

Human Capital Management

- new possibilities in people management -

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In addition to the traditional personnel and human resource management (HRM), there is a need for a new approach to personnel management, which we will call Human Capital Management (HCM). HCM emphasises an alignment between the individual and the organization and in our view offers the challenge and the key to successful management in the future.

§ 1. Introduction

The European Model for Business Excellence is a popular management framework, introduced in 1992 by the European Foundation for Quality (EFQM). The EFQM model represents the principles of the Rhineland - or stakeholders approach. According to this management approach the corporate environment is being represented as a complex field of stakeholders, whose interests need to be reckoned with. Ultimately, these stakeholders would not accept an organization realizing its goals at their expenses. In the opposing, Anglo-Saxon approach, the corporate environment predominantly consists of shareholders, and the striving for shareholder value is the ultimate task for companies.

According to its basic principles and the structure of the so-called management attention areas, the EFQM model has serious implications for the social policy of organizations and for managing employees. The choice and positioning of the management attention area "people management" clearly indicates that employees are seen as human potential and therefore should not be used as resources and that management needs to reckon with their interests (see area: "people results", measuring among other things their satisfaction). Human *Resource* Management is – according to the EFQM model – not appropriate. However, in practice while applying the model for quality improvement and as a management tool, this norm is often ignored.

The question occurs then: which type of people management aligns with the EFQM model's stakeholder approach, in other words, matches more advanced ambitions of corporate sustainability?

Aims and structure of this paper

In this paper we will outline the most important trends in corporate social policies, as far as they have implications for personnel policies. This will give a standard for evaluating three actual forms or development levels of *people management*, namely Classic Personnel Management, Human Resource Management (HRM) and what we call Human Capital Management (HCM). We will then elaborate on the features of the HCM-model. Subsequently, a HCM instrument that has been tested in practice will be outlined in more detail. The article will conclude with a number of issues for the future.

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§2. The development and recognition of human potential

In analyzing the relationship between employee and organization, two extreme standpoints can be distinguished. One school of thought claims that organizations do not exist (reification): there are only people (parts) working together to obtain specific goals. The opposite standpoint is the claim that separate human beings cannot function without a social context, such as an organization, providing a meaning to the life of individual employees. However, contemporary philosophers¹ say that both extremes, the atomistic and the collectivistic views, are beside the point: in reality neither 'parts' nor 'wholes' exist, only whole/parts or holons (Koesler; Wilber, 1995). So, both organizations and individual employees are entities and at the same time there is a hierarchical relationship between them, because organizations include and transcend employees. In practice, some organisations do not function as wholes, integrating people and providing additional value. Instead they are 'heaps' of people and not able to create synergy.

The development of people management can be described in terms of different qualities of dependence. History teaches that a development has taken place of authoritarian relations, via paternalistic, supporting, fraternal to eventually motivating relations between the individual and his organization. This can also be seen in different (business) cultures. The model of Davis¹ (1997:33), slightly changed by and completed with a last column by Timmers, describes these developments pithily. See figure 1.

	Autocratic	Custodial	Supportive	Collegial	Motivational
Basis of Model	Power	Economic Resources	Leadership	Partnership	Alignment
Managerial Orientation	Authority	Money	Support	Teamwork	Mentoring
Employee Orientation	Obedience	Security and Benefits	Job Performance	Responsible Behaviour	Competence and Accomplishment
Employee Psychological Result	Dependence on Boss	Dependence on Organisation	Participation	Self-discipline	Flow
Employee Needs Met	Subsistence	Security	Respect	Esteem	Self-actualisation
Performance Results	Minimum	Passive Cooperation	Awakened drives	Moderate Enthusiasm	Dedication

Figure 1: Different dependencies in the relationship between the individual and the organisation

Reading the matrix, the trend is clear: from authoritarian control to individual self-motivation, the social dimension of companies has grown more important, moving towards a better balance between the individual and the organization. Two major developments can explain this shift in the social dimension of organizations: the work/life balance, and the business case.

Over the past decades, the developments and speed of change in our industrialized society have been tremendous, with subsequent consequences for 'the human side of business'. *If an employer hires a worker, he always hires a 'whole man'* (Drucker, 1952: ch 20). The demands that are put on the worker as a 'whole man' may not have changed that much, but the question for individuals as to how to combine those demands has become more difficult these days. Are employees able to combine the different roles they have to fulfil: as children, parents, partners, employees and members of society? And do employers have a responsibility to support individuals in the pursuit of combining these different roles? The human side of business also refers to meeting the needs of potential new employees who are choosing

to work in organizational cultures that align with their personal values and support them in their personal and professional growth. In order to retain the best people, organizational values need to meet the needs of existing employees so that they feel fully aligned with the organization's vision, mission and values and feel they are able to bring their whole selves to work (Barrett, 2000).

