



THE ROLE OF SENIOR LEADERSHIP IN HUMAN CAPITAL AND TALENT MANAGEMENT

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**PRESENTED AT THE 36TH ARTDO INTERNATIONAL
LEADERSHIP & HUMAN RESOURCE DEVELOPMENT CONFERENCE
PENANG, MALAYSIA, 4 – 6 OCTOBER 2009**

THE ROLE OF SENIOR LEADERSHIP IN HUMAN CAPITAL AND TALENT MANAGEMENT

- ❖ **Introduction**
- ❖ **Talent Management and Human Capital Management**
- ❖ **The Role Senior Leadership**
- ❖ **Challenges and Opportunities of Human Resource Professionals**
- ❖ **Conclusion**

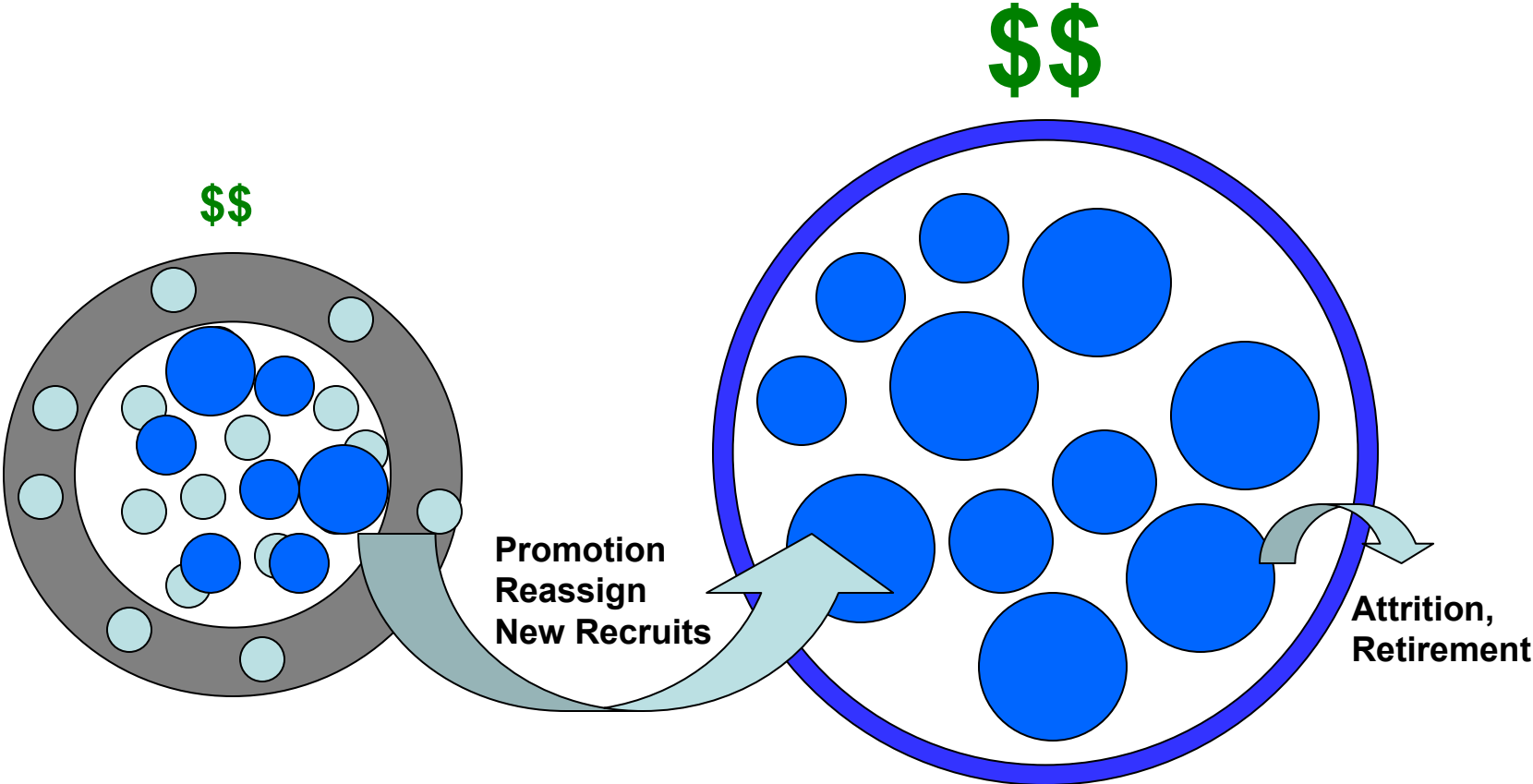
TALENT



HUMAN CAPITAL

COMPETENCY

- **Talent**
 - Natural or gifted ability in specific profession
 - The *potential* unique capacity of a person
 - Need to be identified, explored, and developed into proven and productive capacity or competency
- **Competency**
 - Knowledge, skill or experience, and attitude or character
 - Measurable through relative quantification / benchmarks
 - Can be valued in term of financial value
- **Human Capital**
 - Values of Human Capacities – Σ Values of Competence HR
 - Invested in through training, education, enhancement: improve quality and productivity – add values
 - Create values: profit center, not cost center

TALENT – COMPETENCY – HUMAN CAPITAL



-  Talent (Potential HC)
-  Undeveloped Competency (Low Value Human Capital)

-  Fully Developed Talent Based Competency (High Value - HC)

TALENT MANAGEMENT

Talent management consists of many elements, including:

- Psychological testing and assessment centers to recruit suitable talents, identify existing talents, and determine competency gaps
- Training and development programs, job relocations/rotations, project exposures, successor programs to accelerate development of talents and competency gaps
- Performance evaluations to identify individual potential, fast track, matching talent to job requirement, competency gaps, training and development needs
- Retention, exit interview, manpower planning and placement, high potential successor planning and development, mentoring and coaching, leadership and professional development
