



TenStep Supplemental Paper

12 March 2007

The Right Measure

People-centric businesses need to get their measurements right...

It is the man behind the machine, yet once again! Business is moving rapidly towards a people-centric mode. This has necessitated measuring employee contribution in terms of concrete metrics. Corporations have been applying quick-fix measures like including intangible assets to show the profits intellectual capital incurs. However, these measures do not reveal the contributions employees make.

Why is human contribution immeasurable? Human assets are difficult to track as unlike capital assets, they are mobile and organizations cannot possess them. Hence, fitting people-centric performance metrics into a capital-centric performance model increases the tedium of deducing people-oriented performance measures. Can performance metrics then guide and help them manage their mobile assets?

Measurement management

Reliable and objective performance metrics are critical for reinforcing business moves. In the absence of a proper measurement framework companies cannot determine their strengths and weaknesses. They need to know the positive and negative triggers since eventually these will determine their performance. Answers to certain questions become critical. What measures would reflect corporate performance in a people-centric industry? How would companies use these to enhance their productivity, motivate employees and successfully retain those who earn them profits? The solution lies in converting these intangible assets into concrete, strategically-advantageous metrics. The conversion process is done in a phased manner. The first stage deals with performance management while the second revolves around people management.

Performance indicators

Effective performance management requires reliable and validated performance indicators. What makes performance indicators ideal and reliable? First, they should accentuate business strengths and direct business in the right direction. Secondly, ideal indicators would nudge corporations away from possible pitfalls and indicate the causes and ways to fight them.

Technically, this seems simple. Companies operating in a people-centric industry can analyze productivity as a function of the employees (in a capital-intensive industry productivity is linked to capital employed). The difference between employee productivity and employee cost indicates the economic profit.

The economic profit indicator in a people-intensive set up has three advantages. The first and most significant is that it provides a pure and hardcore financial basis for employee performance. This helps build a strong business case for investments in people-intensive businesses. Secondly, it reflects realistic figures. Finally, it gives an employee-oriented account of ROI across operations against information in terms of capital investments.



TenStep Supplemental Paper

People management

People management is a critical aspect of people-centric businesses. In industries where employees are the profit centers, people management is a critical business imperative. People management extends beyond the purview of HR to integrate with the overall business objectives. For effective people management, it is important to break the business imperative into two agendas: *business* and *management*. The business issues of people management largely deal with signing contracts and business deals. The management issues on the other hand involve strategies that enhance employee productivity and improve the working conditions. Unlike capital-intensive businesses, people-oriented industries have to direct their energies towards hiring and retaining talent and building an environment that augments employee productivity.

Apart from providing a congenial workplace, managers also need to ensure that employees' personal goals are in line with the overall organizational objectives. Surveys and questionnaires are often used to gauge the alignment. However, these hardly reflect true sentiments. Employees genuinely try to give a feel-good effect to the entire survey making the results seem rather misleading. Managers need to instead focus on work conflicts. These are the true indicators of critical parameters like goal alignment. Work conflicts are more critical than work-life conflicts since they are generally camouflaged. For instance, an employee's promotion plans may be marred if he embarks on a new project that is challenging but not promising. These dilemmas conflicts unless handled efficiently. Hence, managers in people-centric organizations need to be cautious.

Above all, people-centric businesses need to provide and use people-related information effectively. Just as capital-intensive corporations reflect their capital costs and productivity in the annual report, people-centric corporations should reflect their people-costs and productivity. This vital piece of information helps determine employee output more effectively. However, even corporations that provide such critical information seldom put it to good use. They merely "report" certain information for the sake of compliance without using it to make strategic operational decisions.