

Time to Value: Harnessing Human Capital in Digital Age

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I. Introduction

Since last three decades there has been change in the valuation pattern for the companies'. In 1980 the stock market valuation of the company would show the 95% of the assets valuation by liquidation of the company coming from hard assets –machinery, property etc , and remaining 5% from the non-tangible assets. In 2010 [Fig 1.1] we saw different trend 60% of the company value was from its intellectual capital, however 40% from its hard assets. This trend has changed in 2017 with 80% of company value on –Intellectual Capital, Customer Capital –Relations and Data, and Human Capital, the changes are facilitated by Artificial intelligence, Business intelligence, and cognitive technology.

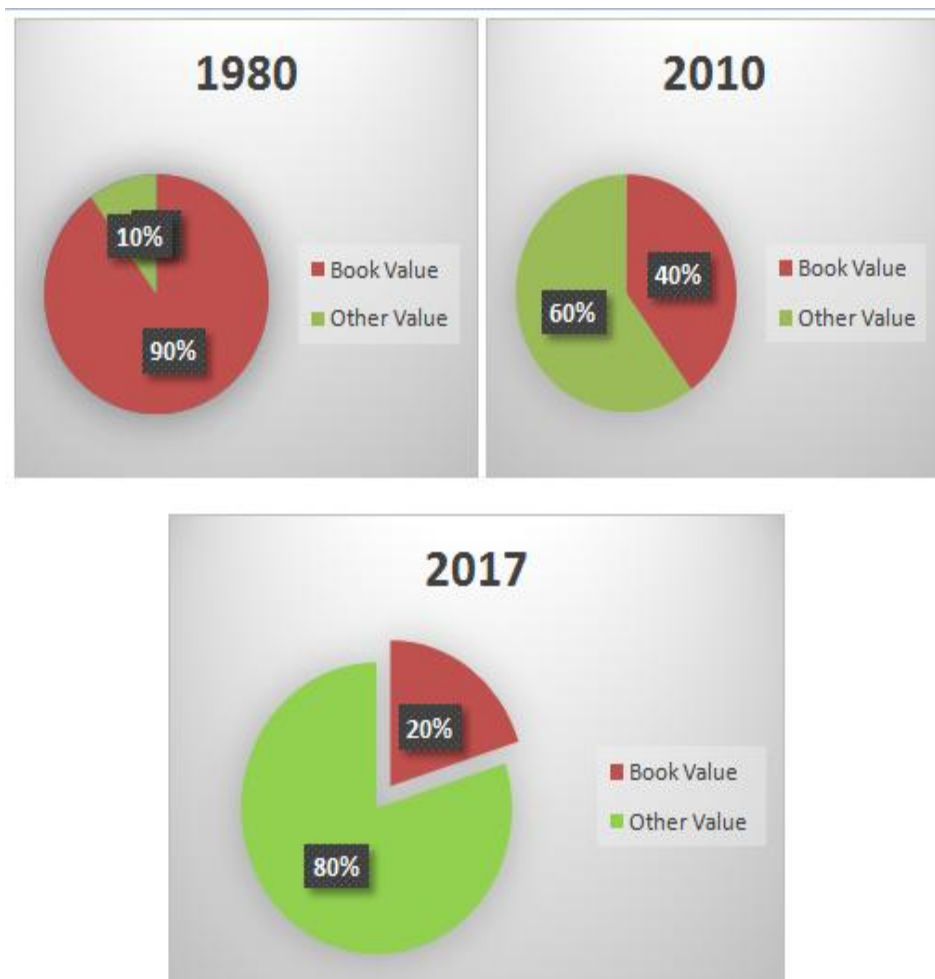


Fig 1.1

Looking at different types of assets and their competitive differentiators within business,

Tangible assets -All fixed assets are tangible. Moreover, some current assets like inventory and cash fall under the category of tangible assets too. Difficult to differentiate between companies on tangible assets, as competitors can easily acquire and raise the tangible assets. Intangible assets - Some examples of intangible

assets are goodwill, franchise agreements, patents, copyrights, brands, trademarks etc. Intellectual Capital - It is the intangible value of a business, covering its people (human capital), the value inherent in its relationships, and everything that is left when the employees go home is Intellectual property (IP). It is but one component.^[1] It is the sum of everything everybody in a company knows that gives it a competitive edge.

