



Conversations with the Experts

Leveraging the New Human Capital



Sandra Burud

Bio: Sandra Burud, Ph.D., has a twenty-five year history as a writer, researcher, and consultant on work-life strategies and human capital. She is a Visiting Scholar at the Peter Drucker School of Management at Claremont Graduate University. The School sponsored her latest book, *Leveraging the New Human Capital: Adaptive Strategies, Results Achieved and Stories of Transformation* (with M. Tumolo, 2004), which was supported by a grant from the Packard Foundation. As President of the Alliance for Work-Life Progress (AWLP) in 2001, she led the development of the first professional certification for work-life practitioners. She is now a partner in the firm Rose & Burud. The consulting practice founded by Dr. Burud and Karol Rose conducts research, and consults with and trains business leaders on work-life effectiveness and human capital management strategies. Current clients include professional services firms, global manufacturing firms, investment banks and labor-management organizations.

Editors' Note: This month, Judi Casey and Karen Corday interview Sandra Burud, author of *Leveraging the New Human Capital: Adaptive Strategies, Results Achieved, and Stories of Transformation*. Dr. Burud wrote this book with Marie Tumolo. It is published by Davies-Black Publishing.

An Interview with Sandra Burud

By Judi Casey and Karen Corday

Casey: What are the new ideas in the book, *Leveraging the New Human Capital*?

Burud: The book comes at work-life (both what it is and the rationale for it) from a completely different perspective. As a work-life person said to me, "Typically, we say, 'Here are the practices we think companies should adopt, and the evidence to support them.' You've come at it from a new angle and say, 'Here's how the business environment has changed, and these responses are critical to business survival.'"

Casey: Would you say the approach is more indirect, or that work/life is part of a larger framework?

Burud: It is a new conceptual framework about managing people as human capital. Treating employees as whole people is part of it, so work-life effectiveness would be integral to this approach.

The book identifies three structural changes in the business environment that require organizations to change how they've been managing people. The first is that human capital (people), rather than machine capital or financial capital, drives results. The things that only people can do are in shortest supply and key to competitive advantage—the ability to develop new knowledge, to innovate, and to connect with others (to know, create, and relate). The second is that most people (85%) are now engaged in knowledge and/or service work, which requires a more complex contribution from them, e.g., their engaged emotion and ability to think at a high level. Because the person is the centerpiece of what's being delivered and the face of the company to the customer, what's happening with that person becomes even more critical to business results. So the third structural change has a 'multiplier effect'—the fact that the typical worker is now a 'dual-focus' worker who is managing work and significant personal responsibilities at the same time. Work is no longer the average employee's primary responsibility, nor does he/she have an invisible support system that allows him/her to focus exclusively on work. These three major changes have transformed how people must be

managed if they are to deliver the results that companies require of them. It is simply a new reality.

Casey: Why did you choose the term “human capital”?

Burud: The term expresses the fact that people have shifted from being perceived as a cost to being the primary asset. Assets are managed differently than costs, so their value will increase over time. With costs, the goal is to minimize them. When people are treated as costs, they are expendable; when they are managed as assets they are protected, invested in, and their state is important to the holder. Managing people as human capital is an investment mentality; the amount of the investment is less important than the payoff. But, *humans* are different from other kinds of capital. They have emotions; they have lives outside of work, and they have limited attention. That makes issues like distractions, attitude and energy levels new priorities for business.

Casey: I would think the health and well-being of employees would be critical.

Milkman: Absolutely. If people are your capital, your asset, you want them to be well—in the broadest sense of the word, both now and in the long term. There are two basic views of human nature that underlie how organizations treat people. They consider people to be either like an organism or like a mechanism. The organismic view is that people are an energy system—holistic and interconnected, naturally active, ever-changing and growing, each one unique and unpredictable, like a rose bush or a colony of bees. The mechanistic view is that people are more like a clock—basically interchangeable, dissectible into parts (e.g., work and private self), in ‘off’ mode unless turned on, and predictable. The question for organizations is not which is true, but which works better—which will get the best results? In machine-driven environments, managing people from a mechanistic view worked, because predictability was essential to good machine output. People were in a sense interchangeable and replaceable because they needed to follow instructions, not be creative. But in a knowledge environment an organismic approach supports the innovation, personalized attention, initiative, self-regulation, continuous learning and growth that are required now. So treating people as an integrated whole is smarter, which connects what happens outside of work to their performance and their total well-being relevant to how well they function on the job.

Casey: Why has it been so difficult for organizations to embrace work-life practices? It seems we know a lot about what can be done and have repeatedly documented the business case.

Burud: The resistance can be understood when you grasp how powerful the forces of organizational culture are; it explains the difficulty. In *Organizational Culture and Leadership*, Edgar Schein describes how cultures form gradually as people try out things to see what works. The sense of ‘what works’ becomes entrenched; people stop questioning it. It all slips beneath consciousness and becomes a lens that filters out what doesn’t fit. Leaders are selected and people promoted who embrace these assumptions; systems are put in place—what’s rewarded, what’s valued, and what’s ignored. It’s hard to change because it becomes what people in the organization think is TRUE with a capital ‘T’. That’s all fine until a major shift occurs, because the lens makes it hard to see what’s being tuned out. We argue that the three converging forces are such a shift, and leaders have to challenge themselves to bring their old beliefs out into the sunshine and consider whether they are ‘TRUE’ any longer.

