

Investing in Your Company's Human Capital

A review by Jenny Cromie
Editor, *Great Lakes HR Now Newsletter*

By Jack J. Phillips, Ph.D. (forward by Jac Fitz-Enz)
American Management Association, 2005
287 pages
\$34.95 (SHRM member price: \$29.95)

There's one resource that sets companies apart from competitors, and it's not money, technology, or access to markets—it's the employees.

Few companies would consider investing thousands of dollars into a new piece of equipment without first analyzing how the purchase is likely to affect the bottom line or what the return on investment will be once it's up and running. And few would fail to spend the money necessary to maintain and protect their investment.

But historically, many companies do not effectively analyze their strategy when it comes to investing in their most important resource: human capital. As a result, many organizations spend too much or too little, leading to disappointing or unexpected results, poor return on investment, unsuccessful company initiatives, and business failure.

Written by the founder of the ROI Institute™ and the ROI Methodology™, *Investing in Your Company's Human Capital* provides HR professionals with a helpful resource that explains the importance of not only investing in human capital, but also how to determine the right amount of spending for the desired result.

In the first part of the book, Phillips outlines five strategies for investing in human capital, examining the pros and cons of each to help decision-makers determine the level of investment that would work best for their company. A second section focuses on the importance and value of the human capital function, the connection between investment and profits and productivity, and how the value of human capital projects are best measured to maximize results. Another portion of the book highlights key measurements used by best-practice organizations to determine value of the human capital, as well as measurements that should be used to monitor success. And finally, the last portion of the book focuses on establishing the right measures to track progress and drive improvement of human capital expenditure strategies. The executive's role in directing and managing the human capital function also is highlighted.

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The book also includes an analysis of the correlation between well-managed human capital programs and successful results as documented by the Saratoga Institute and case studies of success stories like Honda, Southwest Airlines, Sony, Johnson & Johnson, and many other companies.

A practical tool for any human resources professional, *Investing in Your Company's Human Capital* is well worth the investment and well worth the read.

*Dr. Jack Phillips is known for his development of the ROI Methodology™, a process that provides accountability for HR, performance improvement, retention, and other initiatives. Phillips also is the author and editor of more than 30 books, including **The Human Resources Scorecard**, **Accountability in Human Resource Management**, and **Proving the Value of HR**.*

Please see the related story from this publication about benchmarking, which includes an interview with Dr. Jack Phillips and other experts.

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