Intellectual capital consists of:

- **Human capital**, is the value that the employees of a business provide through the application of skills, know-how and expertise. Human capital is an organization's combined human capability for solving business problems and exploiting its Intellectual Property. Human capital is inherent in people and cannot be owned by an organization. Therefore, human capital can leave an organization when people leave, if management has failed to provide a setting where others can pick up their know-how. Human capital also encompasses how effectively an organization uses its people resources as measured by creativity and Innovation. Hence with current Company valuation Human Capital is the most prized asset and cannot be replicated between 2 companies easily.
- **Relational capital**, consisting of such elements as customer relationships, supplier relationships, trademarks and trade names (which have value only by virtue of customer relationships) licenses, and franchises. The notion that customer capital is separate from human and structural capital indicates its central importance to an organization's worth.[2]

For an organization to drive value from its setup, and give returns to investors /shareholders are primary goal. Fig 1.2 depicts the chain from right to left, The Roots as Human Capital which assists organizations to produce Quality products. Brings Innovation to create differentiation with the competitors. Differentiators like -How do you create more for less, to generate better throughput and grow your customer base. Create Productivity with automation and reduce manual efforts. Build Customer Relation Goodwill and gets new Customers for Business. These in turn help in Organization Spread and Growth. Hence in short Human Capital has become the main driver for any organization.

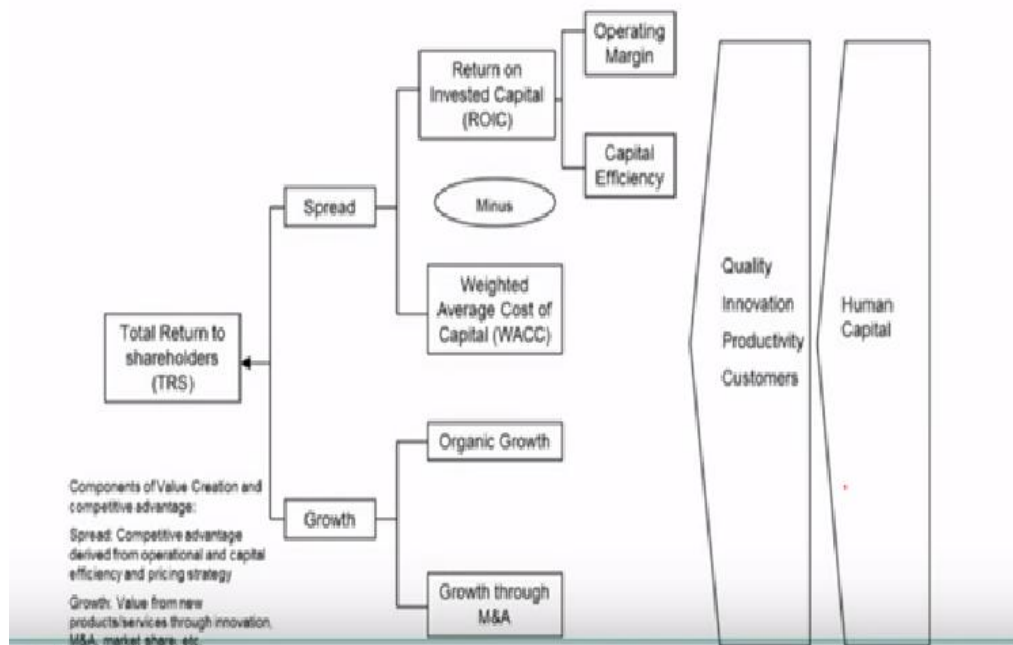


Fig 1.2: Driving value creation and shareholder return

II. Time to Value:

Time to Value is transformational process of creating real value from the Human Capital. If human resources are strategic asset then it merits being treated as an item on the balance sheet of an organization and needs to be managed and invested as carefully as its financial capital and have a similar charter of being deployed to ensure that the organization achieves above normal returns to its shareholders.

