the organisation has an identifiable brand and its contribution/ effectiveness in related organisational areas	<b>Performance Orientation</b>	The degree to which the organisation is viewed as effective in terms of focus and actions regarding performance management
<b>HR Governance</b>	The overarching management of HR as a function and governance of Human Capital Management within the organisation	<b>Resourcing</b>	The effectiveness of current resourcing policies and processes/ activities in terms of meeting organisation requirements
<b>HR Operational Excellence</b>	The degree to which the HR function possesses the requisite competence and executes its delivery objectives in terms of quality and effectiveness	<b>Retention</b>	The effectiveness and impact of current organisational retention approaches and efforts
<b>Leadership</b>	The perceived effectiveness of overall management within the organisation collectively at each level	<b>Reward</b>	The effectiveness of current reward policy/strategy across all levels of the organisation
<b>Organisation Climate</b>	The degree to which the organisation’s operating climate is seen to have a positive/negative impact on the operating environment	<b>Talent Management</b>	The effectiveness of current organisational approaches to talent, its scope and management thereof
		<b>Training &amp; Development</b>	The degree to which current approaches and application of training, learning and development are effective