- Behavioral development – corporate values, diversity program, internal communication, human relations

HUMAN CAPITAL MANAGEMENT (I)

- # Human Capital Management is the manifestation of the philosophy stating that *people is the most important asset* of the organization. However, differs from other physical assets, such as machine and money, the value of people grows through its productive life by its own initiatives and through proper maintenance and development processes.
- # Competency matrix provides measurement tools for various human resource management activities. Personnel competency in conjunction with industry accepted competency standards can be used to establish valuation of each individual in term of its financial value that build up the human capital value of an organization.
- # Individual competency can be enhanced to add value through investment in individuals in the form of education, training, and other personnel development means.

HUMAN CAPITAL MANAGEMENT (II)

- # Salary and wages, costs for training and development, and other costs for recruiting, maintenance and development of people should be considered as investment to increase the value of the most important asset of the organization, the corporate human capital.
- # Investment in Human Capital should meet certain threshold, such as return on investment, payout time, and perhaps also “virtual” cash-flow. There should be joint efforts among human resource (HR) and information technology (IT) professionals and professional accountants to establish standards and coding system for monetizing human capital acceptable to the business community.
- # The effectiveness and success of the investment in human resource development will get even better if it is done in accordance with their respective individual talent.

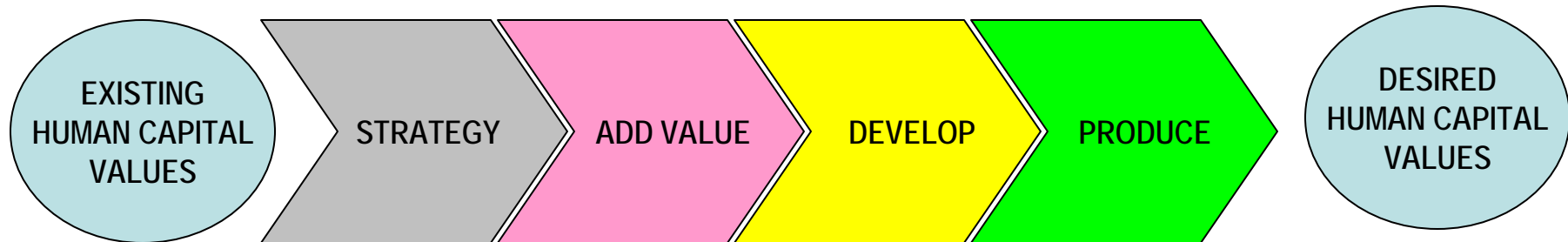
HUMAN CAPITAL MANAGEMENT

VALUE DELIVERY PROCESS & ASSET MANAGEMENT PROCESS

The following slides show:

