



Tools of the trade

A sophisticated new analysis system will help job candidates assess the merits of employers.

Job candidates have become cocky in the past decade. Where once the employer asked all the questions and the candidate squirmed, now it's the smart interviewees who want to know all about the organisation.

But what if there was a better system than just a few clever questions posed by a candidate? What if there were tools that gave an outsider a clear picture of how well the organisation managed its people as well as an indication of its financial prospects?

Carol Royal and Loretta

O'Donnell, lecturers at the University of NSW, have spent the past year testing four human resource tools with financial markets operators. Collectively known as Human Capital Analysis, they enable qualitative analysis of human capital and management systems.

"Sophisticated human capital practices in an organisation can be used as an indicator of future performance," says O'Donnell. "If you're a fund manager looking at six similar biotech firms to invest in, we know that the quality of the management systems will make the difference."

O'Donnell says fund managers, brokers, analysts and traders already know that quality of management, and indicators such as key people resigning, are significant in analysing organisations. But their approach is often informal and not able to be expressed as an actual rating.

"We know that fund managers like to meet CEOs and form opinions about their personalities," she says. "But it should go much deeper: How are key people rewarded? How are they recruited? What percentage of the payroll is spent on training?"

The Human Capital Systems Wheel, which rates whether a company is a good investment, is likely to be useful for both investors and potential employees. Reading like a catalogue of corporate life, it has a checklist of early warnings under headings: leadership, culture, rewards,

recruitment, training, careers, work/job design, succession planning, performance management and corporate governance.

O'Donnell says the things that job candidates are looking for in an employer – essentially the 10 criteria listed above – are also the early indicators of a company's immediate prospects. Gallup's 2002 survey of 10,000 businesses looked at the links between workplace perceptions and business outcomes and found that organisations where employees were most "engaged" had the best results in terms of productivity, employee retention, profitability, customer loyalty, safety and overall performance.

O'Donnell says a tool for analysing and rating human capital practices inside organisations could become permanent. "With new rules on continuous disclosure, being able to articulate to the market any changes in your human capital approach could end up being a normal part of corporate governance."

The research has focused on financial markets and investment banks but the tool would also be useful in the broader market. "If you look at some major collapses such as HIH or Enron the institutions were withdrawing their support before the end," says O'Donnell. "It was the employees, the customers, the small investors who got hurt. A good human capital tool would provide as much of an early warning to employees as it would to big investors." – MARK ABERNETHY