

Johannesburg
20 June 2011

MANAGING HUMAN CAPITAL MATTERS

In some organisations, lip service is given to the fact that employees are their biggest and most important asset. *Human capital, talent management* and *employee engagement* are words used to describe this virtuous intent. But when it comes to the bottom line, only financial indicators are reported and there is usually scant regard for the employees who were responsible for the profits in the first place.

Most often, organisations attach value to that *which is measured*, and therefore will only *manage* the areas which are being measured. And by default, that which is measured becomes the organisation's top priorities. Over time, this single-sided deficient practice of managing the so called 'biggest asset' becomes polluted, and then in a short space of time, it presents the biggest risk. Hence organisations 'sugarcoat' employee health care management practices with wellness days, health risk reports and campaigns that create temporary joy, and waste a lot of money and do nothing to sustain or promote optimal human functioning.

Moreover, some organisations may find their management are 'negatively geared'; such where their management practices are dominated by a constant focus on *problem behaviour patterns* which highlight employee insufficiencies, instead of empowering employees and investing in their well-being. This antiquated management behaviour focuses on what is wrong, or out of line, and management who follow this practice are constantly focused on fixing problems. Understandably, if the only tool management has is a hammer, one may tend to "see every problem as a nail and every nail as a problem".

Familiarity and practice influence our perceptions of leadership, and we tend to understand the world in ways that conform to our available means. When employee health care problems such as absenteeism or high medical aid expenses exceed our means, management strategies and leadership competencies begin to show their flaws and their ineffective ability to deal with these types of problems. And whilst an organisation may choose to ignore these mounting employee related challenges -- and consider them merely as tedious or 'soft' issues -- there is no doubt that the more informed stakeholder of the organisation will begin to question the true value attached not only to the financial performances, but indeed also to the manner in which the organisation protects its employees, as well as the environment in which they operate. In this regard, the tenants of sound governance -- as espoused in the recent King III Report on Governance 2009 ('King III') -- requires publically traded organisations to advise its stakeholders of the manner in which it governs its triple bottom line, and comprises the three essential components of people, planet and profit (PPP).

These deficient human capital practices may well become a component that will impact negatively upon the organisation's triple bottom line, and will have to be explained within the organisation's annual integrated report. Whilst King III requires this level of integrated reporting, regrettably it does not provide any detail in which organisations must report, neither act, in order to achieve an acceptable benchmark that determines the criteria for valuing human capital. There is also no legislation in this regard, besides the usual minimum wage, maximum work rate and expected conditions of employment requirements.

As may be expected, many organisations who balk the idea that value must be attached to their employees -- particularly those organisations who treat their employees merely as dispensable items -- can exploit their subjects whilst there are no clear standards that provide an objective, realistic view to the manner of valuing and measuring the assets of human capital.

Considering the fact that there is no explicit guideline within legislation and King III regarding *how* organisations should strive to attach a greater, more tangible value to their human capital, there is no doubt that the organisation's leadership will need to decide the manner in which they manage and balance these three vital PPP components on their bottom line and its reporting.

ARTICLE

Clearly, as more modern styles of management and employment practices have infiltrated progressive boardrooms, some leadership attitudes have changed to befit more inclusive organisational cultures which promote and amplify positive virtuous behaviours. More practically, these organisations oppose the dysfunctional leadership styles and the disempowerment of its employees, and they intentionally seek ways to bolster the strengths of their employees' skills, whilst also improving their overall physical, emotional and physiological lifestyle. Employees are not treated as objects and profit becomes only one of the three indicators of success. Organisations that assign tangible value to their human capital, typically function in, and apply a *one-for-all and all-for-one* participatory, progressive management practice. Virtuous organisations are not typified by greed, selfishness, manipulation, secrecy and single-minded focus on winning the small (and mostly internalised) battles. They are rather characterised by trust, reassurance, selflessness, healthy attitudes and optimism; thereby allowing the organisation a better chance of success and its future sustainability.

Organisations find themselves on a continuum that either depicts a state of healthy or normal performance in the middle, with illness and wellness as opposing poles of the same continuum. Conditions of negative performance (representing illness) that occur on the left of the continuum and a state of positively deviating performance that appears on the right (representing wellness), also illustrate human capital management approaches. At organisational level, the idea portrays conditions ranging from ineffective, insufficient and error-prone performance to effective, efficient and reliable performance in the middle. The right side of the continuum represents extraordinary, flawless, honouring and positive organisational performance. Negative (illness-health) and positive (health-wellness) deviance refers to aberrations of harmfulness or mediocre functioning, to one extent and virtuous (flourishing) organisations on the other end of the continuum. Depending on the competence and organisational philosophy, progressive leaders strive to manage all aspects of the organisation towards the positive, wellness and virtuous side of the continuum.

The question remains: "Do you manage the deficiencies or the efficiencies?" Both indicate some direction on the illness-health-wellness continuum, being a negative downward spiral or a positive upward spiral. Sometimes it is not a question of *what you do know* that creates the benefit, but *what you do not know* that hurts the most. Not knowing how to leverage the strengths vested in human capital towards positive business growth will place you on the back foot. What is desired, rather, is to have employee health promotion strategies that support change management processes, which realise both financial and non-financial outcomes as evidence. By developing and promoting the strengths that reside in the organisation's human talent, the opportunity for greater innovation and positive growth is broadened. Key cornerstones in these processes are virtuous cultures and authentic leadership. Virtuousness in organisations usually manifests as individual activities, or as collective actions, but in the end it produces real advantages to several stakeholders. In other words, workplace wellness initiatives, must have positive human impact, moral goodness and social betterment as the foundations to support and achieve sustainable human capital. Many organisations misunderstand this important component, that employee health care and workplace wellness programmes asks for a good dose of authentic leadership and virtuous actions. Well developed wellness programmes deliver a significant return on investment because it promotes health, strengths, and positive organisational citizenship that stretch far and beyond the absence of sickness. Evidence-based wellness programmes are associated with inspirational leaders that walk the talk and employees that aspire to be the very best that they can be, both physically and psychologically.

About CGF Research Institute (Pty) Ltd

Contact CGF to find out more about our governance, risk and compliance and policy services at www.cgf.co.za or www.corporate-governance.co.za

About the Be Well Program

Contact Be Well Program for more information on workplace wellness programme support services at info@bewell.org.za or on www.bewell.org.za

Words: 1280