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WEBINAR SUMMARY

Managing People as Carefully as Money

Featuring Eric Garton

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Managing People as Carefully as Money

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Overview

Today, most corporations are carefully managing financial capital, at a time when it is relatively cheap and abundant. But those same organizations aren't managing a much more scarce resource—the time, talent, and energy of their people

Bain's Eric Garton argues that squandering this valuable resource puts your company at risk. What leaders need to do today, he says, is put their focus on organizational solutions that can unleash their company's full productive power and enable it to outpace competitors.

Companies that excel at human capital management treat time like a finite resource, deploy employees in the same way as valued assets, and strive to inspire staff at all levels. Best practices for managing human capital include measuring it, investing in human capital just like financial capital, monitoring it, and rewarding sound management of time, talent, and energy.

Context

Eric Garton discussed how human resources are the key to productivity growth and offered best practices that organizations can adopt to maximize their return on talent.

Key Takeaways

Many companies don't recognize that maximizing the return on their people is the key to competitive advantage.

Over long periods of time, productivity growth is difficult to sustain. Statistics suggest this is true both from macro- and microeconomic perspectives:

- **On a GDP-weighted basis, the average OECD country has generated productivity growth of less than 1.6% annually over the last two decades.** At this rate, it would take more than four decades for GDP per capita to double.

- **Only 1 in 11 companies is a sustained value creator.** Value creators are organizations with top- and bottom-line real growth rates of at least 5% and that cover their cost of capital.

- **Counter to expectations, productivity declines with scale.** For every 10% increase in employee population size, profit per employee declines by 2%. Complexity and bureaucracy overwhelm the benefits of scale.

Yet, people are key to productivity. Research shows three factors are essential for productivity gains: capital deepening, education which leads to a higher quality workforce, and total factor productivity which results from technological and innovation breakthroughs. Human resources are important inputs to both education and total factor productivity.

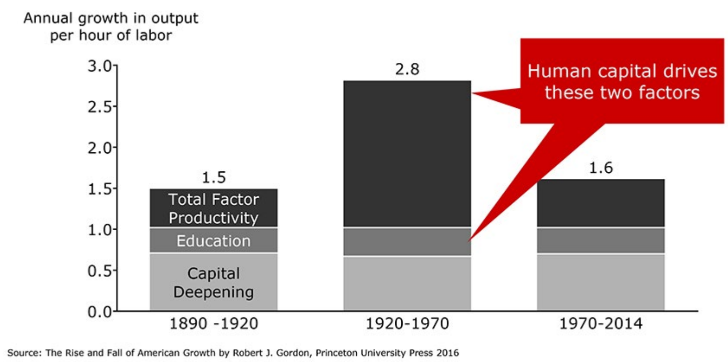

FIGURE 1: PEOPLE DRIVE PRODUCTIVITY

The "Scarce Resources Paradox" may explain why organizations overlook the importance of managing human capital. Financial capital is abundant and relatively cheap in historical terms. Yet, financial capital is managed with great rigor, in part because it is quantified on organizations' balance sheets. Human capital, in contrast, is scarce: people with deep skills and ability are often hard to find and the market is very competitive. But since this asset is not visible on the balance sheet, it is managed with less discipline than financial resources.

> "Both organizations and economies sit on trapped productivity because they don't know how to manage human capital."
> —Eric Garton

To use human capital more effectively, organizations must rethink how they treat employees' time, talent, and energy.

Most companies are sitting on an untapped gold mine of productivity in their human capital. Research suggests that over 10 years, companies in the top quartile of productivity can generate over 30 times more output than peers in the bottom three quartiles.