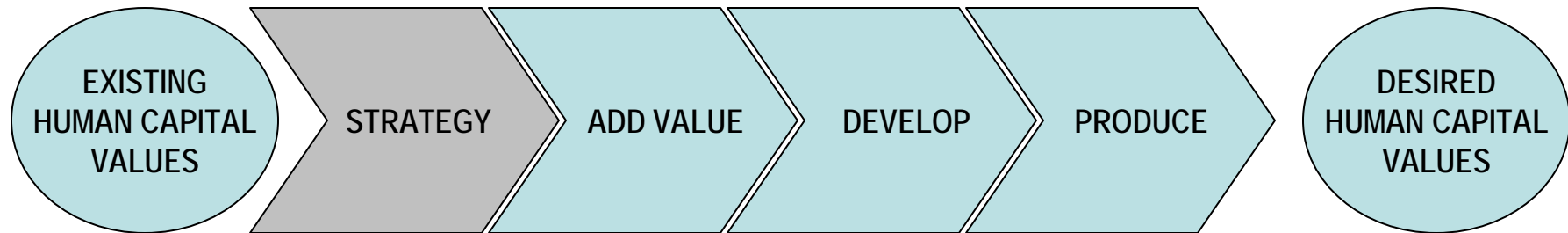
- **Value Delivery Process** – showing proposed strategy, value added concept, development and production aspects to enhanced the quality, capacity and value of the Human Capital from existing into desired conditions
- Asset Management Process – showing similarity of managing physical asset or resources in petroleum industry – from identification of potential prospects, selection of prospects to be explored and developed, designing development plant, produce the resources into values, and monitor results. It's a process continuum to ensure sustainable growth.

VALUE DELIVERY PROCESS IN HUMAN CAPITAL MANAGEMENT



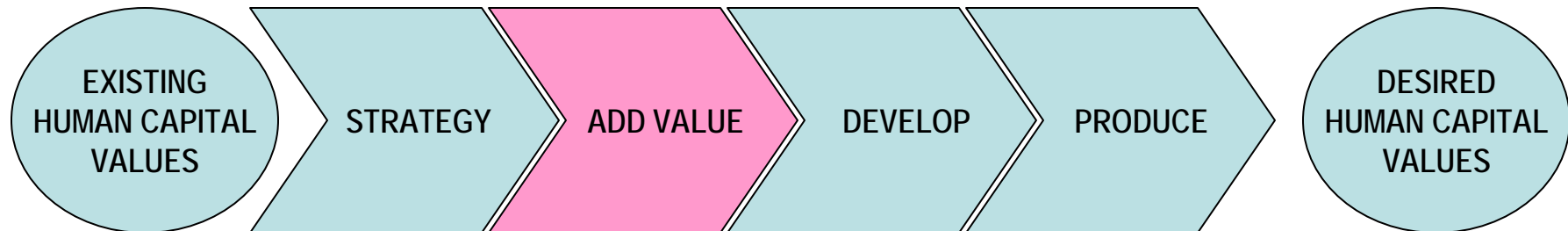
EXISTING	STRATEGY	ADD VALUE	DEVELOP	PRODUCE	DESIRED
<ul style="list-style-type: none"> Existing Human Capital (HC) potential value not fully developed Existing Human Capital value not properly appraised and recognized as an asset to the organization Existing talents have not been fully explored and exploited as potential human capital value of the organization 	<ul style="list-style-type: none"> Apply Competency Based Human Resource Management. Apply best practice of Talent Management Integrate Strategic Human Capital Development Plan with the Corporate Strategic Business Plan Advocate commitment of Senior Leadership to exert proactive role in Human Capital and Talent Management as an integral part of their leadership functions Enhance the role and capacity of Human Resource Professionals 	<ul style="list-style-type: none"> Align competency based HR development with individual talent Recruit candidates with the right talents to meet organization needs Assign monetary value of existing and potential human capital Recognize talent to have potential value to human capital that has to be explored and developed to become tangible human capital value 	<ul style="list-style-type: none"> Develop Competency Matrix for each position Compile inventory of and map-out existing and required talents Analyze HR competency gaps, prepare and deploy talent based competency development plan that may include HR relocation and reassignment Establish Personnel (HR) Inter-company / division / department Development Committees Develop human capital valuation methodology and HC value monitoring, bookkeeping, reporting, and auditing procedures 	<ul style="list-style-type: none"> Inventory and map of existing and required talents Competency matrix required for each position and personnel competency level Strategic Plan for HC Development in line w/ Corporate Business Strategy covering among others: acquisition of new talents (potential HC), talent exploration, development and production Methods & Procedures to valuate and book HC financial values, including investment spent for HC value expl., dev. & prod. New Leadership Dev. Program that incorporate Talent & Human Capital Management 	<ul style="list-style-type: none"> Efficient, High Value and High Performance Human Capital Human Capital Monetary Values are booked in the Balance Sheet and become marketable asset Human Capital and Talent Management become integral part of senior leadership roles