These corporate challenges caused the companies to focus on the human side of business, but do companies gain by doing so? Is there a business case? According to Collins and Porras (1994), authenticity and commitment to corporate norms and values lead to enduring great companies. According to Barrett (2000) "financial success is strongly correlated with employee fulfilment – 39% of the variability in corporate performance is attributable to the employee fulfilment². Employee fulfilment is also strongly correlated with leadership – 69% of the variability in employee fulfilment is attributable to qualities of leadership of the manager or supervisor." Furthermore, studies show that motivated personnel has a phenomenally higher productivity than employees who have taken 'mental dismissal', but are nevertheless present from 9 a.m. until 5 p.m. Barrett (1998) names a factor 12 higher productivity!

Furthermore, the 'soft' social dimension (company culture, work climate) of organizations contributes to its competitiveness. A price cut can be followed overnight, while copying a supportive corporate culture is much more difficult, if not impossible. Moreover, it yields a surplus value that can be capitalized.

A better balance between the individual and the collective has been created: from authoritarian control to individual self-motivation. Over time, human beings are allowed to bring in their full potential into organizations, more and more. The question arises: do institutional developments in people management sufficiently support this trend? Are employees still considered as resources, with companies exhausting and debiting the human potential, or are employees considered as capital, worthwhile subjects to invest in.

§ 3. Classic Personnel Management and Human Resource Management

This paragraph starts with a historical draft of Classical Personnel Management and Human Resource Management. Furthermore, we elaborate on the often-heard complaint that the traditional HRM approach is not in tune with changing circumstances in business and society and that it has insufficient potential for growth and improvement.

A short historical outline

Classic Personnel Management is a product of Taylorism and occurred (and is still occurring) in large organizations with specialized divisions and bureaucratic settings. In the beginning, the accounting department took care of administrative transactions concerning personnel, but when recruitment and selection, industrial relations and terms of employment demanded more time, special departments were set up, usually under the name Personnel Department. The factor labour had hardly been differentiated. The decreasing influence of industrialization and the increasing complexity, combined with the growth of knowledge-intensive service, stimulated the need for knowledge-workers, for flexibility and innovative capacity. Companies no longer wanted 'workers' but qualified employees. Within personnel management, these new circumstances caused a new trend called human resource management (HRM). HRM ascribed itself an important role in realising the strategic goals of the organization, in which the factor labour was indeed of growing importance.

The rise of HRM has had important implications for the recognition of the individual within the organization. The competences of employees are being distinguished, in recruitment and selection as well as in training and development.

HRM and Classical Personnel Management both start from the conviction that control can be exerted over the individual employee by means of authority, contract or temptation. In both approaches, employees are optimally allocated in the organisation, as if they were resources.

Obviously criticism occurred towards Classic Personnel Management and Human Resource Management. We experience two major problems with these traditional approaches in people management. The first one relates to its paradigm and the second to the role HRM has within organizations.

Contemporary paradigm is no longer feasible

The underlying paradigm of HRM is that human resources can be managed, co-ordinated and controlled (*people can be managed*). The HRM approach has developed a variety of instruments to exert influence over employees. Classic Personnel Management and HRM consider employees as a liability, instead of an asset, and as a flexible and mouldable resource. However, the distinguishing feature of people is that they will only be flexible and mouldable if they themselves choose to do so. A striking characterisation of this new paradigm is the saying: "You can lead a horse to the water, but you can not make it drink".

Figure 1 - the Davis and Timmers scheme - clearly indicates a trend towards emancipation of the employee. Although traditional jobs and paternalistic management styles continue to occur, the number of professionals is growing as well as the trend towards high quality jobs. With an increasing number of highly educated and independent employees, a co-operative attitude is not to be taken for granted.

As a reaction to this development, HRM has made adjustments in its operating procedures: the sharp edges in the traditional HRM instruments have long been removed. However, the old paradigm has not been abandoned - the basic assumption remains that people (with a carrot, instead of a stick) can be influenced and eventually controlled. In our view, this is why HRM is losing the connection with developments in current Western society.

The strategic dilemma of HR-managers

The HRM function assigns itself a strategically important position as a sounding board for top management, and facilitator and change agent in the restructuring and transformation processes. Equally it manifests itself as a strategically important partner for employees, by advocating modern instruments such as employability and empowerment, which confirms a new view on industrial relations. Thus, the HRM function positions itself in two ways: as the architect of new organizational structures and work systems, and as coach in management development processes and companion of employees in turnaround processes.

