People and the creation of value

Why organisations need to up their game on understanding, measuring and leveraging human capital

Eugene Burke, Analytics Adviser to the CIPD

About the author

Eugene Burke’s career to date includes roles as a military psychologist for the Royal Air Force, United States Air Force and NATO, establishing the first occupational psychology unit for the London Fire Brigade, establishing his own consultancy as well as more recent leadership roles in SHL and CEB for R&D, product development, product management, consulting services and, most recently, in developing and applying solutions in talent analytics.

His recent projects include the talents that drive innovation effectiveness, the future of the retail bank, improving the success of high-potential programmes, how organisations can use analytics to drive more effective investment in graduate recruitment, how HR can play a key role in managing risk for organisations, addressing the challenges to global assessment programmes, as well as unpacking myths around gender differences in leadership potential and what the differences between the generations mean for effective talent management.


Eugene has held leadership positions for professional bodies such as the Association of Test Publishers, the Association of Business Psychologists, the British Psychological Society, ISO and the International Test Commission. In 2014, Eugene was identified as one of the top 50 global influences in talent analytics in a LinkedIn poll.

What marks the competent organisation is its capability to create value through its people. This is hardly a new insight. People, whether they are leaders defining strategy, managers responsible for executing that strategy or employees committed to delivering on an organisation’s goals, have been and always will be an essential driver of value-creation. They are also a critical factor in whether value can be and is destroyed.

What is new is the opportunity for organisations to marshal the wealth of data they hold on people, the tools now available to use that data to effect and the emergence of coherent ways of thinking about how the flow of value-creation is enabled, or not, through people investments.

This is more than just a call to action for HR functions and HR professionals. It is an essential competency for leaders and managers in organisations because it speaks to the quality of decision-making in this information age. To build that organisational competency, decision-makers, whatever function they may sit in – including those in finance and HR – need to understand how the notion of value has changed and is changing.

They need to understand how an investment in people links to value and be able to track and measure whether those people investments are delivering value today and can be expected to deliver value tomorrow.

They need to be able to do that in two ways. First, they need to be able to answer the question of whether those investments are building the people capabilities the organisation needs – that is, is the organisation creating human capital today that will sustain it into the future? Second, they need to be able to demonstrate how people investments are delivering value, whether that is in the form of more-tangible financials or the more-intangible forms of value that are increasing in importance as current thinking about how to define value matures.
The changing nature of leadership quality

While the pressures on organisations and their leaders have increased, so have our expectations about the quality of decisions that leaders make. Those pressures and our expectations for decision quality are framed by powerful forces in this information age (Table 1).

Organisations are now more exposed than ever before. Social media, a 24/7/365 online news media as well as the arrival of companies that publish employee perceptions of their employers and their leaders may not have rendered organisations fully transparent, but they have made them considerably more translucent. From the outside, we may only as yet be able to see the shadows behind corporate walls, but those corporate walls are becoming considerably less opaque.

As survey after survey shows, political and economic uncertainty has become the new normal. The issue for all stakeholders who depend on an organisation for employment and for the goods and services that the organisation provides is not so much that leaders are having to deal with uncertainty, but how effectively they are planning for and managing the potential impact of uncertainty on their organisations.

Executives report that they feel the pace of change is increasing by virtue of globalisation and the technologies now embedded in our working and personal lives. This is a growing concern for all of us generally, so how do we know that those who lead organisations are keeping up with the pace of change and how is that reflected in the quality of decisions made about strategy, execution of that strategy and people?

It would seem that there is something of a paradox around pace. On the one hand, while executives are struggling to keep up with what they see as the increasing pace of business, evidence shows that pace in the form of innovations, new product launches and successful company start-ups is slowing down. This paradox, real or otherwise, says something about the confidence we have that leaders and managers are focused on what is critical to drive and sustain performance in their organisations. Yet, in one recent industry study, only 50% of organisations surveyed said they had confidence in their systems for monitoring the performance of their organisations.

That raises the issue of how organisations demonstrate effective governance and whether boards and the C-suite have a clear line of sight on the people practices in their organisation. Informed leadership and management is a significant factor in gaining the buy-in of employees to executing organisational goals and meeting organisational targets, and here is where those softer people intangibles present a very tangible risk to organisational success.

