

Are you losing your most valuable asset - people?

Human capabilities will determine the winners and losers in tomorrow's global markets. For most organisations today, people are the major source of value. In survey after survey, including the Economist Intelligence Unit's prestigious CEO Briefing 2007,¹ CEOs of global organisations see the acquisition and development of 'talent' as one of the top challenges for future growth.

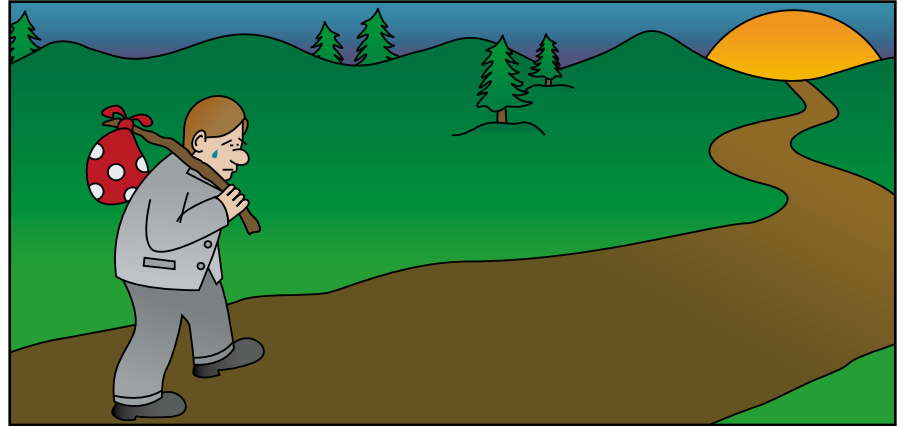
In order to maximise the business impact of any key asset, it is necessary to understand its contribution and how it is built and deployed over time. For 'tangible assets', such as buildings and money, the value is easily shown in the balance sheet and can be monitored over time. However, much of the organisation's share value is made up of 'intangible assets' including the value of people's potential and actual contribution. This value can be described as human capital, human resources, human assets – or simply as 'talent'.

It is important, however, to distinguish between the people themselves and their individual or group capabilities, which are the real assets of the organisation. Many valuable capabilities are expressed through groups of people rather than individuals.

It is relatively easy to measure the costs associated with people (for example in terms of salary or overhead costs) but much more difficult to assess the true value of the capabilities they bring. In measuring and developing human capital, therefore, it is important to focus on valuable capabilities rather than people themselves.

The UK Chartered Management Institute, in association with the Centre for Applied HR Research at Oxford Brookes University, supported by Oracle, has identified three levels at which organisations can measure human capital, or capabilities²:

Level 1: Basic Measures. Concerned with headcount, salaries, staff turnover, recruitment costs or training days, these measures tend to relate to costs associated with people. Although they are relatively easy to obtain and compare with other



organisations, they are much less useful than Level 2 or 3 measures.

Level 2: Strategic Capabilities. These measures aim to assess the value of human capital and how it changes over time. For example, staff turnover split by high and low value capabilities. High and low value capabilities could be identified, in a simple way, by appraisal or performance rating and/or by the value of the role. So, for example, 20% turnover of low rated personnel combined with a 1% turnover of the best might be a cause of celebration, even if the overall rate was therefore higher than average.

Level 3: Differentiating Capabilities. These measures focus on those capabilities, which will add sustainable competitive advantage to the organisation. Any organisation operates in a unique competitive situation. In order to achieve its goals, it must develop and build new capabilities, which are rare, valuable and difficult to copy. Human capabilities fulfil these requirements as they arise within unique organisational cultures.

Level 3 measures can also work at a national level. In the UAE, for example, the very high proportion of expatriate workers combined with a strategy of very rapid growth, means that it has to build an exceptional capability in management and leadership and is developing programmes to do so. The UK, with a strategy

of attracting substantial external investment, provides exceptional capabilities in advanced skill areas of science and technology and is one of the top three locations globally for scientific disciplines including biological, business, environmental, health, social sciences, humanities and mathematics.

Companies and governments need to identify those capabilities that are critical to the achievement of strategic intent. They must find and utilise key capabilities wherever they exist, including direct investment to set up operations in locations where rare capabilities exist or where they can be developed.

Direct investment can be facilitated through organisations such as UK Trade & Investment, the UK Government's international business development organisation, which supports business seeking to establish in the UK and help UK companies grow globally.

Professor William Scott-Jackson is the co-Director of the Centre for Applied HR Research (www.cahrr.org) at Oxford Brookes University and can be reached on wjsj@bhrgrp.com

¹ Sponsored by UK Trade & Investment, available from www.ukinvest.gov.uk/ceobriefing

² Scott-Jackson W. B., Cook P. & Tajer P. (2006). *Measures of workforce capability for future performance: Volume 1: Identifying the measures that matter most.* Chartered Management Institute London

Unlock your potential. Discover how UK Trade & Investment can help you grow your business, and your people, today.

www.ukinvest.gov.uk

UK Trade & Investment

Helping you grow your business globally

“For companies wanting to internationalise, the UK has it all.”

Perfectly positioned at the crossroads of global commerce, the UK offers a unique mix of R&D, skills, education and finance.

As the UK Government’s international business development organisation, UK Trade & Investment helps overseas

companies wishing to expand into the UK by bringing together a network of business sector specialists and support teams across the globe that will help facilitate their move.

We also help companies based in the UK grow their international business.

Unlock your potential. Discover how UK Trade & Investment can help you grow your business, and your people, today.

www.ukinvest.gov.uk