In doing so, HRM has manoeuvred itself into a difficult splits-attitude. As the strategic communication partner to management, HRM sometimes has to operate against the interests of the employees.

For instance, in a corporate governance structure dominated by shareholders, each profit warning will coincide with public announcements of massive lay-offs. The HRM function, as a strategic partner of top management, awaits the unpleasant task of helping develop and carry out these measures. In trying to serve two masters at the same time, the HRM function has moved itself into a very difficult position. As a mouthpiece for management in unpopular measures, HRM will not be able to gain the confidence of the employees, and therefore, it will not be able to create a culture of trust, involvement, commitment and motivation, in spite of its intentions. If employees are treated like numbers, appeals for attitude, emotion and enthusiasm will fail.

With CSR and corporate sustainability as major trends, companies recognize the importance of the social dimension of their organization, but HRM has not yet developed the identity or the instruments to support the underlying values, workplace culture and identity of the organization.

Indicative of the instrumental approach of HRM is the following development: recently a new movement has emerged within HRM: Human Resource Development (HRD). This movement wants to emphasize HRM's strategic position. HRD stresses the development function of HRM (training and education, Management Development, the role of HRM as a change agent). However, the

Pricewaterhouse-Coopers' HR Benchmarking Survey 2000, shows that management development and career planning score only less than 4% of the time spent by HR managers.

We have formulated important arguments as to why current HRM does not sufficiently connect with today's challenges. The question of course is: what does? We think that an essentially different approach offers possibilities: the Human Capital approach.

§ 4. Human Capital Management: an Alignment Model for Human Capital

Organizations - as any entity - manifest the principles of agency and communion (van Marrewijk, 2000a): the right to be and the capacity to create added value equals the duties to be responsible for your impact and to adjust yourself to changes in the environment. The two principles combined allow each entity, individual or group, to act according to its awareness, capabilities and best understanding of its situation, provided it does not conflict with current regulations or interfere with the freedom of others to act in obtaining a similar objective.

At the same time organizations hold a hierarchical and interdependent relationship with their employees: organizations benefit from employee performances but they also have a supporting obligation and responsibility towards them. Each of the individual employees also expresses self-preservation and acts of communion. This is the reason why our model (see figure 2) focuses on the alignment (or interdependence) between the individual employee and the collective organization.

Usually, the relationship between the employee and the organization is made by contracts, in which the employee commits himself to use his knowledge, learning and skills for the benefit of the company. In return, the organization provides a reasonable compensation. The context of a contract relationship is dynamic: market developments, social changes and personal growth can disrupt the fragile status quo. In this turbulent environment employer and employee continually have to reposition themselves. They both have to find a balance between the principles of agency and communion and together create a win-win position in being employee and employer (van Marrewijk, 2002a).

A lasting and productive relationship between the organisation and the employee can no longer be organized via the performing of tasks and linked compensation. The complex work-situation demands that employees and organizations find a certain alignment in goals and responsibilities. Not the technical-legal contract, but a social cultural network binds the employees, without them being hindered in their activities. Alignment has to be found between the values and goals of individuals and the collective, between employees and organizations.

The alignment with the employees (human capital) takes place in three domains: 'Corporate Identity and Values', 'Human Operations' and 'Human Development'.

Human Capital Management

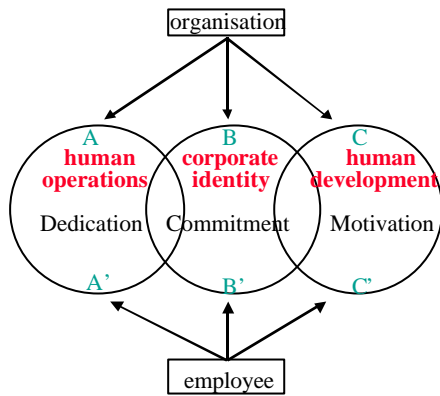


Figure 2: An Alignment Model for Human Capital

Per domain, the objectives are named, acquiring dedication, commitment and motivation. Per domain, the corporate interests, objectives and options, have to be aligned with the efforts, motivations and competences of the employees. A, B and C have to be matched with A', B' and C'. HCM primarily aims at establishing and supporting this alignment between the individual and the collective. A successful organization-employee alignment results in commitment, dedication and loyalty. These values directly relate to productivity, while (employee)-satisfaction, which is often measured as an indicator for the EFQM's management area 'employee results', does not have a significant contribution to corporate performance (Timmers, et al 1998a: 74 pp & 1998b: 54 pp.). Next, the HCM-activities will be arranged per domain.