To compound the challenges faced by organisations, survey after survey show that organisations are failing to engage their

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Table 1: Five forces shaping decision quality

<table>
<thead>
<tr>
<th>Exposure</th>
<th>The corporate fire wall protecting what happens inside organisations is becoming less opaque and more porous to news and social media. How effective an organisation is in managing and engaging employees is now more exposed to the outside world.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty</td>
<td>Two of the most consistent concerns reported by CEO and executive surveys is ongoing uncertainty impacting on business performance. Globalisation and regulation are the two factors most frequently reported.</td>
</tr>
<tr>
<td>Governance</td>
<td>While governments have focused on the competence of boards, the issue of governance emerges among employee and customer surveys as reflected in their perceptions of management competence (employees) and quality of product and service delivery (customers).</td>
</tr>
<tr>
<td>Trust</td>
<td>Persistent lack of trust among employees and customers presents risks of customer disaffection and employee turnover with impacts on operational costs as well as brand reputation.</td>
</tr>
</tbody>
</table>

1 Decision quality, or DQ, refers to the choices made under dynamic circumstances and the actions that follow from those choices. The quality of a decision can be judged by six characteristics: setting the right frame, considering alternatives, gathering meaningful data, clarifying values and trade-offs, the logic underpinning the evaluation of data and alternatives, and whether a decision results in a commitment to action.
employees\textsuperscript{9,10} a trend that raises a very tangible risk to organisations at a time when labour markets are becoming tighter and mobility in those labour markets is on the rise. That risk is high on the radar of leaders in the for-profit and not-for-profit sectors, with the retention of staff growing as a concern among organisations globally.\textsuperscript{11}

**The nature of organisational value**

So how do organisations make the intangible more tangible and strengthen decision quality? They start by articulating the value they intend to deliver and are delivering, and they develop methods for capturing the full value proposition they offer across stakeholders within and outside the organisation. That means they need to understand the full nature of value.

They develop clearer articulations of capital, including human capital. For some, the term human capital may feel dehumanising. It isn’t. By developing a clearer shared understanding that people and people processes – whether that is through hiring or training or reward – should be seen as a form of investment, they are actually showing a concrete commitment to better organisational governance on behalf of all stakeholders, including employees.

They develop insight into how people create value and where to invest in their people to sustain value-creation. To do that, they need to develop frameworks that enable them to understand the value-creation process and optimise their investments in people.

Those frameworks enable them to marshal their data and apply more joined-up thinking to gain insights into what is working and what is not. One clear benefit of those frameworks is to surface assumptions and challenge the intuitions that have led organisations into trouble all too frequently.

They are able to put a number on the value that people investments, alongside other investments, are delivering, explain how people sit within the flow of value-creation in their organisation, and how that flow of value-creation will be sustained into the future through the people investments being made today. And, all of this starts with an understanding of how the conception of value has changed and is changing.

The way in which we judge the value created by organisations has changed. Take the valuation of publicly quoted companies and take those quoted on the S&P market index as an example (Figure 1).

In 1975, 83% of an S&P company’s market capitalisation was down to tangibles – the assets that can be more readily converted into cash.

**Figure 1: Components of S&P 500 market value (%)**

![ComponentsofS&P 500marketvalue(%)](https://example.com/figure1.png)

Then the 1990s came along and the contribution of tangibles to company value had dropped to only 32% and had halved again by 2015 to only 16%. In short, and over just four decades, the contribution of tangibles to an S&P company’s valuation dropped from four-fifths to around one-sixth.\textsuperscript{12}

This shift in what drives a publicly quoted company’s valuation raises a clear question: how do you put a value on intangibles because they are, by definition, intangible? Put a different way, how do you predict a company’s future performance and its potential to create sustainable value when much of that value will come from assets that are non-financial?

