

# Human capital

*Find talented employees, measure their performance and build their skills*

## Question:

**In my meetings and discussions with professional colleagues, I'm hearing about the importance of human capital. Can you offer some suggestions on how a company can do a good job regarding its human capital?**

## Answer:

Human capital is one of the emerging buzzwords in today's business literature. Some of you may not be familiar with the term and may be wondering, "Just what is human capital?" Put simply, human capital is another way of saying, "Employees ... the people who work here ... the collective contributions that our people have to offer."

Why is human capital becoming an important factor in today's business climate? There are several factors.

First, we are living in a fast-paced Information Age. Intense competition and the need to excite your customers each and every time are driving forces. This means organizations must focus on managing change and moving ahead. To do so, they must deploy employees who are able to adapt, grow and add value.

Second, despite higher unemployment over the past few years (which means more people to select from), many employers are confronted with the dilemma of finding strong candidates when job vacancies occur. Additionally, it is no secret that the Baby Boomers are aging and beginning to exit the workforce.

There are fewer Generations X and Y employees following in their footsteps. Put

simply, an employee shortage looms on the horizon.

Third, employees today are more mobile than ever. This is especially true of younger employees. Employees today are making more frequent job changes. This will only accelerate as Generation Y employees enter the workforce in large numbers. In comparison with their predecessors, younger employees tend to be more self-directed. They are more inclined to define success on their own terms. For them, the psychological contract underlying employment is not principally based on loyalty or company allegiance. Rather, it is based on WIIFM — "What's in it for me?"

So, in light of these and other trends, employers today have to focus on maximizing their human capital. The idea is to attract, retain and harness the full potential of all of your employees, especially those with high potentials (i.e., "high pots"). It simply makes good business sense, especially when you step back and consider that up to 40% of a company's overhead can attach to the people that it has on the books.

How do you feel about the people you have on-board? How many of them are "keepers?" How many are not?

Three initiatives are critical in developing the human capital of your organization. They are: (1) Talent assessment; (2) Talent evaluation; and (3) Talent development. Let's take a brief look at each of them.

## 1. Talent assessment

The first step in developing a strong human capital focus is to make sure you are doing a good job in assessing talent. This means developing an employee selection system that looks beyond demographic characteristics (e.g., current employer, current job title, school, program of study, etc.).

It means looking at the underlying success factors or competencies. What does the

person know? What is he/she able to do? What attributes does he/she possess that have yet to be fully developed? These are the best predictors of who is going to succeed and who is not. So, you must make sure that your talent assessment program measures them.

To do so, follow these steps:

- Identify the competencies attached to each job.
- Develop an assessment approach (e.g., interviews, work samples, tests, assessment centers, etc.) that measures the competencies that have been identified.
- Track your "hit rate" by comparing assessment data with performance indicators (e.g., productivity data, performance appraisal, peer review, etc.).

## 2. Talent evaluation

The second step in developing a strong human capital focus is to develop a sound performance management program. As the old adage goes, "What gets measured, gets done." So, you need to be sure that you are measuring the things that matter.

If you are emphasizing responsiveness to change and an overriding customer service focus, then those need to be factors that individuals, work areas/teams/departments and the organization as a whole measure and track each and every day.

Doing so links and aligns the efforts of all organizational members. To do a better job of evaluating individual talent, follow these steps:

- Based on the competencies that have been developed, formulate operational definitions that are job-specific (e.g., how is customer service demonstrated in Job A? Job B? And so on).
- With the operational definitions in hand, identify what the data and criteria to document the performance.
- Develop a structured program of perfor-

# Developing Human Capital

1. Assess talent and potential
2. Evaluate performance
3. Provide opportunities for learning and growth

mance monitoring and meetings in which managers and employees get together regularly and document what is working and what is not. Emphasize the links between the goals and efforts of individuals, the work team and the organization.

## 3. Talent development

The third step in developing a strong human capital focus is to build and deploy a comprehensive learning program. If there is one rule of thumb to developing the full potential of your employees it is this: “Unleash learning!” To do so at an optimal level, the learning must be organizationally sponsored and monitored.

Too often, learning is something that employees do on their own, on a hit-or-miss basis.

Identify and make available appropriate learning resources (e.g., tuition reimbursement at colleges/universities, Internet and intranet materials, face-to-face sessions, mentoring programs, book clubs, etc.) that encompass the learning needs of the organization.

Most importantly, emphasize that managers must be “career coaches” on behalf of their employees. They need to be helping employees move further and further along in their careers.

By attending to these three elements, you will do a better job of harnessing your company’s human capital. In doing so, your employees will be better able to pursue process improvements. They will be better able to provide exciting service to your customers. Ultimately, as a result, your company will be better able to meet its strategic and financial objectives.



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