VALUE DELIVERY PROCESS IN HUMAN CAPITAL MANAGEMENT



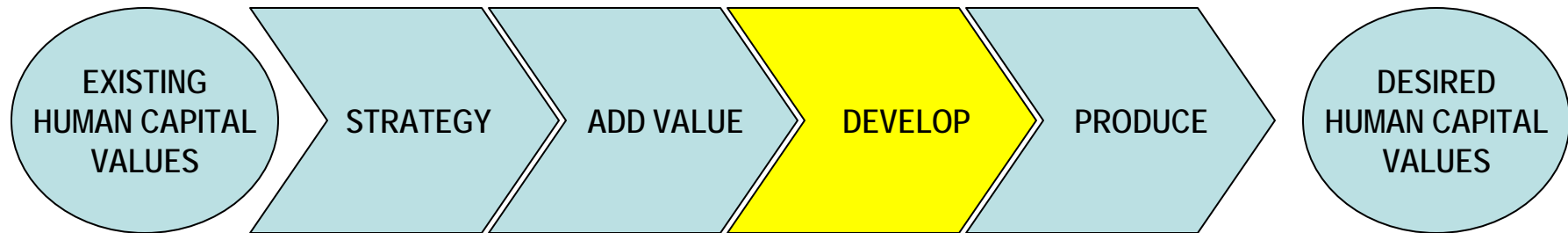
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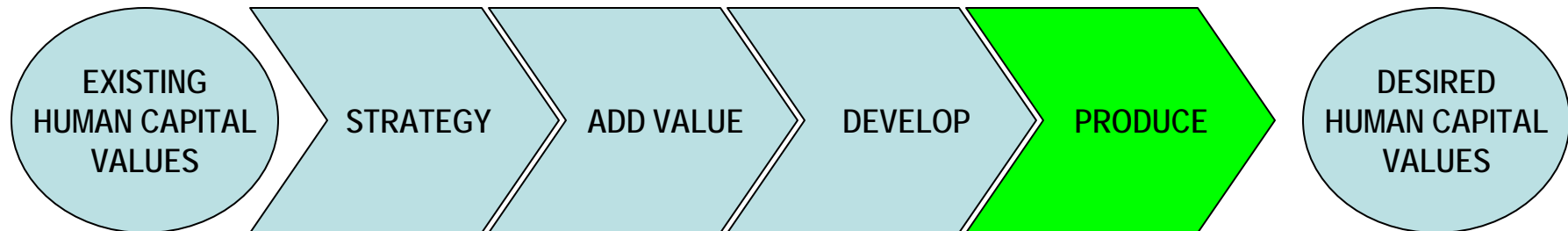
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VALUE DELIVERY PROCESS IN HUMAN CAPITAL MANAGEMENT