Casey: So is organizational awareness needed to strengthen work-life?

Burud: Culture change begins with an organizational awareness that there are underlying beliefs at the heart of how businesses have been operating that are the sources of resistance. The Human Capital Framework is based on a foundation of new beliefs, from which arise new operating principles, which in turn result in new practices (including work-life).

For example, one set of old beliefs is about what drives business success. We’ve inherited these from the industrial age, when work had to be standardized, synchronized and centralized—done in the same way, at the same time, in the same place. Alvin Toffler told us about it in *The Third Wave*. So we have 9-to-5 work schedules, central work locations, one-size-fits-all benefits, and manager-driven work design—all inherited assumptions about the best ‘way to do things’, from this era. They are ‘truths’ with a capital T—never examined, hidden from consciousness even now though out of date. In a knowledge era what drives business success is not standardization, etc., but customization, flexibility/variability, versatility, and mobility. So, varied work schedules, virtual work, and customized people practices bring better *business* results. Compliant, homogeneous workers must be replaced with people who are creative, diverse and think for themselves.

Casey: What does this mean for how organizations should manage people?

Burud: We suggest another set of beliefs lying beneath the surface about what a *business* should be like,

about what *people* are like, and about the nature of *work*.

About **business**, the old belief is that a good business enterprise is a classically masculine enterprise; it's all about competition, a bit like war. The goal is to annihilate the competition. Good leaders are warriors, tough and unswayed by emotion. It is purely rational and the polar opposite of home. Therefore, "soft" things—emotions, caring, perhaps even femininity—do not belong there.

About **people**, the old belief is that people are more like a mechanism than an organism. One person is about as good as another, and they are externally motivated—they have to be 'turned on'. That means workers need to be told what to do, if left alone they won't work hard, that external rewards like pay and titles are key. Managers have to organize and assign work and look over peoples' shoulders to be sure they produce. If, however, you believe people are like an organism—naturally prone to activity and growth, and self-regulating—a manager's job is to ensure they have resources and then get out of their way. Virtual work and employee-driven work design are a natural fit.

The old belief about **work** is that it is basically drudgery and we'd all avoid it if we could. When people were mining coal or working in a steel mill, this might have been truer, but now people are involved in knowledge or service work that can be more interesting. Psychologist Mihaly Csikszentmihalyi has spent thirty years studying when people are most engaged in what they are doing, in a state of 'flow'. Surprisingly, it's not when they're lying in a hammock on the beach, but instead when they're working—under certain conditions. But 'flow' only happens when people are doing work that challenges them—stretches their abilities—and gives them feedback. When work has these characteristics, it feeds their sense of self and gives them a profound a sense of accomplishment. So, instead of people wanting ease, they seek challenge. The new belief is that work *under the right conditions* can be intrinsically rewarding and something people want to do.

Casey: So what's the connection to work-life, exactly?

Burud: If you believe that people are naturally idle and work is something that they'll avoid, it would not be a wise manager who would let them telecommute or set their own work goals. But, if you believe that when people are challenged, they are naturally active and self-regulating, you give them more power and freedom. You'd focus more on tuning into them as individuals, matching them with the right work, and less on policing them. So the trick is to first get business leaders and managers to think about what beliefs are in operation and which they *want* to operate from. For example, is business entirely a competitive undertaking, or is collaboration also critical? In *The World Is Flat*, Thomas Friedman cites great examples of collaboration as the new name of the game. UPS now partners with HP, to not only pick up and deliver computers that need repairs but to actually do the repairs at the UPS hub. UPS techs do the repairs! These companies have integrated their businesses to enhance each other's growth and earnings. A collaborative work environment is quite different than a purely competitive one. Some of the qualities of home are relevant—paying attention to and developing others, for example. Leaders and managers today have to be able to manage emotions and to listen, not the skills we normally associate with a general. If managers don't know what their fundamental assumptions are about business, people and work, then they will be flying blind as they evaluate new options and policies.

Casey: You said there were certain operating principles associated with these beliefs. Can you talk more about this idea?

Burud: The new principles we suggest for the new business reality include, for example, individuality (instead of treating people all the same), aligning interests of employees and management, respect, wholeness, trust, a results orientation, shared responsibility, and others. From these principles naturally emerge human capital practices, which we say fall into four groups—practices about 1) *time*: how time is used, 2) how *work* is organized, 3) how *talent* is managed and 4) what *resources and tools* are provided. These practices include some familiar to the work-life field, e.g., customized work schedules and career paths, dependent care benefits, but also others we have not seen as part of our agenda, e.g., emphasizing challenging work, fair pay and empowering leaders. We suggest they are all part of managing people as human capital. You cannot treat people as human capital without recognizing their responsibilities and lives outside of work; nor fully address work-life effectiveness without recognizing how they are managed overall.

Casey: How do you get business leaders to embrace this perspective and translate it into action?

