

What is the Return On Your Human Capital Investment

NAFCU Strategic Growth Conference 2010

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Human Capital

"The basic resource in any company is the people. The most successful companies and the most successful countries will be those that manage human capital in the most effective and efficient manner."

Gary S. Becker
Nobel Prize, Economist

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Human Capital Evolution

Human Capital
↑
Human Resources
↑
Personnel

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Understanding "Human Capital"

- The employees of an organization.
- The term builds on the concept of capital as an asset of an organization, implying recognition of the importance and monetary worth of the skills and experience of its employees.
- It is measured through human capital accounting.

(Bnet)



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Human Capital is...

- The collective value of the organization's intellectual capital (competencies, knowledge, and skills).
- The organization's renewable source of creativity and innovativeness but not reflected in financial statements.
- Always owned by the individuals who have it, and can 'walk out the door' unless it is recorded in a tangible form, or is incorporated in the organization's procedures and structure.

Business Dictionary.com



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Focus



Traditional Human Resources

- Managing
- Job Description
- Rules
- Roles and Responsibilities

Human Capital

- Leading
- Goals
- Expectations
- Strategic Performance

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Measuring Return

Traditional HR Metrics

- Turnover Rate
- Average time to fill positions
- Compensation Costs/employee
- Benefits as % of Compensation

Human Capital Metrics

- Operating Income/employee
- Comp and Market Ratios
- Human Capital Efficiency Ratio
- Human Capital ROI
- Total Realized Value



Sample HC Metrics Study

Performance Factors/Ratios	2008	2007	2006	2005
Salaries and Benefits	9,760,692	10,412,043	9,996,635	8,807,696
Total Income	34,103,507	33,156,183	30,679,714	28,277,398
Operating Income	22,979,273	21,658,729	24,829,047	22,630,405
Net Income	2,387,570	1,383,443	3,975,202	5,464,358
FTEs	130	140	138	127
Total Assets	548,907,607	494,432,796	489,247,949	486,729,029
ROA	0.43%	0.28%	0.81%	1.12%
Comp Efficiency Ratio	2.35	2.08	2.48	2.57
ROI in Human Capital	24.46%	13.29%	39.77%	62.04%
Op Income/Employee	176,764	154,705	179,921	178,192
Total Comp/Employee	75,082	74,372	72,439	69,352

H C Metrics Sample Comparisons

Performance Factors/Ratios	A	B	C	D	F	G	H
Total Comp + Benefits	1,294,646	2,376,313	7,225,734	7,496,176	8,463,279	15,457,471	67,267,988
Total Income	4,460,414	11,163,025	26,441,233	25,450,850	34,455,252	59,009,656	743,966,498
Op Income	3,351,443	6,278,350	17,465,532	14,778,889	19,468,196	30,886,461	230,429,701
Net Income	204,078	1,564,485	3,811,520	2,038,842	284,178	3,460,420	46,487,095
Member /Emp	1 to 334	1 to 363	1 to 317	1 to 370	1 to 323	1 to 348	1 to 803
Total Assets	53,017,246	170,136,648	372,850,787	417,515,943	494,164,466	1,031,166,248	12,942,944,625
ROAA	0.39%	0.95%	1.05%	0.51%	0.06%	0.36%	0.38%
Comp Eff Ratio	2.59	2.64	2.42	1.97	2.30	2.00	3.43
ROI H Capital	15.76%	65.84%	52.75%	7.20%	3.36%	22.39%	69.11%
Op Income/Employee	167,572	209,278	108,482	167,942	105,233	160,033	222,208
Comp /Employee	64,732	79,210	44,880	85,184	45,747	80,091	64,868

Human Capital Metrics

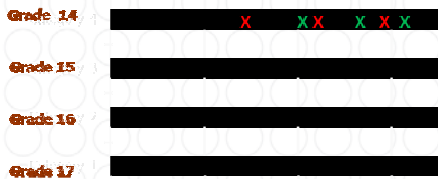
Realized Value: What did you expect to receive?

Pay for performance, incentives

- Do top performers place at the upper end of pay grades and compensation ?
- Are underperformers identified and appropriately compensated?

Human Capital Metrics

Compensation/Performance Comparisons



Human Capital Metrics

Realized Value: What did you expect to receive?

Alignment with corporate objectives support performance

- Do you have the talent and capacity to accomplish your corporate objectives?
- Do Human Capital policies and procedures align with strategy?

Return on Human Capital Investment

Questions?