The term human capital recognizes the centrality of human resources to the strategic performance of an organization and is uplifting and exciting aspect of unfathomed potential.
Can we measure human capital?

An organization can continue to rely on its traditional sources to measure and track performance. However, it may choose to task the leaders responsible for managing people in the organization with several key measures that indicate the health and well-being of its people assets – such measures could include workforce morale and engagement; employee turnover; compensation profile relative to the industry; promotion rates; organisational layers and so on.

What is exciting about this strategic approach to human capital management is understanding how genuinely inspirational and authentic leaders can make positive transformational changes in organizations and in societies by more effectively managing their human capital. This calls for all leaders in the organization to apply strategic key principles of human capital management more effectively.

Human Capitalization key principles:

1. Team Diversity
2. Psychology
3. Data Analytics
4. Learning and Development
5. Changing Trends in Workforce

1. Team Diversity:

It is important to have diversity in the group based on GRRACE [Gender,race,religion,ability,age,culture,and ethnicity] which leads to psychological make –up of the team.

Diversity encapsulates the cognitive resource theory, which is the idea that diversity of cognitive resources promotes creativity and innovation, problem solving capacity, and organizational flexibility. People working in diverse group /teams, are more comfortable and happy, where inclusivity is a priority.

A company who embraces diversity attracts a wider range of candidates to their vacancies, as it will be viewed as more progressive organization and will appeal to individuals from all walks of life. Naturally, as the number of applicants for each vacancy rises, the chances of finding an exceptional candidate increases too. It can also help with employee retention, as people want to work in an environment who are accepting of all backgrounds and promote equality.

2. Psychology

Human Brain is the most complicated part of the human body. It uses 20% human energy even at rest. Our body, thoughts, outputs are all controlled by our brain. Three dimensions of intelligence, are: - intellectual intelligence (IQ), emotional intelligence (EQ), and spiritual intelligence (SQ).When SQ is high, person thinks all situations and events part of Universe, and governs his actions to create right response to people and situations. He governs IQ and EQ through soul. When IQ (thought) and EQ (emotion) are governed by SQ (spirit), thoughts and emotions are transformed in quality and give a whole new purpose. When SQ is not active, IQ and EQ are used by the ego to seek personal compensations for the dissatisfaction of being the ego. But when SQ is active, IQ and EQ are used for a different purpose. SQ uses IQ and EQ to share the qualities of the soul for the benefit of all. The qualities of the soul are the native qualities of feeling-awareness itself, which are experienced in the form of wisdom, compassion, integrity, joy, love, creativity, and peace. As the intelligence of the soul, SQ improves IQ performance, and increases EQ. Moreover, SQ activates whole-brain capabilities that exceed the sum of IQ and EQ part-brain capabilities. Spiritual intelligence is therefore the means of high performance. With the benefit of SQ, when IQ and EQ are governed not by the ego but by the soul, we therefore experience and create a different world. Consequently, SQ represents the necessary and sufficient means of individual and collective transformation.

As a powerful combination of three principal dimensions of intelligence, three quotients represents IQ and EQ in association with SQ. Studies in neuroscience confirm that spiritual intelligence is correlated with hemispheric synchronization and whole brain activation .The resulting whole-brain coherence optimizes brain function, and results in greater fulfilment, increased creativity, sharpened intuition, more empathy and compassion, and improved performance on a wide variety of work skills and life skills.

Leadership attributes to manage environment

There are Six Emotions of Power resulting from improved SQ, which are essential for Leaders of Digital Age.

a. Love and Warmth

The consistent expression of love seems to be able to melt almost any negative emotions it comes in contact with it, someone is angry with you, you can easily remain loving to them holding core belief – all communications are loving response or cry for help . Situations and people are powerless if we do not react to them.

If someone comes to you in a state of hurt or anger, and you consistently respond to them with love and warmth, eventually their state will change and their intensity will melt away.

b. Appreciation and Gratitude

All most powerful emotions are some expression of love, each directed in different ways .For me appreciation and gratitude are two of the most spiritual emotions .Living in this emotional state will enhance your life and personal and professional relationships.

c. Curiosity

If you really want to grow in your life, learn to be as curious as a child. Cure boredom by curiosity. If you're curious nothing is a chore. Its automatic –you want to study.