Corporate identity and values

In the first place, HCM aims at the proactive development and stimulation of the organization's identity and corporate culture. Collins and Porras (1994) have shown that a strong company culture is of great importance for survival and corporate success. The company's mission and supporting values greatly influence the corporate identity, policies, institutional structures and thus corporate behaviour, also with respect to its employees. Successful companies - Collins and Porras speak of visionary companies - pay much attention to the communication of the company's vision and the organizational values. This way the corporate identity can inspire employees to perform to their best abilities.

According to Drucker (1952) management also needs a corporate identity as reference: "the new tasks demand that the manager of tomorrow roots every action and decision in the bedrock of principles, that he lead not only through knowledge, competence and skill but through vision, courage and integrity".

Creating a company culture is a two way street: only top down would never work (van Marrewijk et al, 2001). Alignment between personal and company-values characterizes successful organizations. The increasing number of 'values-driven-organizations' (Barrett, 2000) shows the importance of this dimension³ of organizations.

Human operations

The next domain, 'human operations', represents all tasks and execution of planned activities. When operational and supporting processes take place in a context of dialogue and alignment, employees show dedication and high productivity. In his classic *The practice of management* (1952) Peter Drucker refers to the Hawthorne experiments described by Elton Mayo (1928) taking place at Western Electric Company in Illinois. They were conducting a scientific management research to find out what level of electric light intensity lead to the highest productivity. The female workers showed higher productivity

levels at any light intensity, simply because, instead of being a replaceable resource, they suddenly received attention for any movement they made.

In a process of alignment between individuals and the organization, the mission, vision and company goals are formulated and eventually translated into individual tasks and responsibilities (policy deployment). The situation in which the organization finds itself - is the organization strategically oriented towards flexibility, creativity, effectiveness or efficiency⁴ - and the individual capabilities determine what role managers and employees opt for in order to carry out the appropriate tasks. Also, the degree of empowerment and individual performance indicators are determined in mutual agreement.

Aligning the personal characteristics, attitudes and competences of the available human capital with the collective needs of the organisation, essentially differs from the top down approach of resource planners. This field of HCM links perfectly to features of the EFQM model, the Business Balanced Scorecard and the Four Phase Model⁵.

Human development

Organizations innovate and technologies and markets change. To be able to keep up with these developments, employees - the human capital - need to develop as well. New knowledge and skills have to be learned and competencies trained. At the organizational level, 'learning' is established when organizations:

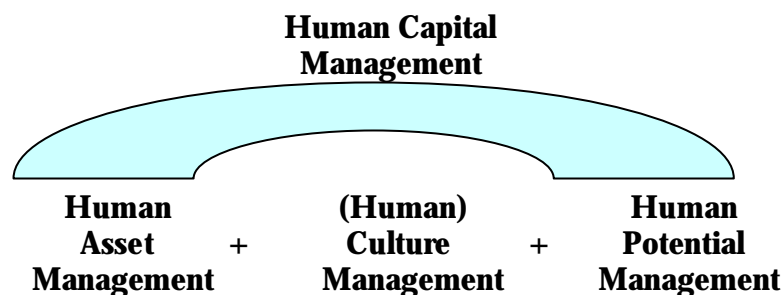
- structurally determine the need for knowledge and a collective competence profile, and use this as a basis for human development, and
- building learning 'loops' within the company processes, through which they can continually improve themselves.

Within this domain, an alignment needs to be established, between the tempo of the development inside and outside the organization, and the direction and extent of competence development with respect to individual employees.

The goals and approach of 'Investors in People'⁶ are very well connected to this crucial aspect of HCM.

The individual needs of professionals (knowledge workers) in particular, are largely aimed at the possibilities for development that a job and an employer offers. A personal approach, directed at facilitating this need attuned to the possibilities and needs of the organization, supports the motivation of the individual. Empirically tested monitoring tools⁷ are available to measure and evaluate individual motivation.

Aligning individual and collective interests per domain is a discipline by it self. Human Capital Management can also be regarded as the umbrella term of three separate management disciplines:



In which Human Asset Management predominantly covers 'operations' and Human Potential Management corresponds with Human Development⁸.

To conclude: collective - individual alignment on issues related to 'corporate identity and values', 'human operations' and 'human development' will improve productivity, support workplace climate,

and stimulate human development. The HCM-activities strengthen the commitment, dedication and motivation of individual employees, while companies show an increase of their basic assets: material (financial performance), commercial, socialization and creative assets (or intellectual capital) (Hardjono, 1995).

§5. Comparing Classic Personnel Management, HRM and HCM

A mutual framework

A lot of research exists on the different (strategic) roles that the HRM function can fulfil within an organization (among others McWilliams (2001), Ulrich (1997)). In discussing the differences in the three stages of development of people management, we will specifically deal with the operational activities that the HRM function performs in bridging policy and practice.

