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Building a High Value Workforce

U.K. Skills Convention 2010
Skills, Jobs, Growth

Laurie Bassi

The analytics of people and results.

The bottom line

"Globalization has left only one true path to profitability for firms operating in high-wage, developed nations: to base their competitive strategy on *exceptional human capital management*."

Maximizing Your Return on People

Harvard Business Review

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A convergence of forces

The big forces at work:

- Globalization
- Technology
- Demographic change
- Political and regulatory change

These forces have rendered human capital management (HCM) an essential core competence

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Evidence: CEO Leadership Matters

Impact of Alternative "Governance Models" on Talent-Related Outcomes

Talent Governance Model:	CEO or top executive owns process	HR owns and manages the process	Lines of business own, HR supports	Lines of business own independently
Leadership Development	+14%	-7%	Average	-22%
Performance Management	+6%	-5%	-9%	-26%
Hiring the best people	+8%	Average	-4%	-24%
Creating a performance driven culture	+11%	-12%	+6%	+8%
Creating high levels of engagement and retention	+19%	-7%	-6%	-9%

Bersin & Associates 2007

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Evidence—HCM Drives Stock Returns

Performance of Human Capital Portfolios, Relative to the S&P 500

Portfolio	Date of Inception	Performance through 12/31/09	S&P 500 (w/div) performance same period	Portfolio relative to S&P 500 (w/div), percentage points
A	1/1/03	+63.5%	+45.7%	+17.8
B	3/25/08	+2.8%	-13.8%	+16.6
C	3/25/08	-16.7%	-13.8%	-3.1
D	10/14/08	+23.6%	+14.6%	+9.0
E	12/23/08	+38.0%	+32.5%	+5.5

PLEASE NOTE: Reported portfolio performances do not include fees or expenses. S&P 500 includes dividends. Past performance is not a guarantee of future results. Contact Bassi Investments for additional information.

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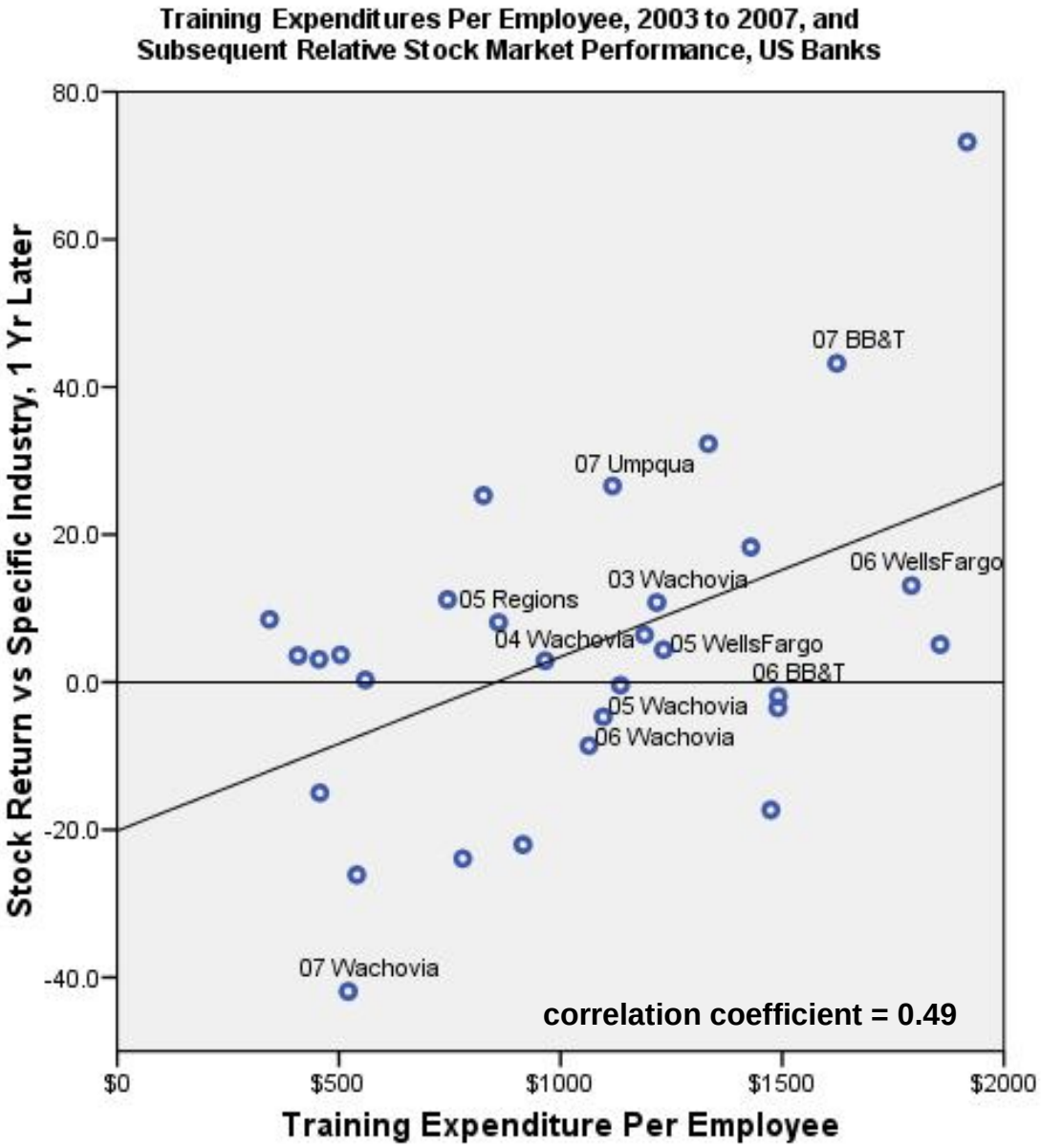
Evidence—T&D Investments Predict Stock Returns