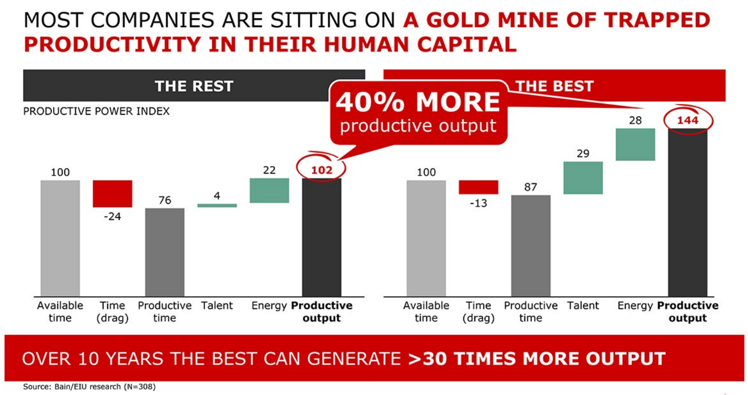

FIGURE 2: PRODUCTIVE OUTPUT – THE BEST VS. THE REST

Three factors interact to convert human capital into productive power and economic value:

1. **Time.** The hours employees put into their jobs.
2. **Talent.** The skills, capabilities, and ingenuity individuals bring to their work.
3. **Energy.** The focus, engagement, and passion employees bring to the workplace.

To stop squandering human resources, Garton recommends that organizations:

- **Treat time as a finite resource, where every hour has an opportunity cost.** Systematically measure time consumption and decision velocity to eradicate organizational drag.
- **Treat employees as assets to be deployed to their best use, not expenses to be minimized.** Match difference-making talent to mission-critical roles.
- **Aim for inspiration, not just engagement, to access employees' discretionary energy.** Redesign jobs and working environments so employees bring their full selves to work.

> "HR can't do this alone. HR can lead the way, but the C-suite must be on board."
>
> —Eric Garton

Employees do their best work when organizational drag is minimized.

Several factors create organizational drag. The most common are:

- **Organizational structure and process complexity.** This results in too many decision-making nodes and decision makers, unnecessary hierarchy, unclear accountabilities, and misaligned authority.
- **Cultures that confuse inclusion with smart collaboration.** This creates excess interactions and decision swirl.

- **Institutional and informal ways of working that waste time.** These overwhelm formal processes, such as meeting practices, decision-making norms, communications protocols, policies and rules, and risk posture. Research has found that managers often only have 13 hours of individual working time per week, which is broken into 20-minute blocks. This is not conducive to the creative, deep thinking managers require.

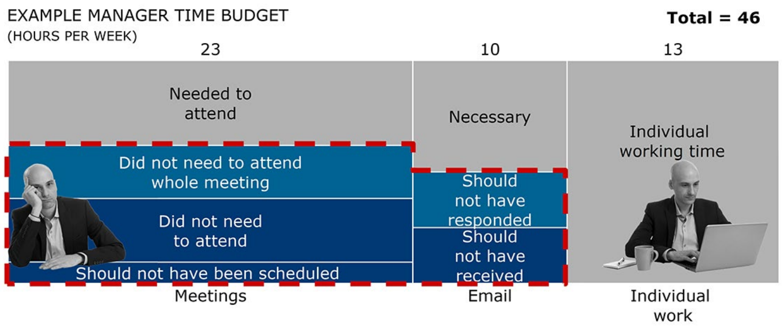

FIGURE 3: MEETING & E-COMMUNICATIONS OVERLOAD

To reduce organizational drag, five best practices can help:

1. **Measure time and decision velocity with real-time feedback.** This is one way to manage organizational load. Helpful tools include Workforce Analytics, Decision Multiplier, and X-ray.

2. **Simplify the organization.** Zero-base decision-making nodes can reduce unnecessary interactions. Key tools include Zero-Based Redesign and RAPIDs.

3. **Align the organization's ways of working.** Make interactions efficient and effective. A useful tool is the Ways of Working Diagnostic.

4. **Create a zero-based time budget.** This should include clear delegation of authority for time investments. Helpful tools include Meeting Mapping, as well as Individual and Organizational Time Budget Reviews.

5. **Stop initiative proliferation.** Require business cases for new projects and establish criteria for retiring initiatives. Zero-based strategic plans and initiatives can help in this area.