It is customary to divide the activities of the HRM function into a number of main categories (Kleiman (1997), Mensink (1991) and Paauwe et. al. (1997)). If we consider these approaches next to each other, we come to the following classification of HRM activities:

- Personnel planning;
- Recruitment and selection;
- Socialization;
- Work and task systems;
- Training and development;
- Assessment;
- Rewarding;
- Participation.

We will discuss these briefly. In the term personnel planning, we understand all activities that are related to the influx, throughput and outflow of personnel. In the light of the tasks that need to be performed and the desired competency levels, from time to time a 'tableau de la troupe' is put together, from which measures with regard to the necessary amount of personnel result. The recruitment and selection activities are self-evident. Socialisation is the process in which the employee is familiarized with the organization and with its the values and norms. Socialization takes place in an informal way, but is also supported by formal systems. In work and task systems, we include those activities that aim for developing such task-descriptions and work-systems, which contribute to improved efficiency and effectiveness, while leaving employees sufficient degrees of freedom. This feature also includes supporting the quality of the workplace. Training and development are activities that are being used to maintain and promote the competencies and talents of the employees, in relation to the developments inside and outside the organization. On the basis of positive assessments results, line managers can propose periodical salary increases. Rewarding holds elements such as job evaluation, reward systems and the system of primary and secondary terms of employment (perks). Participation is connected to all systems that are being developed and implemented, that aim at promoting the involvement of the employees (such as councils, consultation and participation)

Shortly summarized: the HRM function is oriented towards the 3 Rs: to recruit, to retain and to rouse the workforce; all systems (activities) have in common that they try to control the factor labour in the organization. Changes in society and organisations will bring companies to adopt HCM as a new, more adequate approach to challenge these new circumstances.

Analysis of the differences between HRM and HCM

HRM has a number of functional tasks – the 3 Rs – and deploys a number of traditional instruments in order to realize these tasks. A major problem – as we have shown above – is that the HR function is manoeuvred into a splits and that it operates out of an obsolete paradigm.




Human Resource Management	Goal
Recruitment and Selection Personnel planning Rewarding	 Recruit
Work and task systems Training & Development Assessment Rewarding	 Retain
Socialization Participation Training & Development	 Rouse

Figure 3: Human Resource Management

In the current approach to HRM, the three goals are usually striven for separately. Performance on these goals is being assessed on the basis of, for instance, the average vacancy time, the structure of job descriptions in comparison to other companies, the educational facilities that are being offered and the extent to which these are used, the number of executed performance assessments, absentee figures, etcetera.

The tactical goals (the 3 Rs) can produce conflicts or unworkable situations at operational levels, for example when training and education becomes an issue. An illustration: in the case of a Personal Training and Development Plan (PTDP), personal shortcomings come to light very sharply. The chance that this information is discussed at an assessment meeting, and that this might have negative impacts for the person at hand, creates an atmosphere of mistrust, which can ruin an effective policy for human development.

HCM is values-driven, striving to bring about dedication, motivation and commitment of employees. It is not oriented at achieving functional goals, but at the policy effect on the chosen values. Of course, the 3 R's remain important and, as far as they are still suitable for the purpose, the traditional instruments will be used, but now dosed and aligned to the realization of the three values.

In figure 4, HRM, and her instruments, are differentiated into three domains. For example, what can the policy of recruitment and selection add to operations, to the company culture and to the development and competence profile, etcetera?

Human Capital Management			
	Human operations	Corporate Identity and Values	Human Development
Recruit	<ul style="list-style-type: none"> Recruitment and Selection: function profile of vacancies Personnel planning: nature and amount 	<ul style="list-style-type: none"> Recruitment and Selection: personal profile of candidates directed at standards and values 	<ul style="list-style-type: none"> Recruitment and Selection: educational profile of candidate Personnel planning: nature and amount
Retain	<ul style="list-style-type: none"> Work and task systems Assessment Reward 	<ul style="list-style-type: none"> Assessment Reward 	<ul style="list-style-type: none"> Assessment Reward PTDP
Rouse	<ul style="list-style-type: none"> Participation 	<ul style="list-style-type: none"> Participation Socialization 	<ul style="list-style-type: none"> Training & development Participation



Goal	Dedication	Commitment	Motivation

Figure 4: Human Capital Management

The traditional instruments will have to be cleared of 'manipulative' and 'controlling' elements and therefore will have to be aligned to the newly founded principles of the personnel policy (the new paradigm). A number of instruments are still missing. HRM has not yet been proactive with regard to the creation of a company culture and corporate identity; it therefore has no appropriate instruments for this. Moreover, in focusing on 'alignment' between the employee and the collective, HCM aims at a (permanent) dialogue between the individual employee and the organization. The dialogue is an outstanding instrument by which alignment is reached. Starting a dialogue to bring about alignment implicates non-dominant positions. After all, the basis of the dialogue is not 'telling' from a patronizing hierarchical position, but 'involving', from a basis of equivalence between the negotiation partners. By doing so, the current call for respecting the integrity of the individual and creating space for the self-preservation (agency) of the individual come out well.

