

Human Capital Management: Achieving Added Value Through People

By Angela Baron and Michael Armstrong
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This is one of those rare business books that quite thoroughly combines both theory and practicality. I have already recommended it to an individual with years of experience in HR and an understanding of work-force analytics and metrics, and to someone else who is just developing an interest in the subject, and I am confident that both will find it useful.

Human Capital Management is a term that has been bouncing around the HR world for longer than most of us realize. It sometimes is used rather loosely, and often seems synonymous with work-force management, or even just human resource management. Baron and Armstrong, however, present a more precise definition: “The defining characteristic of HCM is the use of metrics to guide an approach to managing people that regards them as assets and emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmes.”

The authors (who are British: American readers will have to adjust to some unfamiliar spellings) draw upon some impressively thorough research to build the historical and economic context of the term, helping the reader to understand related concepts such as intellectual capital, social capital and organizational capital. Even with an abundance of research references, the “story” is clearly set forth.

That context and all those references and background information are what make it such a good “primer” for the individual who wants to understand what HCM is and why it’s important.

The authors are also very successful in translating theory into practical understanding and application. For example, after several pages of discussion about social and organizational capital, they help the reader understand how all that theory focuses our attention on various HR practices and strategy. They specifically explain the connection to resourcing, (employee) development and rewards. They demonstrate how academic

concepts such as “social capital theory” have real-world meaning for processes and programs within an organization.

As I was reading through this, I found myself thinking of HCM in different terms: not Human Capital Management, but rather Human Capital Measurement. Baron and Armstrong contend that HCM is a process and an approach that enables “... proving the value of people and generating added value from them ...” as well as “...a belief that investment in people is highly desirable [and] must be considered investment supported by evidence that a satisfactory return will be obtained by it.” Proving value, providing evidence and evaluating return on an investment requires measurement. Part I of the book lays the groundwork for the discussion of data and measures, and Part II begins to provide the practical tools for applying the theory.

One of the best things about this book is the abundance of lists and tables and even questions that need to be asked by an organization interested in measuring the value of its human capital and its HR programs. Some of these are short and simple, such as the three basic classifications of measures (activity measures, performance measures, and added value measures, in case you were wondering!). There’s a table that lays out specific measures – or metrics – that would support various HR areas, and the actions that might come out of those measures. Another table illustrates the stages of HCM, from the very beginning to a very advanced state; the data typically gathered and used in each stage; and the applications for that data. (For example, in the first stage of the evolution of HCM in an organization, they would likely focus on basic data such as turnover, absenteeism, and the number and type of grievances filed by employees. The data would be used to carry out trend analysis, provide simple reports to management, and focus attention on recruiting practices and absence management policies.)

There is also an excellent toolkit provided as an Appendix. These 36 pages provide nothing less than a “how to” manual, with questionnaires and surveys and lists that guide you through:

- Making the decision about whether your organization needs to adopt an HCM approach,
- Understanding how you would use HCM,
- Developing a business case to your management team as to why HCM is a good idea,
- Identifying the drivers and goals behind HCM in your organization,
- Establishing the priorities for developing various aspects of HCM, and
- Identifying the measures that will address those drivers and goals, and the data needed to support those measures.

Also included in the toolkit are several employee opinion surveys to help you measure satisfaction with and understanding of reward practices, performance management processes, leadership, and employee engagement and commitment.

This is not what you’d call “a light read.” There’s a lot of material here and some degree of concentration and thoughtfulness will be required. But most readers will find a great deal of value in these pages.

