

# Human capital management: What is most effective?



**Effective Human Capital (HC) management has become one of the top priorities for businesses during the current time of economic uncertainty. Business leaders worldwide are aware that having the best talent on board provides them with a priceless competitive advantage. The optimization of HC effectiveness is now a key component for businesses who want to stay competitive.**

PwC and the Association for HR Management and Development, with media support from TREND magazine, have announced winners of the first ever Leading HR Organization Awards. This competition recognizes firms with the most effective HR management and HR best practice in the market.

## What indicates effective HC management?

A set of indicators can be used to reflect efficiency. These indicators include everything from education and development of staff, career opportunities within the organization, the competitiveness of the remuneration structure, the effectiveness of recruitment processes, absenteeism and attrition, the attractiveness of the employer in the labor market, corporate structure to overall productivity.

We have divided these indicators into four key areas:

1. HR Leading: areas that are directly managed by the company and can be influenced heavily. Such areas are:
  - Training and development
  - Remuneration
  - Employee benefits
  - Recruitment and selection
2. HR Lagging: areas which the company can not influence directly, consequences of HR processes and the environment

- of the organization.
  - Absence
  - Fluctuation
- 3. Organizational structure: focuses on the effectiveness of the organizational structure and supporting functions.
  - Management scope
  - Ratio of total number of employees versus number of employees in supporting functions
- 4. Productivity and financial indicators: focuses on the impact of HR management on financial results.
  - Added value and productivity of HC
  - Return of HC investment

**HC management is no longer only about monitoring recruitment, benefits or compensation. It is about selecting the right KPIs that are crucial for fulfilment of company strategy.**

Objectivity is achieved by assessing real, measurable information that reflects the effectiveness of HC management. A comprehensive view of HR

management is reached by assessing a wide range of HR indicators including their impact on an organization's results. Relevant comparison is accomplished by benchmarking each analyzed indicator with the median for the relevant sector. The approach described above guarantees transparency.

Based on the first year of evaluation for the awards, we reached a number of conclusions about HC management in Slovakia:

- HR control is a significant part of HR and company management in most companies in Slovakia,
- Companies have a general set of performance indicators that are monitored and reported. The specific practices, however, vary depending on the size of the company and sector.
- The most monitored and benchmarked areas are: remuneration, recruitment, and training & development in order to improve effectiveness,
- Talent management is very important to most companies, but only a very small group evaluates the overall effectiveness of these programs,
- HR maturity in a company predefines how many areas are monitored and how they are connected to business strategy.

All organizations that participated in the HR Controlling 2012 survey were included in the competition. HR Controlling is a strategic tool for effective management of human capital. This unique study enables monitoring of the linkage between the effectiveness of the HRM system, a company's financial results, and its overall productivity.

The winners of the Leading Organization Awards represent the Slovak companies with the most effective HC management. Because it is difficult to make comparisons across sectors, the results are broken down based on the sector in which the firms operate.

### Winners of the Leading HR Organization Award

Automotive	VOLKSWAGEN SLOVAKIA, a.s.
Banking	Slovenská sporiteľňa, a.s.
Energy	Slovenský plynárenský priemysel, a.s.
Pharmacy	Roche Slovensko, s.r.o.
Telecommunications	Slovak Telekom, a.s.
IT	PosAm, spol. s r.o.
Engineering	MEDEKO CAST s.r.o.

HC management is no longer only about monitoring recruitment, benefits or compensation. It is about selecting the right KPIs that are crucial for fulfilment of company strategy. This is an important HR agenda, which CEOs, boards of directors and strategic leaders expect from HR leaders in Slovakia.



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