



**Developing
Human Assets**

Einblau
& ASSOCIATES LTD.

1400 - 1500 West Georgia Street
Vancouver, B.C. Canada V6G 2Z6

Telephone (604) 684-7164

Fax (604) 685-1520

e-mail office@einblau.com

Human Capital Management and a Tough Economy

Human Capital Management encompasses all the functions and responsibilities aimed at attracting, hiring, developing and retaining the people resources essential to a company's success. The concept and value of human capital as a prime economic driver first gained wide recognition in 1964 through the publication of a book by Gary S. Becker, Nobel Laureate, aptly entitled *HUMAN CAPITAL*. Now human capital has become widely recognized as the main resource for wealth creation in the Knowledge Era in which we live and work.

There is a growing pool of evidence that human capital in the form of knowledge workers successfully retained by an organization is essential to its continued profitability. For example, the massive human capital cost-saving cuts of the past two decades have rarely produced long-term financial gain for the organizations that mandated them. In his recent book *GOOD TO GREAT - Why Some Companies Make the Leap... and Others Don't*, author Jim Collins reveals the results of a 5-year study showing a major part of the foundation of "great" companies is a respect for and investment in "great" human capital to effect long-term success. Current studies prove a strong correlation between human capital management and shareholder value (e.g. *The McKinsey Quarterly* article "*The war for talent, part II*").

Many books and articles continue to be published on the subject of human capital management, as forward-thinking American and international companies actively discuss new metrics for measurement. Even as those discussions are in progress, new software applications are being rushed to market to capture human capital key indicators and promise new competitive advantages for their customers.

We are moving full-steam ahead into defining new parameters for human capital management - as well as moving through an increasingly tough economy. The two trends together spell "major challenge" for business managers as well as knowledge workers themselves. *Businesses are looking for answers to how they should implement reliable ways of attracting and retaining the right mix of human capital to assure success through relentless change. On the knowledge workers' side, highly qualified workers are still reeling from recent layoffs and corporate finance scandals. They are becoming increasingly skeptical of corporate hype and are looking for proof that companies can deliver the benefits and opportunities they promise.* Focus is turning to fine-tuning their employment processes as companies begin to compete for top talent to secure their future success.



**Developing
Human Assets**

A tough economy will move human capital management strategies to the forefront for no other reason than cost. It has become more important than ever that companies attract, select and retain top talent to avoid costly turnover (conservatively estimated at 5 times an annual salary on average). *Some of the building blocks essential to a successful talent selection process include clearly defined jobs, objective assessment tools and standardized hiring processes that meet the requirements of federal employment laws. Internally, company leadership must be focused on effective strategies for the coaching and development needed to retain and maximize valuable human capital.* Talented knowledge workers, who are independent and mobile, will research companies' practices in human capital management as an essential element of desirable employment in the future.

The time has arrived for businesses to seriously address the topic of excellence in human capital management. For companies who require assistance in creating effective human capital management strategies, many of the needed customization services may be outsourced to specialized professionals and consultants. Workplace forecasters all agree that the race for top human capital will continue with no end in sight. Those companies who succeed in hiring and retaining the perfect mix in human capital to guide and strengthen their businesses will have a competitive advantage that will be hard to beat.

Courtesy of: TTI Performer Vol 2 Issue 3
© 2002, Target Training International, Inc.