Those in the finance and investment worlds are coming at this question by looking at how companies themselves define value and how they articulate the mechanisms through which they will convert the capital they have into value.\textsuperscript{13,14}

**The six capitals of the modern economy**

Just as the notion of value has changed, so the notion of the types of capital needed to create value is changing. If intangibles are the dominant driver of a company’s valuation, financial capital provides too narrow a view of what the organisation has available to it or needs to create value. That view, a need for broader understanding of different types of capital, is growing and maturing.

Take the six capitals model offered by the Institute of Integrated Reporting (IIR).\textsuperscript{15} This
model extends the notion of capital beyond the financial to include natural capital, manufactured capital, intellectual capital, social (and relationship capital) and human capital (Table 2).

Table 2: How the notion of capital has grown beyond the financial

| Financial Capital | The pool of funds available to an organisation for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments |
| Manufactured Capital | Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of service, including buildings, equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants) |
| Intellectuals Capital | Organisational, knowledge-based intangibles including intellectual property, such as patents, copyrights, software, rights and licences: ‘organisational capital’ such as tacit knowledge, systems, procedures and protocols, and intangibles associated with the brand and reputation that an organisation has developed |
| Human Capital | People’s competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organisation’s governance framework, risk management approach and ethical values such as recognition of human rights; ability to understand, develop and implement an organisation’s strategy; and loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate |
| Social & Relationship Capital | The institutions and relationships established within and between each community, group of stakeholders and other networks (and an ability to share information) to enhance individual and collective well-being. Social and relationship capital includes shared norms, and common values and behaviours; key relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with customers, suppliers, business partners, and other external stakeholders; and an organisation’s social licence to operate |
| Natural Capital | All renewable and non-renewable environmental stocks that provide goods and services that support the current and future prosperity of an organisation. It includes air, water, land, forests and minerals as well as biodiversity and ecosystem health |

This extension of the notion of capital speaks as much to organisations in the public and not-for-profit sectors as it does to for-profit organisations. As the public purse has tightened in response to recent financial crises and economic uncertainty, debates about the merits of fiscal and monetary policy are essentially debates about the maintenance or erosion of social capital in the quality of services delivered, and in intellectual and human capital stock available to support ongoing economic growth.

Think of health and education as two of many possible examples. They have finite resources in the form of finance as well as plant and equipment. Those are the tangibles. The challenge that both sectors face is how to leverage those tangibles and meet the expectations of stakeholders – that is, us – in terms of the quality of life enjoyed today and that can be expected in the future.

In the charity sector, actions to raise funds have come into question largely because of the negative impacts reported on social capital – essentially, the trust and comfort donors have in the charity organisations that rely on those donations. But, to have impact, the notion of capital has to go beyond a set of definitions.

There is a subtle yet important characteristic of capital as defined in economics where capital serves as the means to produce goods.
and services. In contrast to the more inert notions of resources and assets, capital is a dynamic entity that is expected to change and grow as organisations convert it into value. Simply put, judgements of value are founded on the expectation that an asset or a resource has been recognised by the organisation as a form of ‘capital’, and that the organisation has a plan for how it will grow those capitals and add value to them.

**Human capital and breaking the productivity puzzle**

That puts the focus squarely on the quality of the decisions made by organisations at a time when productivity is sluggish. Productivity trends in recent years have led to a spirited debate among economists and those in finance. The Bank of England has called it the ‘productivity puzzle’, and one symptom of this puzzle is that, while employment has been going up, the quantity of goods and services produced per unit of labour has been going down.

**To quote...**

> ‘Even six years after the initial downturn, the level of productivity lies around 4% below its pre-crisis peak.’

This puzzle has prompted the Organisation for Economic Co-operation and Development (OECD) to undertake an extensive analysis of the factors influencing productivity, noting that:

> ‘Productivity is the ultimate engine of growth in the global economy. Raising productivity is therefore a fundamental challenge for countries going forward. This new OECD report ... shows that we are not running out of ideas. In fact, the growth of the globally most productive firms has remained robust in the 21st century. However, the gap between those global leaders and the rest has increased over time, and especially so in the services sector ... there is much scope to boost productivity and reduce inequality simply by more effectively allocating human talent to jobs.’