HCM includes and transcends HRM

We consider HCM as a more advanced stage of development in personnel management. HCM incorporates HRM's features and provides additional values. HRM, in turn, includes and transcends Classic Personnel Management.

We have summarized the most important differences between the three stages of development of people management in the following chart⁹: see figure 5.

It has to be noted that in some aspects the HCM qualifications replace the preceding (paradigm, position of employee, orientation), whereas in other aspects it mostly concerns extensions (such as selection, intervention, communication).

Personnel Management	Human Resource Management	Human Capital Management
Human resources can be managed, aimed at and controlled: <i>people can be managed.</i>		<i>You can lead a horse to water, but you cannot make it drink!</i>
Authoritarian, command	Temptation	Alignment
Top-down communication	Communication in all sorts of directions	Dialogue: interactive communication
Controlled information	Open communication	Dialogue
Standardized tasks and job descriptions	Individualised tasks and job descriptions, global indication of responsibilities	Individualized description of roles, tasks and responsibilities
Training aimed at function	Training aimed at multi-availability	Training aimed at personal development and fulfilment of PTDP
Employees cost money	Employees still cost money, optimal output needs to be generated	Employees are partners, with whom a professional discussion about costs and output can be held
Selection on the basis of the job description	Selection on the basis of personal (esp. professional) competencies	Selection on the basis of personal competencies and values
Interventions on the basis of operational problems	Interventions on the basis of tactical problems	Interventions on the basis of strategic problems

Instrumental orientation	Functional orientation	Strategic orientation
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Figure 5: Differences between Classical Personnel Management, HRM en HCM

§6. Making HCM operational

HCM includes and transcends HRM, which in return offers a surplus value with regard to Classic Personnel Management. As said, many HRM instruments keep their applicability within the HCM context, provided that they are free from manipulative and controlling elements.

In this paragraph we will introduce two practical applications of Human Capital Management. The first one – Human Asset Management – is presently being implemented at Stork Business Services. The second example consists of recent experiments⁹ in improving the dialogue between the employee and the organization, which is a vital instrument in realizing the HCM goals.

Human Asset Management

Stork Industry Services (SIS) employs 3,000 technicians. Doing temporary assignments they work in various technically related industries such as refineries, food processing, engineering, maintenance etc. SIS operates in a volatile market with a structural shortage of well-qualified technical professionals. SIS management, such as Heintjes and Van der Hammen have, concluded that the following factors are critical for success.

- Job Proficiency
- Attracting and retaining talented technicians
- The right man in the right place
- Supporting culture and competence development scheme

The value of Stork Industrial Services is primarily determined by the level to which their collective job proficiency adds value to their customers' business processes, in an increasingly dynamic environment. In order to become the best *Industrial Full Service Provider* a substantial degree of qualitative and quantitative job proficiency is required. Job proficiency, is described by SIS as the sum total of knowledge, skills, behaviour and experience of all personnel. Just as with any other business process this sum total of personnel competencies has to be managed effectively in order to ensure the company's success, now and in the future.

Since there is a shortage of technicians, Stork must be perceived as a good employer and offer challenges which will attract new talented employees and retain the ones they want to keep. Competence development therefore improves employability, meeting individual objectives, as much as it improves Stork's profile in the market.

With a wide variety of customers and their increasingly specific operational demands, Stork needed to match supply and demand very carefully. Furthermore, for SIS' business as a whole as much as for their individual employees, they want to create a successful professional existence, in a dynamic environment, based on what they can do well in the future instead of what they have done well in the past.

SIS has developed a database including the competence profiles of all employees, their training programmes and their assignment schemes. This way SIS has been better able to manage human potential development and arrange the best fit for their individual employees with respect to available assignments.

Specific jobs are evaluated with respect to the demands of the client as much as the competence development achieved by the individual employee. Jobs or assignments are not only business revenues but also offer learning opportunities. The Human Asset Management Database provides the HRM department with a tool to proactively recruit, retain and select employees [managing the flow], while operations can match available employees to new assignments much more efficiently and effectively.

Also Human Potential Management is part of the deal: they can monitor and facilitate competence development programmes and compare training efforts with the results and evaluations in the market. Competence development has truly become a strategic activity. Furthermore, SIS is better able to respond quickly to changes in the market.

