

### Article issued by CGF Research Institute & Be Well Program

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#### **HUMAN CAPITAL AND TALENT MANAGEMENT: SUSTAINABLE?**

One of the biggest oversights found in many organisations is that they generally do not factor their Human Capital risks, neither integrate these risks within the overall risks of the organisation. Even worse, the talent found within the organisation's Human Capital is rarely understood. The elements associated with the organisation's Human Capital and talent is often seen as an 'intangible asset', and not factored as a *value* item on the balance sheet. Being two sides of the same coin, *risk* may represent -- on the one side -- a negative downward spiral and *talent* -- on the other side -- a positive upward spiral. It is only when these two components are integrated, related or subtracted that one can truly prove (or disprove as the case may be) whether the organisation has a positive investment in its Human Capital, whereupon the organisation may *then* claim to be sustainable in this critical area. Protecting and managing the organisation's Human Capital -- against the backdrop of its other enterprise risks -- is essential. Failing to manage *all the organisation's risks* can profoundly influence an organisation's ability to create and promote the organisation's value, furthermore being able to provide a credible Integrated Report which comprises a holistic view of the organisation's economic, environmental and social performance.

Managing Human Capital and talent management as a risk factor within the organisation is a *dual process*; rather ironically when an employee health or wellness programme is implemented in an organisation, it can be completely mismanaged and instead of creating value, it destroys value and negatively impacts employee morale. To this end, many organisations implement workplace wellness programmes purely to protect the organisation from losses such as absenteeism, presenteeism, workers' compensation payouts, rising health care costs and expenses related to litigation. Unlike the reactive approach, organisations could achieve much more than a defensive wellness programme and seek to derive greater benefits where the Human Capital risks are integrated within the strategic vision of the organisation that amplifies *value creation, improved return on investment (ROI) and a more sustainable, happier workforce*. Needless to say -- through this proactive approach -- an informed stakeholder who ponders the contents of the organisation's Integrated Report, will quickly distinguish the manner in which the organisation's Human Capital;

- creates sustainable workplace wellness,
- unlocks true value from its workforce,
- measures and assesses the value of its workforce as a component in the balance sheet, and
- builds a positive and sustainable workforce through talent management.

In an ever-increasing competitive economic landscape, the role of management -- who are responsible for the organisation's Human Capital -- has expanded significantly, and this position may no longer be described as a 'soft' appointment (which may have been the case in years gone by). The Human Capital managers of today are required to be -- in addition to their normal expected qualifications and duties -- knowledgeable in a wide range of business and financial matters. Moreover, they must be well versed in governance, risk, compliance and legislative matters which affect the organisation and its workforce; not least also be able to hold their own in any boardroom. Truly, the Human Capital managers are expected to be so much more than their predecessors; their personal risk and liability factors have increased significantly in recent times and they are quite frankly *a rare and new breed of business leader* who are required to be strategic and at the same time understand the critical importance of managing the organisation's Human Capital and talent.

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As this new breed of Human Capital manager will discover; trying to balance the organisation's overall risks against their Human Capital and talent requirements is no small feat, and simply hiring, firing, retrenching or placing an employee on short-time is no longer that simple. Going forward; a new meaning becomes 'group wellness' that embraces a more holistic approach to managing the organisation's Human Capital and its talent – clearly this strategic thinking extends beyond a 'simple health promotion programme'.

Successful Human Capital managers implement health promotion programmes that enhance human resource capabilities, work performance, quality and productivity. Their strategies raise awareness and commitment among employees to manage the associated risks not only in their own position of employment, but also the greater risk ambit surrounding the organisation itself, the environment, the economy and the community in which it operates.