The OECD research shows that productivity of the average firm masks higher productivity among firms operating at what the OECD calls the global productivity frontier (see Figure 2). In manufacturing, firms on the frontier grew at double the rate of the average manufacturing firm over the same period, while frontier firms in the services sector grew at 5% in contrast to an average growth rate of 0.3% – a difference of 17 times in the rate of productivity growth.

What characterises firms at the productivity frontier? Access to financial capital is key, but so is the adoption of operational best practices through which the innovations that drive productivity are diffused through the firm and across a sector. A separate but related series of research studies provides a surprising contrast in the impact on productivity from effective management of human capital compared with other investments.
Exploring the management practices and performance of over 4,000 manufacturing firms in Europe, the US and Asia, researchers at Stanford, the London School of Economics and McKinsey have identified 18 management practices that distinguish high-performing firms. The startling contrast that this research unearthed is that a one-point shift in the quality of management practices had the same impact on output (effectively productivity) as a 25% increase in the labour force employed (that is, adding to the cost of the workforce employed) and a 65% increase in capital investment (that is, plant, machinery and technology; see Figure 3).

As the authors comment:

‘For companies, this research is good news, suggesting that they have access to dramatic improvements in performance simply by adopting good practices used elsewhere. For policy makers, it lays down a challenge. The overall performance of most countries is determined not by the performance of its leading companies, but by the size of its “tail” of poor performers. By developing environments that promote good management practices across all firms and by devoting as much attention to the followers as to the leaders, governments can drive the competitiveness of their entire economies.’

While the fact that well-managed firms perform more strongly isn’t that surprising, the extent to which management practices impact on productivity shows that many firms would be better off investing in their human capital to strengthen manager performance than simply adding further cost in new labour or new technologies and expecting those investments to somehow yield and sustain higher productivity levels. But that is exactly what many in the long tail of poorer managed firms appear to be doing. Those management practices also have a significant impact on the quality of talent that organisations attract and the willingness of that talent to perform. This can be seen in one sector – higher education – that is critical to the development of intellectual capital. In a separate application of the Stanford-LSE-McKinsey research just described, researchers at the University of Bristol found significant variations in effective management practices within and across UK universities. Those variations in management practices were also found to have a significant impact on the ability of those universities to attract and retain stronger teaching and research talent which, in turn, had significant impacts on student satisfaction.

Among the management behaviours having a negative impact on university performance were tolerance of poor performance and a lack of clear alignment between compensation, rewards and individual contribution. At a time when universities are receiving lower funding from government, these findings have substantial implications for UK universities in maintaining their reputation for teaching and research, and for retaining a competitive position globally for student income.
Delivering on leadership through better decision-making

Another area to be considered is the quality of the decisions which leaders make. Decision quality is also under scrutiny at a time when employee engagement is in a slump. Just as research is now quantifying the impact of management practices on firm productivity, research is also quantifying the impact of employee satisfaction and engagement on the financial returns and market valuation of companies.

Drawing on 100,000 employee ratings of their employers published on Glassdoor, researchers in the finance faculty at the University of Kansas found that those ratings predicted firm profitability and market valuation to the extent that a one-point positive shift in the star rating of an employer was associated with a 52% difference in profitability and an 8% difference in market valuation (Figure 4). This is one example of a growing stream of research showing that softer people factors have a material impact on harder financial metrics of value.

Engagement surveys have become de rigueur across organisations and yet there is something of a contradiction in the way those surveys are commonly used. On the one hand, they are cited as the most commonly used strategic check on the pulse of employee sentiment and commitment. That reflects a concern that low engagement will result in lower productivity, lower employee retention and a higher premium in attracting and hiring new employees.

On the other hand, engagement data are frequently underutilised as an input to forward strategic thinking and business planning. Research on leading companies found that only 1 in 20 of those companies leveraged engagement data for broader decision-making. That tendency to exclude people data in business planning was related to three failures:

- not knowing the strategic options that engagement data offer despite the frequent claims for engagement data providing a strategic pulse-check on the mood and intentions of employees
- not knowing how to segment engagement data in the right way to enable that data to be factored into decision-making and in a way that non-HR leaders understand the value of doing so
- focusing on improving engagement scores rather than using engagement data to evaluate risks to their business plans – in other words, engagement surveys become a purpose unto themselves, with the focus being on how to improve the survey rather than how it can be used.
than on how to address engagement issues and risks to organisational performance.

