

## SELF-ASSESSMENT: YOUR HUMAN CAPITAL SYSTEMS

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Increasingly, business executives understand that human capital—the skills, talents, and motivation of employees—is truly an organization’s most important asset and the only source of sustainable competitive advantage. In fact, a growing body of research points to human capital management as the single most important predictor of an organization’s ability to outperform its competition.<sup>1</sup>

Hence, it is increasingly important that organizations have **systems** in place that help them manage, measure, and improve the effectiveness of human capital deployment throughout the organization.

The assessment tool that follows will help you determine where your organization stands relative to established best practices for three selected human capital systems (please keep in mind that there are a number of other important areas of human capital that are not included in this tool). It is designed to help you achieve the following:

- Identify some of the critical human capital management systems within your organization and assess how yours compare to best practices
- Identify the key attributes of specific human capital management systems that you would like to incorporate in the future
- Provide brief recommendations for the most important steps that you should take to improve your human capital management systems

The assessment tool covers the systems associated with three of the categories of human capital management factors that research has demonstrated result in effective organizations—those that weather storms and consistently perform better than the competition.<sup>2</sup>

### **Instructions**

Here’s how to use the tool. A number of statements are provided below, divided into three major factors. Rate your organization on the extent to which each statement is true, using a 1-to-5 scale (from 1, which represents “not at all,” to 5, which represents “to a great extent”). For those items that you are unsure about, make your best guess—but also be sure to check the box on that item to note that you are not sure or don’t know.

Then, go to page 4 and follow the instructions to estimate your organization’s human capital management effectiveness.

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<sup>1</sup> For evidence and citations, see “The Impact of U.S. Firms’ Investments in Human Capital on Stock Prices,” June 2004 (pages 8, 16 and 35). White paper available at [www.mcbassi.com](http://www.mcbassi.com).

<sup>2</sup> For more information on all of the underlying human capital management factors, see “What to Do When People are Your Most Important Asset.” White paper available at [www.mcbassi.com](http://www.mcbassi.com).

**Self-Assessment Items**

**Performance Management System**

*A Performance Management System is a formal process or system that enables an organization to manage employees' performance and helps develop their talent.*

	<b>Score (1 to 5)</b>	<b>Not Sure/ Don't Know</b>
We use our performance management system to document employees' training needs.		
We use our performance management system to help employees develop career plans.		
Our performance management system enables managers and employees to monitor progress against development and career plans throughout the year (not just annually).		
Our performance management system helps us manage the skills of our workforce so we can spot gaps and introduce appropriate training or recruiting programs based on current or future needs.		
Our performance management system is useful in managing and developing people, ensuring that we have the skills and proficiency needed to meeting business goals.		
<b>Subtotal (sum items in this section)</b>		

**Talent Retention System**

*A Talent Retention System helps an organization retain good performers, continually increase trends in employee satisfaction or engagement, helps predict turnover, and monitors and improves employee loyalty and its long term effects on outcomes (such as productivity, customer satisfaction).*

	<b>Score (1 to 5)</b>	<b>Not Sure/ Don't Know</b>
We conduct an annual survey to monitor employee satisfaction or engagement.		
We analyze our annual employee satisfaction/ engagement survey data to identify potential problems and create action plans to address them.		
We conduct formal exit interviews to analyze why good performers or high potential employees are leaving.		
We use data from our system to monitor "at risk" employee populations and predict employee loyalty and turnover.		
We track, monitor, and report on the costs of replacing certain categories of employees.		
<b>Subtotal (sum items in this section)</b>		

**Leadership Succession Planning System**

*A Leadership Succession Planning System is one that ensures leadership continuity. It identifies and targets the best internal candidates for leadership and management roles, uses a consistent set of competencies to identify gaps and develop needs, collects data to aid in creating the development plan for an individual, and lists likely candidates for leadership positions, with their proficiency and "promotability."*

	<b>Score (1 to 5)</b>	<b>Not Sure/ Don't Know</b>
Our leadership succession planning system enables us to effectively manage a list of high potential leaders/managers.		
Our leadership succession planning system supports the appraisal of high potential leaders/managers against a consistent set of skills (at least annually).		
Our leadership succession planning system identifies gaps and development needs for high potential leaders/managers.		
Our leadership succession planning system improves the diversity of our leaders/managers (rather than perpetuate the status quo).		
Our leadership succession planning system helps us increase and continually improve the talent pool of "promotable" employees.		
<b>Subtotal (sum items in this section)</b>		

**How do your systems stack up?**

This assessment provides two pieces of information about human capital management systems: (1) a quick estimate of how some of your organization's systems compare to best practices, and (2) an estimate of how much you actually know about key attributes of those systems.

**Step 1.** First, take the sum of the three subtotals from the sections above. Then see the chart below for interpretation.

<b>Your Average Score</b>	<b>An Initial Estimate of Your Organization's Human Capital Management Systems</b>
<b>61 to 75</b>	<b>You work in an organization with some exceptional human capital management systems!</b> Assuming you were honest with yourself and that managers throughout your organization would agree with your assessment, keep up the good work. The strength of your systems is likely to help your organization be successful for years to come, and to be filled with highly effective employees.
<b>46 to 60</b>	<b>Not bad!</b> You have a solid foundation from which to work and with additional focus, your organization's human capital management systems can continue to become more effective, thereby positioning your organization to maximize its return on people.
<b>31 to 45</b>	<b>Your organization's systems for managing human capital need strengthening.</b> You need to take corrective action by beginning to focus on at least one of the key areas where your organizational score is the lowest.
<b>30 and below</b>	<b>You really need to get to work.</b> Without focusing on the basic systems that you need to manage and develop people, your organization is headed for trouble, if you're not already there. You need to take corrective action by beginning to focus on improving your measurement and management systems.

**Step 2.** Now, count up how many times you checked the “not sure/don’t know” box, and see the chart below for the interpretation.

# of “Not Sure/ Don’t Knows”	Interpretation of Your Measurement Score
<b>0</b>	<b>Impressive!</b> Assuming that you really do have the information that you need to answer these questions and that managers throughout the organization would agree with your assessments, then you have the measurement systems you need to improve your organization’s effectiveness, as well as good awareness of their capability and functions.
<b>1 to 2</b>	<b>Not bad, but could be better.</b> There are a few critical holes – either in the measurement systems that you are using to improve effectiveness and business outcomes – or in your awareness of their capability and functions. If you don’t know, lots of other people probably don’t know either!
<b>3 or more</b>	<b>You don’t have the basic information you need</b> to improve business results by creating a more effective work environment. You need better measures – your organization should develop the systems necessary to provide the information necessary to manage your human capital.

That’s it! You should now have a better understanding of some of your organization’s human capital management systems.

For more information about McBassi & Company or its services, please feel free to contact us:

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