Understandably, as the 'connected economy' continues to dissipate traditional thinking and business boundaries, it is expected that each employee will deal with many more business aspects, including the attached risks, than in past times. Naturally employees need to be far better equipped to deal with this complex business world, and their ability to understand business rules and legislation is vital if they are to cope, let alone be successful. Accordingly, with greater business integration, and more demands upon organisational sustainability and effective risk management, Human Capital managers are expected to fulfil a greater set of responsibilities that provides – amongst other criteria – employees who are *actually* able to do their jobs and *exceed the traditional expectations*. In order for the Human Capital managers to achieve this, they will need to step to the forefront as they re-design their new Human Capital requirements. It therefore comes as no surprise that Human Capital managers are joining Risk Committees not only to manage their people-related risks (as a recurring item), but also to contribute towards the optimisation of people-related capital. Integrated health and group wellness programmes, are one example whereby Human Capital managers are held responsible to -- rather paradoxically -- address the *employees' health risks*, whilst at the same time try to *promote employee wellness* as a form of social sustainability.

### **Be Well Program: Workplace Wellness Programme Evaluation**

As a test to determine the extent to which organisations are able to *claim its state of 'workplace wellness'*, in the first semester of 2012, the research company called *Be Well Program*, published its *Workplace Wellness Programme Evaluation Report*. Human Capital managers of the participating organisations in Southern Africa completed an online questionnaire about their employee wellness programme design, content, and administration. This wellness programme evaluation included aspects such as the effective development, implementation and management of various workplace wellness programmes, and its respective outcomes.

Amongst many of its benefits, participants agreed that the programme outlined international best practices for the various elements of successful wellness programmes. Participating organisations received their own customised feedback reports with their performance scores against the best practices. The combined scores, as it was extrapolated from the overall database, indicated certain trends as strengths and some as opportunities as indicated below:

### **Be Well Program: Best practices results**

Highest scored best practices	Score	Lowest scored best practices	Score
Health promotion interventions	71%	Wellness programme committees	27%
Wellness programme strategy	58%	Operational plans	28%
Workplace practices	58%	Data and information management	41%

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As a best practice, it is clear that organisations do invest significant resources in employee *health promotion interventions* and it was found to be the highest scoring element among all of the best practices. Most of the participating organisations manage wellness education, lifestyle change and wellness culture development interventions that serve as a positive aspect. The second and third best practice, *wellness programme strategy* and *workplace practices*, was ranked high but did not overly score.

On the negative side -- with the lowest scored best practices -- most participating organisations did not have a formally appointed *Wellness Programme Committee* to manage the Wellness Programme. The effectiveness and cohesion of Wellness Programme Committees appear to be the biggest weakness among all participating organisations. Delving deeper into this low scoring best practice, it appears that Wellness Programme Committees are not held responsible for the organisation's Wellness Programme outcomes, moreover measuring the ROI. In general, Wellness Programme Committees also lack diverse, multi-disciplinary representatives from all levels of the organisation. The research findings also found that many organisations do not have -- nor do they manage -- a documented operational plan when they implement a workplace Wellness Programme. Lastly, organisations lack sufficient and integrated Human Capital information to evaluate their Wellness Programme outcomes. This makes it very difficult to substantiate the financial and non-financial impact that the Wellness Programme has upon the organisation's Human Capital and its overall sustainability.

As more capital is managed with socially responsible investing (SRI), more informed stakeholders -- especially investors -- are going beyond financial information and now also consider non-financial, environmental and social information performance in their investment decisions.

Key challenges for Human Capital managers are to make their employee wellness strategies inseparable from their enterprise sustainability. It is especially important since sustainable social development is a challenge that entails -- among other factors -- international and national laws, urban planning, social responsibility and ethical consumerism. Successful organisations align their employee Wellness Programmes with their social responsibility programmes, and this is documented in their Integrated Report and strategy. In essence, they sustainably manage the direct and indirect, financial and non-financial impact that is made on employee wellness, the families of employees, the community and the environment.

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#### **About the Be Well Program**

Contact Be Well Program for more information on workplace wellness programme support services at [info@bewell.org.za](mailto:info@bewell.org.za) or on [www.bewell.org.za](http://www.bewell.org.za)