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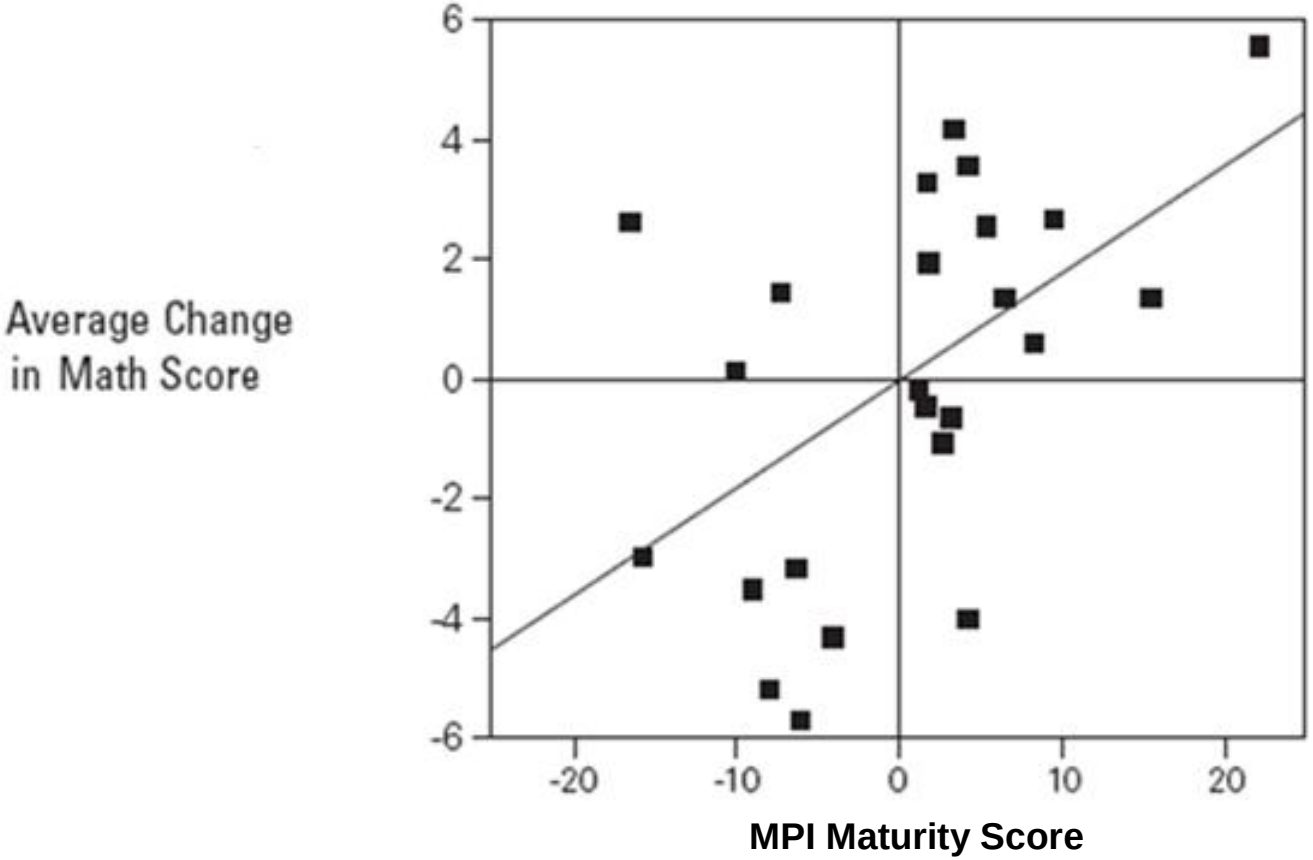
Evidence—HCM Predicts Student Achievement