Developing HAM offers Stork a better picture as to where knowledge is available. Clients would also like to know what expertise is present at SIS and if hired hands have the necessary qualifications or not. Developing HAM is still brand new and will be wider introduced shortly. Indeed, it manifests the trends this article has described above.

In the preceding paragraph, we have stated that the dialogue between employee and organisation is the best instrument to realise HCM goals. In practice, experiments on this have taken place¹⁰. Next, we will introduce this HCM instrument within the outlines of our model of Human Capital Management.

The dialogue

In the domain of 'corporate identity and values' it is important to examine, in hiring a person but also continually, whether the (potential) employee can agree with the identity of the company. This can be a task for an employee of the HRM function. The result of a well-performing monitoring and alignment between the individual- and the organizational standards and values will be, that within the organization commitment will occur towards the 'corporate identity and values'. With regard to maintaining the dialogue within the work situation, the direct manager has a role to play. He or she is in a position to build a relationship of trust with his or her subordinates. In the scope of the dialogue within the work situation, two HRM instruments are already known: job assessment and performance management. We would like to add, following Gordon (1997, 1981), a third assessment, which encloses and exceeds both evaluations: the motivational assessment¹¹. Job assessment and performance management are mainly part of the 'human operations' domain of the HCM model. The motivation assessment is mainly part of the domain of 'human development', but is not limited to this: it also fans out to the domains of 'human operations' and 'corporate identity and values'.

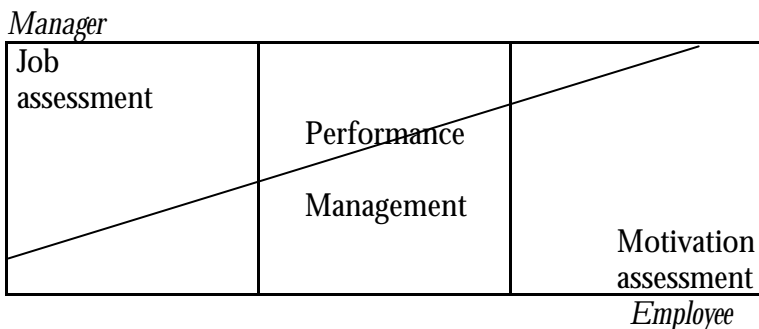


Figure 6: Three types of dialogue

Figure 6 makes clear that job assessment and performance management mainly centralize the interests of the employer. In the motivation assessment, however, the employee is the central person. Starting point for the discussion are the individual goals and the identity, which the employee is striving for. From this central issue the discussion is aimed at working out to what degree the employee experiences alignment with the goals of the organisation and its identity, and to what extent the employee experiences room for individual development and optimal motivation within the organization. How big is the gap between the current and the 'ideal' work situation? In what way can, in a mutual process, this gap be levelled out? When the employee is taken seriously in this way, and experiences room for bringing in his or her individuality, the result will be motivation for the activities that have to be done. The result of this will be, that within the domain of 'human operations', where daily activities take place and motivation can be turned into action, dedication occurs towards the organization.

Practical example

It is possible that the thought now settles in, that we are making a plea for as much tolerance as possible from the side of the employer, and that we in fact invite the employer to allow the employees to have their way in everything. After all, when you have such discussions with the employee, where he or she is put at the centre of attention, in which his or her goals have an important place, do employees not tend to ask too much? A project, conducted in a business unit of a large Dutch multinational shows that this is not the case. Conducting motivation assessments was introduced there in 1999/2000. The results of the discussions (the things the employees asked from their direct managers in the motivation assessments) could be classified in three categories, see figure 7. In the first place, employees asked what managers called 'easy wins'. It appeared that mistakes had been made in the past, delicacies had occurred in the mutual relationship, which bothered the employee but had not yet been mentioned. These delicacies could easily be solved. Next to that, employees asked for measures in the atmosphere of daily work. It appeared that, for example, they could not move on in a project, because they had to wait for management approval or because the mandate with which they could act towards other parties was not clear. Finally, the employees asked for things that were in the context of their personal development and growth. It concerned requests for education and training, requests for shorter or different working hours et cetera.

If we scrutinize these three types of requests somewhat further it is striking that there is a clear resemblance with the three domains in our model. The easy wins are linked to the corporate identity and values. Delicacies usually occur because there is a discrepancy in what the company stands for ('corporate identity and values') and what the employee experiences in the treatment of the company (whether or not through the behaviour of the direct manager). The measures in the field of daily work are clearly linked to the domain of 'human operations'. And finally the requests in the context of the personal development and growth are clearly linked to the domain of 'human development'. In this, we can recognize an indication that the proposed dialogue is indeed a good instrument to create alignment and to operationalize the model of Human Capital Management.

