THE FUTURE OF THE HUMAN CAPITAL INDUSTRY

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Introduction

The term "human capital" was popularized by Gary Becker in 1963. Dr. Becker and Dr. Theodore Schultz made the term permanent in the field of economics with their groundbreaking work in the field and Dr. Becker won the Nobel prize for developing this important area. Since their pioneering efforts, companies have spent billions of dollars on human capital development, human capital assessment and human capital selection. CEO's over the past decade have given thousands of speeches stating that "people are our greatest asset." In fact, as of the date of this paper, there are 2,990 websites that use the this term on their site. Management consulting firms like IBM, McKinsey, Bearing Point, Accenture and thousands of other similar firms all have "human capital development practices" and charge millions of dollars in fees to help companies improve the effectiveness and productivity of their employees. Vice-presidents of human resources in major companies are now tasked to manage large scale investments in the company's human capital, measure and improve the productivity of their workforces and develop detailed competency and skill sets for each position in the organization.

The Field of Human Capital is Now at the Crossroads

In spite of all of all of these fees that organizations pay and all of the books on human resources that somebody reads, CEO's remain perplexed about the best strategies to deploy to improve the performance of their "human capital." This paper explains that there are three basic shortcomings in the field of human capital that explain why CEO's can not buy the right tools, education, training, organizational consulting and leadership they need to improve how their workforces perform. These shortcomings are:

1. The human capital industry has focused its assessment efforts on historical or "backward-looking" analysis.

2. The human capital industry focuses primarily on the ***individual*** as the unit of analysis. With the exception of some work in the fields of labor economics and organizational development, the industry has failed to undertake systematic, empirical research using the organization (the entire organization or a division, plant, country, profit center, cost center, etc.) as the unit of analysis.

3. The human capital industry has failed to create forward-looking tools that predict the future performance of groups or organizations.

The human capital industry is now searching for a way to prove that it is relevant in improving the performance of large groups of people. Unless the industry can give CEOs a clear, predictive analysis of the future expected performance of their workforce, the human capital industry will never find a home in the office of the CEO.

Focusing on the Organization, Not the Individual

The historical perspective of almost all existing human capital research and assessment tools have yields almost no predictive value at the organizational level. CEOs can not look at any statistic that their VP or director for human resources, CFO, CIO or any consulting firm produces that can accurately predict the future performance of their workforce. If CEOs did not have reliable figures for predicting revenues, costs, profits, inventory levels or economic conditions in the future, they would be running their organizations totally blind and have no control or even influence over the future direction of their companies, their non-profits or their educational institutions.

The human capital industry must begin to operate at the organizational level rather than at the individual level. Group, division or organization wide evaluations should be the norm, rather than the current emphasis on individual evaluations. The new emphasis on 360 degree feedback does not address the underlying problem of our failure to assess human performance at the organizational level. Analytical tools must be created that produce a single "number" on a regularly recurring basis that gives the entire workforce of an organization (or division) a single score that CEO's can rely on as a valid measure of the future performance to expect of their workforce.

The Future

There are pioneers leading the human capital industry who are creating tools and research projects that can be undertaken within organizations that will resolve two of the major problems facing the human capital industry. First, their tools measure current performance at the organizational level. Second, their tools measure this performance in a way that makes it a solid predictor, or leading indicator, of future performance of the workforce of an organization. This work performed by McBassi and Company, Inc. (formerly Human Capital Capability, Inc., www.hcc-scorecard.com) gives CEO's, school superintendents, plant managers and other leaders the first ever single number predicting the future performance of their workforces. This work also identifies, through the component parts of the McBassi future performance indicator, what areas of improvement in the workforce and in its management and development of its workers, will yield the most improvement for the dollar spent by the company.

This analysis yields insights for organizations of any size, including organizations that have hundreds of thousands of employees. Previous McBassi and Company projects have proven that their analytical tools not only predict with a high degree of accuracy workforce performance, they can also be customized for organizations to predict plant safety rates, standardized test results for students and most importantly, expected profits for companies.

Conclusion

This work is a new chapter in the human capital industry. It is group or organizational "centric." It is future oriented, predictive. It is designed to guide future investments in human capital. And it is designed for the CEO of the organization. The McBassi future performance indicator seems to solve the missing link in the field of human capital: something that predicts human performance at the organizational level. Just as a CEO or investment analyst could not perform their jobs without a strong predictive capability of an organization's future earnings, companies, large non-profit organizations and educational institutions can not be operated either efficiently or effectively without having a strong predictive capability of the future performance of their workforce. The McBassi future performance indicator allows CEO's to lead a company with a steering wheel. Until today, the human capital industry has only given CEO's a rear view mirror to use for steering.