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EXPLORING IDEAS THAT SHAPE THE PLACES WE WORK

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12 Days Of Trends: Human Capital Measures—Coming To A Workplace Near You

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We're counting down to 2020 by sharing 12 days of emerging workplace trends! Learn what trends our top global contributors are most excited to see evolve in the new year.

Trend 2 of 12 on human capital measures by Kate Lister, president of Global Workplace Analytics(http://globalworkplaceanalytics.com/) and member of the Workplace Evolutionaries(http://we.ifma.org/) Leadership Team.

Image by Gerd Altmann from Pixabay

For years the workplace community has struggled for c-suite attention and support. Those days may soon be over thanks to a new ally, the stock market.

Imagine you want to add a few blue-chip stocks to your retirement fund. Thorough research has narrowed the field down to handful of companies. They're all stellar performers, but as you comb through their annual reports you find three who, in addition to the usual financials, provide details about their environmental sustainability, people practices, and community involvement. Which investment candidates would you feel more comfortable with? If you chose those with the extra reporting, give yourself a pat on the back because you're in esteemed company.

Known in the investment community as "Environment, Social, and Governance" (ESG) reporting, these kinds of disclosures are coming to an annual report near you. Why? Because institutional investors—banks, insurance companies, pension funds, mutual funds, and other investment behemoths—are demanding it.

- In 2018, a group of 26 institutional investors(https://www.sasb.org/blog/spotlight-on-human-capital-has-investors-attention/) with collective assets of more than $3 trillion, petitioned the U.S. Securities and Exchange Commission to require that public companies include ESG metrics in their annual reports.
- Larry Fink, CEO of Blackrock—the largest asset management firm in the world with over $6 trillion in assets—has been one of the most vocal advocates for ESG reporting. In his annual letter to CEOs(https://www.blackrock.com/hk/en/insights/larry-fink-ceo-letter), Fink has repeatedly championed not just human capital metrics, but the critical importance of purpose in attracting and retaining talent.
- State Street Global Advisors, the world's third largest asset manager, stated in its 2019 letter to the Board(https://www.ssga.com/investment-topics/environmental-social-governance/2019/01/2019%20Proxy%20Letter-Aligning%20Corporate%20Culture%20with%20Long-Term%20Strategy.pdf): "This year we will be focusing on **corporate culture** as one of the many, growing intangible value drivers that affect a company's ability to execute its long-term strategy."

In July of 2019, the Business Roundtable(https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans) (an association of CEOs of the America's largest companies) dominated headlines with its call for reframing the purpose(https://www.workdesign.com/2018/05/purpose-begets-engagement/) of a business to include not just the creation of *shareholder* value, but the creation of value for *all stakeholders*— customers, employees, suppliers, the community, and the environment.

And it's not just the big guys who are making their preference for companies that 'do the right thing' known. Consumers and individual investors are increasingly voting with their wallets and employees are voting with their feet.

Just what ESG reporting should include is a matter of hot debate and a number of organizations are vying to set the standard, but people metrics are clearly on the radar (see image). The International Standards Organization(https://www.iso.org/iso-26000-social-responsibility.html) (ISO), for example, has recommended reporting on two dozen human capital metrics across nine categories:

- Compliance and ethics
- Costs
- Diversity
- Leadership
- Organizational safety, health, and well-being
- Productivity
- Recruitment, mobility, and turnover
- Skills and capabilities
- Succession planning
- Workforce availability

We no longer live in a world where traditional assets, the kind companies report on their balance sheet, are the creators of value. Our financial reporting standards have failed to keep pace with this change.

In 1975, intangibles assets— patents, software, customer lists, trademarks, proprietary procedures, know how, copyrights, organized workforce, training, trade secrets—accounted for only about 17 percent of total shareholder value(https://www.oceantomo.com/media-center-item/annual-study-of-intangible-asset-market-value-from-ocean-tomo-llc/). In 2015, they accounted for 84 percent of the S&P 500's market value.

Today and for the foreseeable future, organizations that expect to survive and thrive will do so because of superior human capital performance.The time has come for workplace architects, designers, and strategists to showcase the people, planet, and profit impact of their work.

ISO 26000 identifies seven core subjects of social responsibility, as illustrated in the following figure taken from the standard.

* *The figures denote the corresponding clause numbers in ISO 26000*