“Daily Work” (Human Operations)	“Easy Wins” (Corporate Identity and Values)	“Personal Development” (Human Development)
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Figure 7: Results of the motivation assessment (and the relation to the HCM model)

A remark has to be made about the nature of the motivation assessment. In practise, it appears that managers do not automatically strike the right note in these discussions. Following Rogers (in: Dowling & Sayles, 1978, 1971) the motivation assessment needs to have a non-directive character, and it has to be conducted in a private atmosphere. Because managers are usually chosen for their qualities, patience and the tendency to cut the knot for employees, this attitude can be a pitfall for them when conducting motivation assessments. A dominant attitude of the manager is harmful for the motivation assessment. It appears that employees experience this help as disrespectful, however well meant it may be. If this situation occurs, employees are no longer willing to expose their deepest feelings with regard to their own values, standards, goals and motivations. The same reaction occurs should the manager have a judgmental attitude towards the issues that the employee brings forward in the assessment. Non-judgmentalness and non-controlling qualities are necessary conditions for a motivation assessment. Luckily, these qualities can be learned by managers through training.

Finally, experience from practice shows that if the motivation assessment is conducted in a sphere of complete openness and good communication, job assessment and performance management eventually can be lapsed.

§7. Issues for the future

Human Capital Management encloses and exceeds HRM. It offers added value by, firstly, working from a fundamentally different starting point, in which the integrity of the individual has a central place. This makes it possible for HCM to use the complete potential of the human capital. Secondly, HCM involves the cultural dimension in its competence, and HCM introduces a number of instruments through which it can effectively stimulate company culture, as well as bring about the mutual binding of employees and the binding with the organization. Thirdly, HCM is able to align individual and collective educational issues on primary operations in a better way.

HCM aims at the creation of commitment of employees, a commitment that goes further than contractually exchanging services. Through a permanent dialogue between individual and collective, motivation will be stimulated and the dedication of employees will be strengthened. This dedication has a direct and very strong effect on the development of productivity. The mutual effect of the three goals supports the emergence of the desired development of the organization. A challenge for the future will be developing instruments to quantify commitment, motivation and dedication.

The administrative function of personnel management and HRM continue to remain, even though we think that in many cases it would be better to outsource this. The realization of HCM lies with line-management. The role of the HRM professionals becomes that of an internal advisor, in service of the line-management, aimed at facilitating and accompanying 'on -the- job' training and coaching.

Alignment will play an even larger role in all sorts of control and co-ordination issues. Other disciplines can also use alignment techniques (marketing, product design, and ergonomics). A challenge for the future lies in further investigation of these fields as well as the field of HCM.

Recently, the European Commission has committed research money to realize its ambitious social goals. The Erasmus University has received an assignment to develop a European Corporate Sustainability Framework, and moreover an initiative has been taken to make a ranking of the 100 best European employers. Commitment and loyalty, dedication and motivation will be important distinguishing variables. In order to make better use of the human potential, academics and companies must co-operate to engage in further research in an energetic way.

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Notes

¹ See e.g. Ken Wilber (1996, 2001)

² Wilson Learning Corporation, Study of Business Performance involving 14 organizations and 25,000 employees

³ See: Beck, D.E. and Cowan, C.C.(1996) *Spiral Dynamics*

⁴ See: Hardjono, T.W., (1995) *Ritmiek en Organisatie Dynamiek*. [Four Phase Model]

⁵ See: Marrewijk, M. van and Hardjono, T.W. "The European Corporate sustainability Framework form managing complexity and corporate transition", in: *Journal of Business Ethics* (2002)

⁶ Investors in People' is an UK-initiative Its aims to develop and make better use of the human capital in organisations. It focuses on the education and training of personnel.

⁷ These measuring methods are developed and tested by the MVμP Institute. The MVμP Institute, PO Box 428, NL-2300 AK Leiden

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- 8 Stork Industry Services coined the term Human Asset Management, but they specifically include competence development, which we separated and named Human Potential Management. In paragraph 6 we will elaborate in short on Stork's practices in people management
 - 9 The model is based on: Kluytmans & v/d Meeren (1992), and Paauwe (1996).
 - 10 The MV μ P Institute has developed the dialogue-method. She has a tested instrument to do the motivational assessment, and also provides training for management to learn how to do this effectively. The MV μ P Institute: PO Box 428, 2300 AK Leiden, the Netherlands.
 - 11 Gordon names this the 'Periodical Planning Conversation', which in our view points too much to the 'normal' job evaluation.