

RG Perspective

Get Smart About the Talent Crisis



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1. Introduction

Many leaders, executives, and managers claim that human capital is their organization's most valuable asset. Yet, few know what that means from a strategic operations perspective, and even fewer know what to do about it. Developing strong, strategic human capital initiatives within an organization is paramount in today's business world, especially in a knowledge economy. Organizations that embrace and manage using human capital principles are proven to be more successful.

The research exists. The Conference Board's annual survey consistently finds that keeping talent, balancing work/life issues, and keeping employees excited about their work and the goals of the organization are major challenges faced by CEOs. Interestingly, over time the survey has established a link between CEOs who take these human capital challenges seriously by investing in them—and ultimately the success of their companies. The CEOs who cite human capital challenges "of greatest concern" are leading more successful companies.

Not surprisingly, research also proves that companies with better human capital practices deliver better shareholder value. A 10-year McBassi & Company study of 750 large, publicly traded firms found that organizations with the best human capital practices provide returns to shareholders three times greater than those companies with weak practices. Thus, investment in human capital may be at least as predictive of future performance as the price-to-earnings ratio, a commonly accepted Wall Street indicator..

2. What is Strategic Human Capital Management?

Strategic human capital management (SHCM) is a relatively new management concept. As such, finding a tried-and-true definition of what it is (and isn't) is challenging.

The U.S. Office of Personnel Management has defined strategic human capital management as follows:

Strategic Human Capital Management:

The processes an organization undertakes to ensure that the *right people* with the *right skills* are working in the *right positions* to fulfill the organization's mission, vision, goals, and objectives.

The merit of this definition is that it's focused on aligning people, their skills, and their jobs with the strategic intents of the organization. It prompts organizations to examine if some of their employees are doing jobs without the right skills—or worse, if some with the right skills are doing the wrong work—work that has no connection to organizational goals. This situation in an organization is inefficient, wasteful, and certainly won't get the organization where it needs to go.

But strategic human capital management is so much more. Here's another definition from the Society for Human Resource Management:

A Company's Human Capital Asset is:

The collective sum of the attributes, life experiences, knowledge, inventiveness, energy, and enthusiasm that its people choose to invest in their work.

Think of human capital in terms of a company asset. It's everything individual employees bring to the table—professional knowledge, skills, experience, know-how, personal experiences, drive, enthusiasm, and abilities— and how they choose to invest these attributes in their work.

What's most important about this definition is the word "choose." Although employees work for an organization, the organization has little control over how these employees choose to invest these attributes in their work. This is employee engagement. Thus, the strategic management of human capital has a lot to do with creating an

environment in which people want to invest in the work of the company.

3. Elements of Strategic Human Capital Management

So how do you create an environment where people “choose” to engage themselves? Begin with mission alignment—why does the company exist and what does it want to become. Then ask how employee performance can contribute toward organizational goals. The following elements or practice areas must be considered and addressed.

Strategic Alignment

Starting with a strategic plan or foundation, assess the organization’s HCM maturity, aligning and prioritizing human capital practices with strategic objectives.

Planning

Identify strategic, critical, and core jobs, bench strength, and workforce size and create a talent acquisition strategy to address these actors.

Acquiring Talent

Create and promote the employment brand by implementing the talent acquisition strategy and aligning recruitment and selection practices.

Engaging Talent

Provide challenging, meaningful work and build employee commitment from the start through effective onboarding programs.

Developing Talent

Ensure that the organization has the skills and behaviors to be successful through a learning and development infrastructure, succession planning process, and the institutionalization of individual learning or development plans.

Deploying Talent

Effectively deploy talent into innovatively designed jobs using out-of-the-box work processes, and manage performance against strategically aligned objectives.

Leading and Managing Talent

Understand and implement leadership and management practices that are right for the organization’s future success.

Retaining Talent

Make sure employees want to stay through fair compensation and benefit practices, meaningful rewards and recognition, positive management relationships, and consistently applied engagement measures.

All of these elements, working together, managed consistently, and measured effectively will substantially contribute to company performance.

4. More Than a Fad

Strategic human capital management has been called the new management fad. It is easy to assume that over time, people will lose interest and move on to the next management trend. However, this management practice provides a smarter way of looking at the way people contribute to business results—and does something about it. Once organizations fully understand how much better they can perform when they strategically manage human capital assets, they’re not likely to go back to their old ways of generating—or not generating—results.

Think about a marching band. Each individual has his or her own role and understands it— while at the same time understanding the role

of others and working with them to produce an outstanding performance. This is essentially what happens in organizations when all of the systems—people, processes, and technology—work together to achieve the ultimate goal.

Organizations can put the best technology systems in place and document all their business processes so that they're as efficient as possible. But it still takes people to do the work. If you don't have people doing the right work for the organization, with the requisite skills, fully engaged and committed, you're ultimately not meeting the organization's full potential. Addressing human capital is about being efficient and effective, too.

5. Whose Responsibility is It?

Is SHCM just another fancy acronym for strategic HR? Absolutely not. While the human resources organization is a critical stakeholder, responsibility for SHCM lies more within the executive and management chain.

It starts at the top with executive management, who is responsible for setting organizational strategy. Once they've determined the business strategy and developed a strategic plan, they need to develop a talent strategy (or a strategic human capital management plan). HR and line management should have a seat at the table and be intimately involved in this effort. Specifically, HR is responsible for:

- Making sure that the organization acquires the right type and number of resources based on executive management's strategy
- Partnering with marketing to define and communicate the organization's employment brand to ensure that the organization attracts and retains the right kind of people
- Creating an infrastructure where talent or human capital strategies can be effectively implemented.

But it's ultimately middle management that carries most of the load, and this is often where the best-laid plans go awry. Management is responsible for making sure that their employees do the work for which they are best suited, understand their

contribution to the organization, and have the resources they need to perform effectively. Managers are the front line of talent retention—if they don't perform well, employees with other options won't stay. When human capital strategies fail at the management level, executives and HR should accept responsibility for failing to create the framework for managers to be effective.

To make it stick, executives, HR, and management must work together at all levels. These groups are mutually responsible for strategic management of human capital including plan implementation, measuring what matters, and managing organizational change.

6. Conclusion

SHCM is a management capability that links employee assets with organization performance. It provides a better way to value employees, execute business strategy, and drive organizational performance to gain and maintain competitive advantage. If human capital truly is the most valuable asset, organizations need to stop paying lip service and rethink the way they develop and manage their employees.