How can engagement data talk to organisational risk? It is a reasonable expectation that evaluating any business plan’s likely success would include an evaluation of the key execution steps in that plan. It is also a reasonable expectation that would, in turn, be followed by an evaluation of the key talent segments, the people, involved in each of those steps. Here is where engagement data can play a valuable role in rounding out the assessment of risk by answering the question of how willing those critical talent segments are to committing to the proposed plan, and whether they are likely to stay with the organisation long enough for the plan to have a reasonable chance of success.

Low engagement scores for key talent segments would suggest that the success of that business plan depends on addressing engagement risks or in adapting the plan to accommodate and to monitor those risks. It might mean a delay in implementing that plan. Either way, this is one example of how data on people can and should be factored into broader decision-making to test and evaluate plans, to understand what the barriers to execution are and how to address them.

Valuing your talent: why the time has come for organisations to better measure their human capital

Why are organisations struggling to join up the dots on how to build and leverage human capital? Data isn’t the problem. Organisations are rich in data on their people. And the problem is not with the means to analyse that data. Data science and analytics have seen a boom in growth across organisations. What has been missing, and to borrow from the wisdom of Albert Einstein, is the means to make something as complex as organisations and their people simple enough for the flow of value through people to be understood. That gap is now being closed through the emergence of human capital frameworks.

An example of how the importance of these frameworks has been recognised is the partnership between the CIPD, the Chartered Institute of Management Accounting (CIMA), the Chartered Management Institute (CMI) and the UK Commission for Employment and Skills (UKCES). This partnership is a clear statement that understanding the flow of value through people is not just an issue for the HR function.

The Valuing your Talent (VyT) framework lays out the flow of value through people and people investments by treating various elements of human capital as inputs to people processes which, in turn, create outputs that support organisational outcomes (see Figure 5). This provides a tangible organising structure for marshalling people data and people measurements, and linking that data and those measurements to organisational outcomes.

**Figure 5: The Valuing your Talent framework**

<table>
<thead>
<tr>
<th>Value-creation, risk and opportunity</th>
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<tbody>
<tr>
<td><strong>Innovation, agility and resilience</strong></td>
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<tr>
<td><strong>Culture</strong></td>
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<tr>
<td><strong>Organisation performance</strong></td>
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<tr>
<td><strong>Outcomes</strong></td>
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<tr>
<td>Leadership capability</td>
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<tr>
<td>Workforce performance and productivity</td>
</tr>
<tr>
<td>Engagement and well-being</td>
</tr>
<tr>
<td>Business operating model</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
</tr>
<tr>
<td>Attraction and recruitment</td>
</tr>
<tr>
<td>Performance management</td>
</tr>
<tr>
<td>Learning and development</td>
</tr>
<tr>
<td>Reward and recognition</td>
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<tr>
<td>Employee relations</td>
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<tr>
<td>Employee welfare</td>
</tr>
<tr>
<td>Knowledge management</td>
</tr>
<tr>
<td>Organisational design and development</td>
</tr>
<tr>
<td>Workforce planning</td>
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<tr>
<td><strong>Activities</strong></td>
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<tr>
<td>Workforce composition and diversity</td>
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<tr>
<td>Workforce costs</td>
</tr>
<tr>
<td>Regulatory compliance</td>
</tr>
<tr>
<td>Workforce potential</td>
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<tr>
<td><strong>Inputs</strong></td>
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</tbody>
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This is a step-change for at least three reasons:

• The first is that it offers an educational platform for leaders, managers and those supporting decision quality to develop joined-up thinking about what human capital means, and to apply that joined-up thinking in identifying the choices they have for people investments and evaluating the impacts those choices will have on organisational success.

• The second is that it addresses one of the biggest operational barriers to leveraging people data – getting the data organised. Those in HR often see HR systems, designed to manage HR processes, as a barrier to leveraging people data and moving beyond the transactional tracking of processes (for example, have hiring quotas been achieved; have performance appraisals been completed).