(Each data point represents a single school in the same school district.)

From Bassi & McMurrer, "Maximizing Your Return on People," *Harvard Business Review*, March 2007, pg. 122.

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Impediments to Change

The difficulty lies not so much in developing new ideas as in escaping from old ones.

John Maynard Keynes

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Old Ideas Die Hard

THE "OLD" SCHOOL	THE "NEW" SCHOOL
• People are measured as costs	• People are measured as assets & costs
• Minimize T&D spend	• T&D is strategic investment
• Vicious cycle of low investment & high turnover	• Virtuous cycle of high investment & low turnover
• HR administers benefits	• HR is a strategic player
• CEOs lead strategy	• CEOs lead talent

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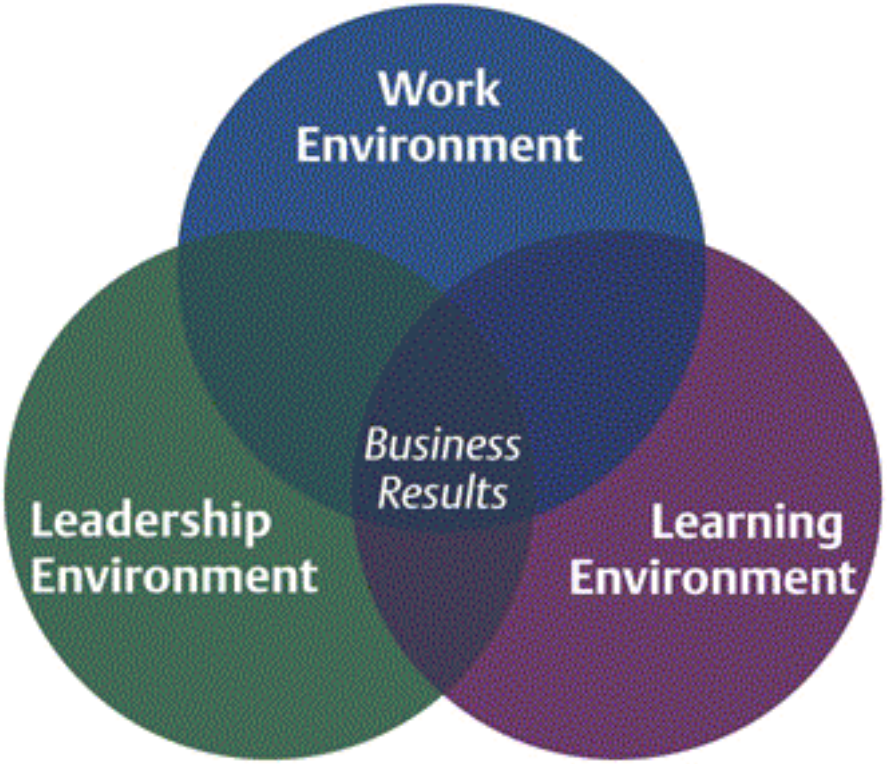
Foundations of HCM



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Essential Components of HCM

People Index®

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Leadership's Role

1. Elevating HR and integrating it into the business
2. Heavy involvement in talent reviews
3. Ensuring there is a human capital measurement system in place
4. Leading the discussion on human capital initiatives
5. Putting the right HR leader in place

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Managers' Role

1. Understanding the importance of human capital

2. Developing their people management skills

3. Knowing and applying pivotal human capital practices

4. Supporting the organization's human capital strategy and programs

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Conclusions

1. Firms and nations that fail to develop superior human capital management are doomed to decline

2. Talent leadership is a key competence for leaders and managers

3. Enhanced skills are required of HR professionals

4. New systems are needed to measure, manage, account for, and report on people as assets

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