Organizations must focus on maximizing their "return on talent."

All talent is not created equal. The best employees are often much better than "the rest." This is particularly true for jobs characterized by creative, highly specialized tasks.

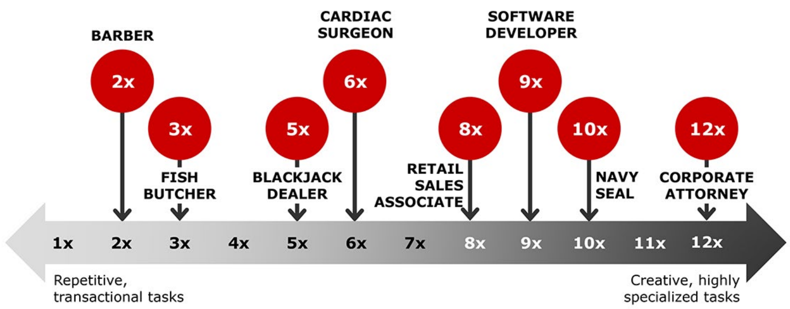

FIGURE 4: BEST VS. AVERAGE PERFORMANCE

To maximize "return on talent," Garton recommends that organizations adopt stronger talent management practices:

- **Talent acquisition.** Use advanced techniques to define the winning behavioral signature required for difference-making talent.
- **Talent deployment.** Match difference-making talent to mission-critical roles.
- **Teaming.** Don't dilute talent. Assign the best talent to work together on the most critical enterprise initiatives with great leaders.
- **Talent development.** Invest in data-driven, real-time feedback systems linked to the organization's unique winning behavioral signature. Hold leaders accountable for building a talent balance sheet.
- **Talent management.** Manage the talent pool to improve the average level of talent and create opportunities for others. Create a culture that promotes talent sharing.

Energy is the largest contributor to offsetting organizational drag.

Inspiration is the best way to access employees' discretionary energy. Inspired employees are more than twice as productive as satisfied employees. Unfortunately, only one in eight employees is inspired. Leaders can take five actions to energize their organizations:

1. **Reduce the distance between the C-suite and the front line.** Employees are more likely to be inspired if organizational hierarchy is flattened.
2. **Filter mission-critical roles through the inspiration hierarchy.** Inspired employees find meaning and purpose in their work and are inspired by their company's leaders.

FIGURE 5: THE INSPIRATION HIERARCHY

3. **Redesign the operating model to create a high-autonomy organization.** The leadership model of the future is characterized by cross-functional, autonomous teams.

4. **Become agile at the top.** The C-suite should adopt agile ways of working to add focus and speed. Useful techniques include backlogs, time-boxed sprints, cross-functional teaming, and test and learn.

5. **Define the organization's own model of inspirational leadership.** A best practice is to develop inspirational leaders, which is within reach for all leaders. Bain's Inspirational Leadership Model identifies 33 strengths associated with inspirational leaders. Research suggests that exhibiting one strength doubles the chances of being an inspirational leader. Four strengths in any combination equate to being an inspirational leader.

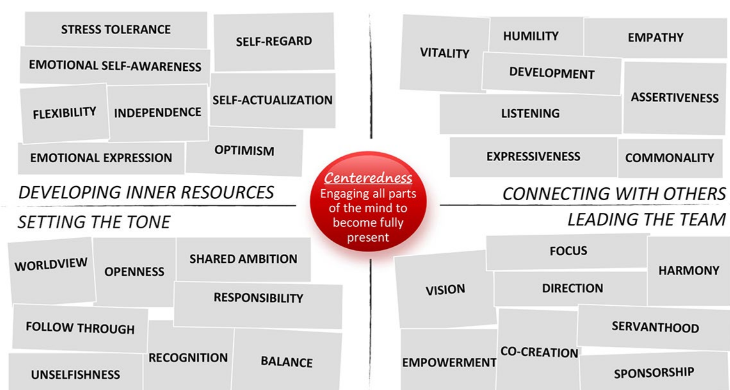

FIGURE 6: BAIN'S INSPIRATIONAL LEADERSHIP MODEL

Disciplined management of human capital requires investment principles, monitoring, measurement, and rewards.