• The third is the opportunity to drive greater value out of analytics investments and shift them from tactical point solutions to delivering insights framed and tied to strategic goals and the execution of those goals.

Recent times have seen the growth of analytics in organisations and a rise in the expectations for data science to give organisations a new edge in unearthing insight on how to build and sustain value. Insight must be actionable to deliver that value and there are three essential tests for knowing whether analytics will deliver actionable insight.

The first test is the answer given to the question, ‘Will this result in a change in the behaviour of a process and a measurable improvement in process performance?’ That process could be product/service development, product/service launch, customer services, operational risk management and, but not limited to, an HR process. The first test of whether actionable insight will be delivered applies whatever the process and whoever owns it within the organisation.

The second test of whether actionable insight will be delivered is the answer given to the question, ‘Will this result in a change in the behaviour of the people we rely on to deliver and manage that process and a measurable improvement in their contribution?’ Those in finance often bemoan that their efforts in setting budgets are undone by changes in headcount. People leave or aspirations for hiring and hiring costs are not met, and people may not behave (principally deliver) as expected. This is one example of why the second test of actionable insight from data on people and people investments should matter to those outside the HR function.

The two tests so far are in the form of closed questions to which both answers could be yes. Those answers tell us about the confidence we can have for the quality of actionable insight we will receive, but here comes the third test of actionable insight – ‘How do you know?’

In other words, if an action is expected to result in a positive change in a process and deliver more value, and if the people involved are expected to change their behaviour and expected to improve their contribution, those positive answers need to be backed up with an explanation of how those positive changes will be achieved.

A sound theory-of-the-case in which assumptions have been surfaced, the links between inputs, processes and outputs understood, and those links explained so that all stakeholders can digest and examine the logic and implications of what is being proposed, including the people dimension, is the opportunity now being offered by the emergence of human capital frameworks such as VyT.

The push is on for the senior officers in organisations, irrespective of their function and professional background, to step up and show their competency on marshalling people data. This is not just an academic debate. Stakeholders such as investors are pushing for an answer to the question, ‘Where is the workforce in corporate reporting?’ Some companies are responding to this call from investors by showing how their people investments are addressing key strategic and execution risks, and how those investments are set to deliver value to the organisation, employees and to wider stakeholders.

Yet, a recent survey of UK publicly quoted companies shows that many of those companies have yet to respond to this call and, for those that are, practice is variable. One reason for this variable practice is for organisational leaders to see the call for improved human capital reporting as adding yet further red tape to the burden of annual reporting.

Using the effort of corporate reporting and the length of existing corporate reports to resist the call for better human capital reporting is unlikely to be a sustainable position. One reason is that another group of stakeholders – lawyers – have moved to a position where human capital is being declared as material to the competency that investors demonstrate in their investment decisions.
Where to next?

To quote from one recent report from the Harvard Law School:

‘Our survey of the literature on human capital found 92 empirical studies that examined the relationship between HR policies and financial outcomes such as return on equity, return on investment and profit margins. We conclude that there is sufficient evidence of human capital materiality to financial performance to warrant inclusion in standard investment analysis. However, we also find that doing so remains a challenge for a number of reasons. These range from the fact that companies do not provide investors with comparable data to a lack of consensus over which combinations of policies have the most impact on financial outcomes.’

In short, while there may be challenges and while practice may be variable today, the push on organisational leaders from various stakeholders, inside and outside the organisation, for answers to the question ‘How have you factored people into your strategy and business planning?’ is getting stronger.

The reality of this push was recognised in PwC’s 2016 global CEO survey. Organisational purpose and values ranked first among the areas in which organisations need to do more to communicate their impact and value, with employees seen as the predominant stakeholder influencers that effort needs to focus on. And, with three out of four CEOs agreeing that business success in the twenty-first century will be redefined by more than financial profit alone (see Figure 6), it would seem the message around value and human capital is beginning to strike home.

Figure 6: Growing recognition among CEOs that non-financials matter to success

Q: To what extent do you agree that business success in the 21st century will be redefined by more than financial profit?