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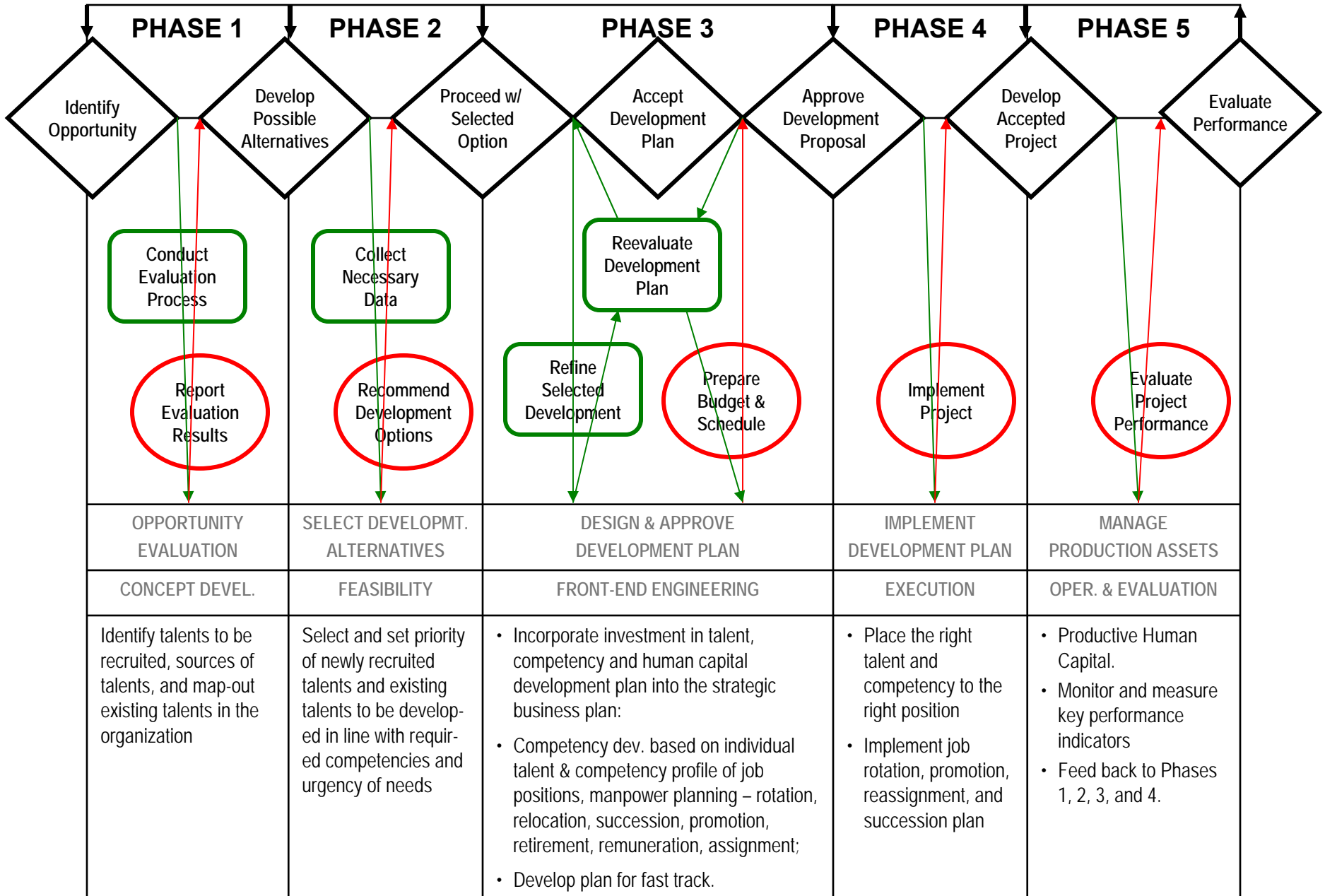
HUMAN CAPITAL MANAGEMENT