Cultivate curiosity and life becomes an unending study of joy.

d. Excitement and Passion

Excitement and Passion can add juice to anything. Passion can change any challenge to tremendous opportunity. Passion is unbridled power to move our lives forward at a faster tempo than ever before.

e. Determination

It will dictate how you deal with upsets and challenges, with disappointment and disillusionments .Determination means the difference between being stuck and being struck by lightning power of commitment. Acting with determination means making a congruent, committed decision where you've cut off any other possibility.

Determination is the Wake-up call for the Human –will

Some Examples

- There are many examples of people who started badly yet went on to become great successes. Henry Ford's early businesses failed, but he went on to drive the Ford Motor Company to success;
- Walt Disney was dismissed by a newspaper editor, because he "lacked imaginations and had no good ideas."

3. Data Analytics

The parameter helps in assessing the human capability and success factor

Formula for Human Potential

- **IA** = In Born Attributes: Quality, personality, intelligence, temperament that we are born with.
- **AA**= Acquired Attributes: Our learning, our experience, our education, our wisdom, our synthesis of knowledge
- **A** = Attitude

Formula: IA [In Born Attributes] + AA [Acquired Attributes] X A [Attitude] = **Human Potential**

In born attributes are fixed. Acquired Attributes take time to change. Of the three, attitude is the only one that can be multiplied without limit. To the degree to which we have positive or negative attitude it either releases or inhibits the release of our complete human potential.Survey of Harvard University graduates discovered 85% of all subsequent achievement in life after students left was because of attitude. Only 15% would be because of grades, fraternities, background, and family.

85% of our success in life is determined by our attitude.

Interview of 1200 top executives – 94% said their attitude was the sole or key ingredient in their success.

Our attitude is mirrored back to us by the world. The world and people we deal with just tend to reflect our own attitude back to us. If we expect our outcomes to be positive our attitude will be good. If we expect our outcomes to be negative our attitude will be poor.

4. Learning & Development

Learning has become a business-critical priority for increasing skills, improving the leadership pipeline, and enhancing employee engagement and retention. Faced with gaps in talent and skills, many companies that compete globally for scarce, critical talent are starting to invest more heavily in learning and development to build the skills they need. They're adopting new technologies, consolidating offerings, carefully balancing centralization and distribution, and reimagining what the learning experience can and should be. As the corporate learning market undergoes a digital transformation, it's time to assess your current learning environment and implement a new vision to help build a corporate learning experience that affects every employee in a significant way.

5. Changing Trends in Workforce

There is transformation happening in the workforce with various generation [X, Y, Millennials and centennials] working together in Organization. Technology is the main driver; the survey done with selective population of 120 People from Technology and Business decision maker areas in Indian Organizations [between Mar-2017 to Nov 2017], showed following results:

60% Population wanted More Work place flexibility.

55% Population is interested for secured Remote access to enterprise apps & cloud, with ability to work from home or while transit. 62%- Population is interested to Implement or Increase adoption of BYOD/CYOD; with flexibility to use devices of their choice.

Freedom of choice for devices is the most preferred option to attract and retain talent within the organization.

Survey Results also show the **design driven workforce technology strategy** will help to reduce HR costs and increase productivity

More device freedom 46%

Enhance technology investment for 28%
employee experience/productivity

Increase satisfaction with financial compensation 25%

It is essential that Organizations effectively measure their employee's experience. The Survey showed only 30% Organizations were measuring the employee experience and including in strategy making.

III. Conclusion

Asset valuation of IT Company has changed over last 3 decades, Humancapital has become heart for any organization. With destructive pattern of Intellectual development , which throws the industry in leaps forward in Information processing , cognitive decision making and developing sciences , Human assets is key area with exponential potential which puts magic wand in company's hand to harness and create differential value for themselves . It is pertinent to nurture and effectively utilize the asset , by building productive ecosystem using the principles illustrated in the article.

Reference

- [1]. Harnessing Power of Human Capital by Dr M.Blumberg
- [2]. Human Capital –Wikipedia
- [3]. 3.Awaken the Giant within by Tony Robbins
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