76% Agree
13% Disagree
11% Neither
How will we know if organisations understand the flow of value-creation and the role of their people in that flow? In a world in which the importance of intangibles in company valuations has grown and in which recognition of the role of non-financial forms of capital in value-creation is growing, all stakeholders, inside and outside the organisation, need to take stock and ask themselves some tough questions about how to fulfil their role in the effort to create value (Figure 7).

Figure 7: Towards a better dialogue about value and the role of people in its creation

<table>
<thead>
<tr>
<th>From the inside-out</th>
<th>From the outside-in</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boards and CEOs:</strong></td>
<td><strong>Investors:</strong></td>
</tr>
<tr>
<td>‘What measures do you have in place to reflect the tangible and intangible value that you are in business to deliver?’</td>
<td>‘How do you model financials and non-financials in your valuation of companies in managing the investments that you make?’</td>
</tr>
<tr>
<td>‘Have you fostered a cross-functional view across the C-Suite on what drives success across the entire value chain?’</td>
<td>‘How do you gain insight into the value flow within an organisation and whether the organisation is building the human capital it needs for sustainable success?’</td>
</tr>
<tr>
<td><strong>C-Suite:</strong></td>
<td><strong>How do you factor in non-financials such as human capital into sizing the opportunities an organisation may offer such as productivity gains?’</strong></td>
</tr>
<tr>
<td>‘How have you identified the capabilities you need for the execution of strategy?’</td>
<td>‘How do you factor in non-financials such as human capital into sizing the risk that an organisation will fail to deliver what it claims it can deliver and in assessing the organisation’s ability to manage those risks effectively?’</td>
</tr>
<tr>
<td>‘How are you using data on non-financials in your decision-making?’</td>
<td><strong>Policy-makers:</strong></td>
</tr>
<tr>
<td><strong>CFO:</strong></td>
<td>‘How are you creating environments that promote the diffusion of effective human capital practices across organisations including awareness within organisations of how they compare with others on measuring and leveraging human capital?’</td>
</tr>
<tr>
<td>‘How complete is your insight into the business drivers for your organisation and are you encouraging your function to pull on data from other functions to develop that insight?’</td>
<td>‘How are you strengthening the education of managers so that they understand the role of people in value-creation and develop more effective management behaviours?’</td>
</tr>
<tr>
<td><strong>CHRO:</strong></td>
<td>‘How are you working with organisations to create better outcomes for broader stakeholder groups such as customers and employees?’</td>
</tr>
<tr>
<td>‘How are you supporting your C-Suite colleagues in their decision-making through the provision of human capital data and metrics, and what are you doing to align that data and those metrics to delivering business outcomes?’</td>
<td><strong>CITO:</strong></td>
</tr>
<tr>
<td><strong>CITO:</strong></td>
<td>‘How are you ensuring that the investment in technologies is strengthening the ability of the organisation to collate, analyse and track data on non-financials including human capital?’</td>
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The answers to questions such as these and the dialogue that they encourage are central to whether organisations can show that they have upped their game in understanding, measuring and leveraging human capital, and whether investors and policy-makers have played their part in creating the environment for organisations to do so.
Employee outlook: focus on trust in leaders


6 As Daniel Levitin says in his book The Organised Mind: Thinking straight in the age of information overload, with the information flows we experience today, it can be a challenge to determine what we need to know, what we can ignore and what is a factor and what isn’t. See this news article for a somewhat dystopian view of the impact of today’s multitasking world: www.theguardian.com/science/2015/jan/18/modern-world-bad-for-brain-daniel-j-levitin-organized-mind-information-overload


10 Forbes. (2013) 7 reasons why employees don’t trust their leaders. 9 December. Available at: http://www.forbes.com/sites/glennllopis/2013/12/09/7-reasons-employees-dont-trust-their-leaders/


28 National Association of Pension Funds. (2015) Where is the workforce in corporate reporting? (The NAPF is now the Pension and Lifetime Savings Association.)


32 PwC. (2016) Redefining business success in a changing world: CEO survey. (The survey pulled on data from over 1,400 interviews across 83 countries with CEOs of companies with at least 100 employees with revenues of at least $10 million.)