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ASSET MANAGEMENT PROCESS APPLIED TO HUMAN CAPITAL MGT PROCESS



WHAT SENIOR LEADERSHIP SHOULD KNOW

- ✓ **Talent** – recruiting for the right talent through effective recruitment and identifying talents already embedded in the organization, and further develop these talents or *potential capacity* into needed competencies.
- ✓ **Competency** – applying competency based human resources management whereby all job positions have the required competency profile well documented and individual competency level of incumbents periodically appraised.
- ✓ **Training, education, on the job experience** – investing on improvement of individual competency in line with their respective talent into the required level of competency of the job position
- ✓ **Placement, Rotation and Succession Planning and Performance Management** – these are essential processes in managing talents and competencies: to develop the right talent for the right competency to carry out current or future job assignments. Good talent based manpower planning reduces development cost and cycle time, improve productivity, and creates employee satisfaction. Effective performance management leads to improvement of human capital values.
- ✓ **Health and Safety** – attention to personnel health and safety are paramount to ensure that the organization's human capital performs well and grows to higher value.
- ✓ **Motivation, Innovation** – these represent the people aspect of human capital which do not exist in other physical capital. Highly motivated, innovative and creative people with the right talent based competency well developed will ensure high value of corporate human capital and growing corporate wealth.

THE ROLE OF SENIOR LEADERSHIP

- **Drives or actively participates in the talent management strategy**
- **Becomes the role model and demonstrates commitment to ensure snowballing effect for a successful implementation of the talent and competency based human capital management through out the organization**
- **Be aware of the economic and intangible benefits of this integrated, strategically aligned human capital asset management systems which require an ongoing process**
- **Acts as *change agents* or “sponsors” to introduce and put Talent Management, Competency Based Human Resource Management, and Human Capital Management processes to work**
- **Disperses through out the organization the shared vision and strategic intents of the organization to give clear direction for those intertwined processes of talent, competency, and human capital management in order to achieve common goals**
- **Integrate human capital in the corporate strategy and its valuation in the corporate balance sheet**

SENIOR LEADERSHIP VEHICLES TO DEMONSTRATE THE ROLE IN HUMAN CAPITAL AND TALENT MANAGEMENT

1 Personnel Development Committee or HRD Forum

- **An organized inter-companies, inter-business units, inter-division or inter-department forum or committee to discuss human resources development through out the organization.**
- **Top-down and bottom-up joint assessment and evaluation process of key personnel talent, competency and performance to identify and determine candidates for filling vacant positions, relocations, cross-assignments, promotions and successions.**
- **The committee also discusses training and development needs, especially for fast-tracks, and is an excellent mean to talk about talent management issues and review human capital development strategy.**
- **The committee consists of senior leadership of the respective organization member (company, business unit, division, department, or section).**
- **The top leadership of the group takes the lead, and human resource professionals could facilitate the committee meetings which are conducted on periodical basis.**

SENIOR LEADERSHIP VEHICLES TO DEMONSTRATE THE ROLE IN HUMAN CAPITAL AND TALENT MANAGEMENT

② Succession Plan and Leadership Development

- In a large organization, the board of directors/commissioners or a special committee lead by the top executive takes the responsibility for the company succession plan of key leadership positions, based on recommendations and inputs from the Executive PDC or HRD Forum.**
- Each senior leadership candidate is scrutinized for his/her talent and level of competency against the required talent and competency of the respective position.**
- The board also discusses company leadership development profile in line with the company strategic intents and changing business environment.**

SENIOR LEADERSHIP VEHICLES TO DEMONSTRATE THE ROLE IN HUMAN CAPITAL AND TALENT MANAGEMENT

③ Strategic Business Plan and Development

Assessment and analysis of company strengths, weaknesses, opportunities, and threats and formulation of shared Vision, Mission, Values and determination of strategy, strategic intents and objectives constitute the strategic planning process. precedes the business plan process.

- Ensure that investment in and development of human capital becomes an integral part of the company business plan.**
- Ensure that there is continuing processes of exploring for new and talented human capital potentials, developing them, and effectively making them efficient, high performing, and productive human capital that add value to shareholders and the company wealth.**
- These continuing processes are keys to sustainable company success and growth.**

OPPORTUNITIES & CHALLENGES FOR HUMAN RESOURCE PROFESSIONALS

- The role of senior leadership in an organization to be proactive in talent and competency based human capital management *does not necessarily entail that company leaders and managers should be proficient in human capital management.*
- However, they require consultancy and advisory services from human resource professionals with expertise in talent and competency based human capital management processes and complimenting knowledge in financial management.
- In large organizations, these services can be obtained from within the organization, which is the Human Resources Services or Supports Division or Business Unit or the Human Capital Business Unit, because it's no longer a cost center but a profit center.
- As a profit center, all expenses for talent management and competency development management processes are considered as investment in human capital to add value and improve efficiency and productivity, and thus *create additional profit* to the company.