Organizations that manage human capital with the same discipline as financial capital engage in four activities. They:

1. **Apply investment principles to human capital.** Leading organizations define the opportunity cost of a lost hour, create time budgets for initiatives, and include time and talent in the hurdle rates for new initiatives.

2. **Monitor human capital.** Best practices include mapping the deployment of difference-makers in the organization; conducting time, talent, and energy reviews; and creating time management reports using big data tools.

3. **Measure human capital.** Examples of key metrics are Productive Power Index, return on invested time and talent, the percentage of difference-making talent in the organization, and the percentage of inspired employees.

4. **Reward human capital.** Leading organizations measure and reward inspirational leadership, measure executives' talent balance sheet, and recognize and promote the smart use of time.

Eric Garton is a partner in Bain & Company's Chicago office. He is the leader of the firm's Global Organization practice and a senior member of Bain's Consumer Products and Industrial Goods & Services practices.

Eric joined Bain in 1997 and has since specialized in supporting clients in organizational design and effectiveness, merger integration, cost transformation, and growth strategy. He has completed numerous organizational design and cost transformation efforts across multiple industries, including healthcare, industrial, chemical, defense, energy, retail, and consumer packaged goods.

Eric is also co-author of *Time, Talent, Energy. Time, Talent, Energy* presents new research into how businesses can liberate people's time, talent, and energy and unleash their organizations' productive power.

He earned a BA in Economics from Northwestern University and an MBA from Harvard University.

Angelia Herrin is the editor for special projects and research at *Harvard Business Review*. Her journalism experience spans 25 years, primarily with Knight-Ridder newspapers and *USA TODAY*, where she was the Washington editor. She won the Knight Fellowship in Professional Journalism at Stanford University in 1990. She has taught journalism at the University of Maryland and Harvard University. Prior to coming to HBR, Angelia was the vice president for content at womenConnect.com, a website focused on women business owners and executives.

Engagement and productivity are at an all-time low—suggesting that executives are managing their people with a lot less rigor than their financial capital and operations.

In order to find sustainable growth, companies know they need to transform the way they work, to overcome the impact of organizational drag on their workforce.

That starts with understanding your people as well as you know your finances. And that's not always easy. A lack of visibility into the workforce leaves many leaders without the evidence and insights they need to make the right decisions. They are flying blind, just as they would if they tried to make the right financial decisions based on reports without balances, accruals, or budgeting data.

At Sage People, we provide organizations with increased workforce visibility, so they can really understand their modern workforce. Sage People provides accurate reporting and analytics, valuable insights, and a single version of the truth when it comes to your people data. And our global cloud HR and people system means that leaders can transform how they acquire, engage, manage, and develop their people across the entire company.

Our system is designed not just for HR and people teams, but your whole workforce. It means HR and people teams are free to focus on people and designing great workforce experiences. Because if organizations know their people, then they can design and build better experiences for their workforce, which in turn, will create a more engaged, committed workforce.

Leaders that get it, get ahead—and we help them.

They know that company success is dependent on their workforce being successful; we help them let their employees know how valued they are.

They understand that workplace flexibility is vital to attracting and retaining the best; we help create flexible mobile experiences for their people.

They get that we live in an on-demand world where employees can do their grocery shopping, order dinner, and hail a cab on mobile. They expect this kind of immediacy at work too, so we help organizations create on-demand services, such as booking holidays, setting objectives, or managing their teams, that are easy and intuitive to use.

Leaders who manage their people as well as they manage their money in this way create a more engaged and committed workforce.

Implemented quickly and simple to use, our award-winning system helps increase workforce visibility and HR productivity, and provides better experiences across the entire workforce.

This means increased engagement and improved retention. It means boosted productivity and attracting more of the people you want at your company.

Start managing your people as well as you manage your money. Request a demo today.

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