



Human Capital Management Practices

Over 400 human resource executives gathered at the Human Resource Planning Society's Annual Conference held recently in Miami. During the three-day conference 35 presentations were conducted on topics concentrating on applying human resources management to drive business breakthroughs. Two of the sessions, on human capital management practices and talent acquisition & retention, were of particular interest to our clients.

For years studies have shown that strong financial companies are usually those who have excellent human resource practices and procedures. The real question though was a bit more reflective. Do better people management strategies actually create higher market value? Or do financially successful companies simply have more resources to allocate to human capital initiatives?

Research presented by Watson Wyatt Worldwide a leading global consulting firm of more than 500 North American companies, indicated that superior human capital management is a leading, rather than a lagging, indicator of improved financial success.

The research was compared to the results of the original 1999 Watson Wyatt survey. The results showed that good human capital management matters and have a direct impact on the bottom line. Those firms with a high human capital index (HCI) returned significantly higher returns for their shareholders compared to firms that exhibited lower HCI scores.

Watson Wyatt's findings showed precisely what human capital practices had an impact on the bottom line. 43 of 49 key human capital practices had a positive correlation in improving a company's market value. The general category with the greatest impact was "Total Rewards and Accountability" while "Collegial, Flexible Workplace" and "Recruiting and Retention" also rated highly. Conversely, six practices including 360-degree performance reviews and implementing human resource technologies with "softer" goals in mind had a negative impact on financial performance.



In another presentation at the HRPS conference, Beth Axelerod from McKinsey & Co. underscored the need for companies to actively manage their human capital. In a follow-up from McKinsey's work from a few years back, Axelerod declared that the war for talent is not over despite the twists and turns of today's economy. Organizations that believe the talent wars are over will be left behind according to Axelerod. Talent is a scarce resource and forward thinking companies are continuing to focus on strategies to attract, retain and motivate their key staff. Regardless of economic ups and downs, talent will always have options.

What's Marra Peters take on these important findings?

*Good talent is hard to find. Like any limited resource, value it accordingly.

* Do everything you can to keep key staff motivated, excited and passionate about your business. Provide opportunities to enable such a result.

* Companies that execute a cohesive and well thought out human capital strategy will attract talented individuals and over time, deliver superior financial results