

Series: Human Capital Management

Session 10: Introduction to Human Capital Management -

Review of the Series – Summary of essential practices of human capital management and key points of human resources (HR) department transformations.

Essential Practices of Human Capital Management

This study presents the final installation of this series. It has been conceptualized to deepen understanding of human capital management, “making it something one can express in their own words.” We discuss the theory and explicate the mindset and tools for practical implementation, highlighting the key points for execution.

Here, we summarize the core elements of this series: Markets are changing discontinuously in the era of volatility, uncertainty, complexity, and ambiguity (known as “VUCA”) era. Correspondingly, business and HR strategies must evolve discontinuously, deviating from their current trajectories (linkages of management and HR strategies). Therefore, the required talent profile undergoes drastic changes. It is crucial to understand the gap in workforce numbers between the current state and the desired future state (quantitative understanding of "as is – to be"), and utilize every possible talent acquisition strategy, including significant internal staff reallocation, mergers and acquisition, and employing external temporary staff (proactive HR portfolio).

There are various challenges to the realization and stabilization of proactive portfolios. For instance, to respond flexibly to discontinuous external changes, a talent portfolio comprising diverse individuals is more suitable than a homogeneous portfolio. Therefore, to harness the value of diverse talents and align it with corporate value enhancement without damaging it, a stronger “centripetal force” is necessary to retain them within the company (entrenchment in the corporate culture). Fundamentally, for diverse HR to play an active role, it is essential to create an environment that considers diversity (diversity and inclusion in knowledge, experience, and flexible workstyles). Moreover, for individuals requiring skill shifts in the process of forming a proactive human portfolio, it is desirable for both the company and the individual to be autonomous in their career paths.

In shifting the skills of HR, we also mention the importance of focusing on the concept of proactive HR, going beyond mere engagement (employee engagement). It is crucial to steer positively inclined individuals towards continuous and effective reskilling and skill shifts. This series suggests one-on-one meetings as a practical approach that also considers the current

state of workers' perspectives on reskilling and skill shifts. We emphasize the importance of effectively utilizing talent management systems, while considering employees' desired careers and existing skills when contemplating reassignments and skill shifts.

Recently, the focus has shifted to human capital management, the first challenge of which is the practical integration of business and talent strategies. However, when understanding the entirety of human capital management progresses over time, we find that the issue of "education"—specifically, how to foster career autonomy among talent and accordingly advance reskilling and skill shifts—emerges as a critical point of discussion. The success or failure of human capital management is largely in the hands of talent development departments.

Role of the HR Department in Advancing Human Capital (Management)

Finally, we discuss how the HR department should evolve in the context of human capital management.

This series discusses advancing human capital management and the critical issue of how to proceed with reskilling and skill shifts. Three organizational capabilities are required of the HR department: 1) to identify reskilling and skill shift directions beneficial for both business strategies and employee careers; 2) to induce reskilling and skill shifts while proposing these to employees and engaging in effective communication; and 3) to execute reskilling and skill shifts quickly and effectively. Throughout this series, we explain the image of the organization and the HR operations, systems, and databases required in line with these three organizational capabilities, meaning that we mainly focus on practical methodologies. However, creating the "vessel" without instilling the "soul" does not constitute true organizational capability. Hence, in terms of how to infuse this "soul," we propose "the attitude the HR department should adopt with respect to human capital management."

Firstly, it is crucial to "collaborate integrally with management of leaders in driving human capital transformation." The importance of management and leaders in human capital transformation has been a recurrent theme, but it is imperative to avoid the common pitfall of "creating systems and leaving operation to the field." Understanding the role of the HR department is essential for accurately identifying problems, responding individually, and motivating and developing management and leaders.

Second, adopting a scientific approach is recommended. Human Integrated Reporting Council's International Integrated Reporting Framework (2013) defines human capital resources as "people's competencies, capabilities and experience, and their motivations to innovate," that is, decomposing humans into elements such as skills, capabilities, and motivations rather than as complete beings. Traditionally, the approach toward "people" has meant avoiding evaluating and quantifying entire personalities—and rightly so. However, from the perspective of human capital management, it is necessary to establish common metrics and scales for organizations and individuals to collaborate on growth. Approaches to skills and competencies are readily workable, and there is a trend toward delving into personality and temperament. Rather than rejecting these scientific approaches to HR, it is important to consider how they can be effectively utilized.

In conclusion, this final installment recaps the series while summarizing the transformative changes required of HR departments from the perspective of "attitude."

We hope that this series will make a valuable contribution to the business activities of all readers.

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