

# HR, the Human Capital Manager (HCM)?

No capital is as important for bottom-line profitability as human capital, say experts. But how do you evaluate the effectiveness of the same and align it with organisational success? **Yasmin Taj** seeks possible answers

The importance and impact of human capital in an organisation has been understood and reiterated time and again in India Inc. Every organisation today is working towards ensuring that their human capital is valued, thus adding to their bottom-line profitability. "The evaluation of human capital is, in effect, a measurement of an organisation's productivity and effectiveness. Regardless of the industry it operates in, the organisation will want to measure, track and analyse its bottom-line figures. As a key driver of financial health, human capital (like any factor of productivity) must therefore be evaluated in a paradigm of meaningful metrics," expresses Sankar Ramamurthy (R Sankar), Indian leader, people and change practice, PwC India.

"Human capital adds directly to

the bottom-line of the company and this is very evident from the shift in the line of thinking – people as costs to people as capital. Organisations are increasingly trying to evolve the right metrics on evaluating the value generated by human capital," explains PS Srikumar, vice president, TalentPro.

According to Ajay Trehan, founder-CEO, AuthBridge, the only way to evaluate human capital and its contribution to bottom-line profitability is by creating a set of objective Key Performance Indicators (KPIs) that are directly cascading from the business's financial targets. "No capital is as important for bottom-line profitability as human capital. Proper evaluation should start at the recruitment stage with competency requirements clearly mapped out," asserts Arjun Ranga,

managing partner, NR Group.

In this fast-moving corporate world, how can HR professionals evaluate the effectiveness of their function and the HR programmes that they implement? "The evaluation of the effectiveness of the HR function and its programmes involves several aspects. It requires a review of roles, structure, cost and technology investments; an understanding of expectations and gaps between HR and its stakeholders; analyses of time spent on different activities covering the strategy, design, delivery and administration of HR processes; and benchmarking of HR processes and human capital metrics," Ramamurthy elucidates, adding, "Aligning HR to business strategy is easier said than done. HR leaders will need to realise that the best way to do is



HR ZONE

to consciously measure the impact of human capital on business."

According to Trehan, "Human capital is the key driver of every aspect of performance of a service company. Setting employee-friendly procedures and policies, establishing an objective performance measurement mechanism, supporting

management teams in successful implementation of these, etc are some of their KPIs. Subjective - though they may sound but these are all quantifiable and measurable." Talking about the challenges HR professionals face while trying to evaluate human capital effectiveness, Ramamurthy further explains, "This must be done in the context of business goals and subsequent HR priorities, although often this is not the case. Once the 'what' has been identified, 'how' this measurement will be done must be defined. In other words, the appropriate set of metrics must be chosen. Finally, it is important to identify 'champions' who can take up the initiative of human capital evaluation. 'Splintered attention' as Peter F Drucker once put it, is not going to help."

Hence, with human capital being the key to the success of any organisation, it is imperative for HR professionals and organisations to have the right tools and measurement metrics in place to evaluate human capital effectiveness and its contribution to bottom-line profitability.

[yasmin.taj@timesgroup.com](mailto:yasmin.taj@timesgroup.com)

Log on to

[hr.itsmyascent.com](http://hr.itsmyascent.com)

to read the full story