CONCLUSION (I)

- ➡ Individual talents can be considered as potential human capital asset (*potential reserves*) of an organization / company which should be identified (*explored*) and developed (*exploited*) in order to become highly competence, efficient and productive human resources (*proven reserves*) and generate human capital financial values that can be booked in the company balance sheets and thus increasing marketability of the company.
- ➡ Human capital values in an organization are declining (*depleted*) due to attritions and turnovers. In order to keep up with the company performance to generate values to shareholders and ensure growth, company should continually recruit new talents (*add new potential reserves*) that fit the company needs and optimally manage the people aspect and physical asset value of the human capital.
- ➡ Talent management and competency based human resource management are integral parts of human capital management which in turn should be integrated in the management of overall company assets. Consequently, human capital development and values should be integrated in the company business strategic plan and deployment to support attainment of company vision.

CONCLUSION (II)

- ➡ **The presence of competence human resource professionals to support senior leadership in a large company for consultancy, advisory and facilitation services in talent and human capital management recurrent process is utmost importance. For small and medium size companies these human resource professional services could be outsourced**
- ➡ **Internationally or regionally recognized competency based certification of human resource professionals becomes a necessity to create trust in human capital management process, especially relating to human capital valuation for public company marketability in the globalized business environment and market economy.**

CONCLUSION (III)

- ➡ **The senior leadership role in the human capital and talent management includes, but not limited to:**
 - **Develop awareness of the importance and contribution of talent and competency based human capital management to add value to shareholders among selves, peers and subordinates**
 - **Demonstrate commitment that talent management, competency based human resource management and human capital management are integral parts of senior leadership role through proactive participation, as champion or facilitator, in the human capital management processes**
 - **Integrate human capital asset development in the company strategic business plan and deployment and act as sponsor or participate in promoting the valuation of human capital in financial term so that it could be booked in their respective profit and loss statement, performance measure, and company balance sheet**
 - **Develop competence human resource professionals in the organization as consultation and advisory resources in the technicality of human resources management, which include but not limited to talent management, competency management, and human capital management processes.**

THANK YOU

WHAT'S NEXT?

- 1. Establish ARTDO International Joint Study Ad-hoc Committee for Mutual Recognition Agreement on Competency Based Certification for Human Resource Professionals – a multi-lateral agreement for the Asia – Pacific Region**
- 2. Establish ARTDO International Joint Study Ad-hoc Committee for the formulation of methodology and standards of Human Capital valuation and the book-keeping of Human Capital financial values**

⇒ Approve Concept ⇒ Appoint Project Development Team ⇒ Develop Term of Reference, Budget and Schedule ⇒ Identify Cost and Benefits ⇒ Raise Sponsorship ⇒ Appoint Joint Study Team ⇒ Final Report at the 37th ARTDO International Conference

EXAMPLE OF COMPETENCY MATRIX		POSITIONS							
NO	COMPETENCY	A	B	C	D	E	F	G	H
CORE COMPETENCY									
1	Integrity (ING)	2	3	1	1	2	2	2	2
2	Customer Service Orientation (CSO)	2	2	1	1	2	3	3	3
3	Company Professional Style (CPS)								
4	Continuous Learning (CLE)								
5	Adaptability and Capacity for Change (ACC)								
LEADERSHIP & FUNCTIONAL COMPETENCY									
1	Business Intelligence (BIN)								
2	Collaboration Across Function (CAF)								
3	Conflict Resolution External Sensitivity (CRE)								
4	Leadership Persuasiveness Ability (LPA)								
5	Management Control & Decision Making (MCD)								
6	Planning & Direction Setting (PDS)								
7	Business Problem Solving (BPS)								
8	---etc--								
TECHNICAL COMPETENCY									
1	Legal (LEG)								
2	Public Relations (PRE)								
3	Office Administration (APN)								
4	Contract Management (CMT)								
5	Community Development (CDV)								
6	-- etc --								

Competency level

