Human Capital Management Strategy

Human Capital Management Strategy (P-107)

Human capital management (HCM) is concerned with obtaining, analyzing and reporting on data that inform the direction of value-adding people management strategy.

It emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmers.

Human Capital Management Strategy (pp.107-108)

HCM provides a bridge between HR and business strategy. It provides the basis for 'evidence-based human resource management'.

HCM involves the systematic analysis, measurement and evaluation of how people policies and practices create value.

An organization's success is the product of its people's competence. That link between people and performance should be made visible and available to all stakeholders.'

Human Capital Management Strategy (P. 108)

Nalbantian *and others* define human capital as the 'stock of accumulated knowledge, skills, experience, creativity and other relevant workforce attributes' and suggest that human capital management involves 'putting into place the metrics to measure the value of these attributes and using that knowledge to effectively manage the organization'.

Human Capital Management Strategy (P -108)

Human capital management is an integrated effort to manage and develop human capabilities to achieve significantly higher levels of performance.

HCM is about creating value through people' and that it is 'a people development philosophy, but the only development that means anything is that which is translated into value.

AIMS of Human Capital Management Strategy (P -108)

- to determine the impact of people on the business and their contribution to value;
- to demonstrate that HR practices produce value for money in terms, for example, of return on investment;
- to provide guidance on future HR and business strategies;
- to provide data that will inform strategies and practices designed to improve the effectiveness of people management in the organization.

LINK BETWEEN HCM AND BUSINESS STRATEGY (Pp. 108-109)

- By Linking good HR practice and strategic management to human capital measurement, firms are able to make a number of better-informed decisions that will help to ensure long-term business success.
- The aim is to have a ‘robust people strategy mapped to the business strategy.
- The prime purpose of human capital management is to establish ‘an employment proposition that links the work of employees to strategy and profits

DEVELOPING A HCM STRATEGY (Pp. 109-110)

	Content	HR Supporting Activities	Supporting Data Required
Business Strategy	➢Growth – revenue, profit. ➢Maximize shareholder value. ➢Growth through acquisitions or ➢mergers. ➢Growth in production ➢or servicing facilities. ➢Product development. ➢Market development. ➢Price/cost leadership.	❑Human resource planning. ❑Talent management. ❑Skills development. ❑Targeted recruitment. ❑Retention policies. ❑Leadership development.	✓Workforce composition. ✓Attrition rates. ✓Skills audit. ✓Outcome of recruitment campaigns. ✓Learning and development activity levels. ✓Outcome of leadership surveys.

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY (P.114)

The whole area of human capital management presents both an opportunity and a challenge:

- an opportunity to recognize people as an asset that contributes directly to organizational performance,
- a challenge to develop the skills necessary to identify, analyze and communicate that contribution and ensure it is recognized in business decision making.

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY (P.114)

By developing strategies to generate better and more accurate information on human capital and communicating this information both internally and externally, organizations will not only improve their business decision making but also enable stakeholders to make more accurate assessments about the long-term future performance of the organization.

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY (P.114)

There is evidence of a growing demand, from the investment community in particular, for better information to explain intangible value. Many organizations are beginning to understand that, in an increasingly knowledge intensive environment, the key to good management lies in understanding the levers that can be manipulated to change employee behavior and develop commitment and engagement.

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY (P.114)

This in turn encourages individuals to deliver discretionary behavior or willingly share their knowledge and skills to achieve organizational goals.

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY (P.114)

A human capital management strategy that includes the systematic collection and analysis of human capital data can help managers to begin to understand factors that will have a direct impact on the people they manage.