Burud: I think you show them that they're not going to survive otherwise. If they manage people from the old mindset, they'll have people behaving like machines. They won't innovate, they won't form or sustain critical relationships; they won't keep learning and sharing knowledge. The business won't have satisfied customers; it will be at risk, because it's operating from an outdated, obsolete frame of reference.

Casey: So it's not an option.

Burud: That's the point. The old way of managing is simply not going to get businesses where they need to go. Organizations need nimbleness. They must be lean. Employees must make on the spot decisions or they cannot serve customers nimbly. The results won't happen with old hierarchal, mechanical ways of managing people where sameness is rewarded and people read from scripts instead of using their own judgment. That means you have to get people you can trust, be sure they're in the right job, align their interests (pay them well, pay attention to what's good for them, including their quality of life, give them the resources they need), and then let them fly! So, as Peter Drucker says, in this new environment, it's not just up to employees to understand what the organization needs, the organization also must understand what people need, because people are the constraining resource. That puts employees in the power position more than ever before, since they carry the means of production with them—their knowledge. When they leave it goes and it is not easily replicated, because knowledge is information combined with their unique experience. Service workers are the face of the company to the customer. Whether they are disgruntled or enthusiastic about the organization makes all the difference in the customer's experience. So, the state of an organization's human capital is the most important focus.

Casey: So you switch the focus from "You need to be a family-friendly company," to "To be successful in this new economy, you must do what's good for employees."

Burud: Instead of viewing people as expendable and as having different interests than their managers, they are capital. This means that they need to be managed so they can bring all they can to the job, which will ensure organizational success. It's not about adopting some new policies, good as those may be. It is a new overall approach to managing people—one that treats them as assets.

Casey: Is there a take-away for state legislators or public policy makers in terms of how states can be more responsive to working families?

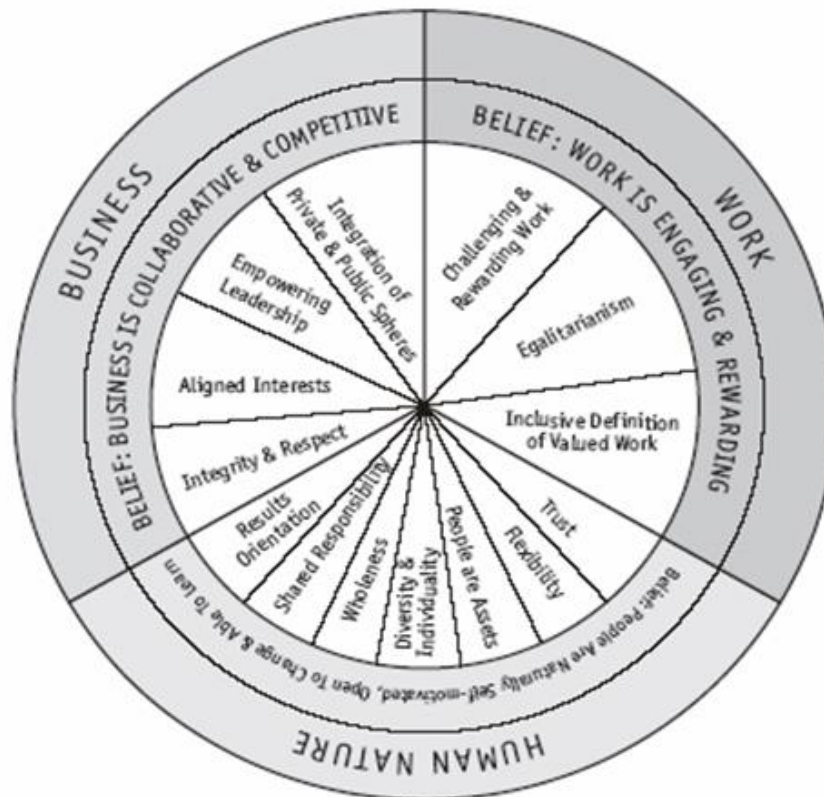
Burud: Because this is a whole different framework, laws about working time need to change. Many labor laws and regulations come out of the industrial environment when standardization was essential. Notions of what is fair and what constitutes disparate treatment may need reexamination in this environment where it's desirable to treat people as individuals. We chose the term 'customized' work schedules and careers paths rather than 'flexible work arrangements,' which are often simply a different set schedule. These are examples of managing people individually. Accounting systems, which have traditionally treated people as a cost rather than an asset, are another artifact of an earlier time that impedes our progress. If we're valuing intangible assets such as people's knowledge, we need better systems for accounting for them.

Casey: Is there anything we missed?

Burud: It's important to see the shift to a dual-focus work force as a structural change. Work plays a different role in these workers' lives and rather than being a drain on performance, they bring a strategic advantage if managed correctly. Their 'meta-skills' (skills that leverage technical skills) —receptive communication and relationship skills, the ability to manage emotions, which they have developed from raising children, caring for elders, maintaining strong friendships—are critical in a collaborative knowledge-era. We say the 'ideal worker' is no longer the person who keeps personal life out of work, always saying 'yes' to management requests. The *new* ideal worker is the one who works effectively in dual-focus mode (because it is the new reality), brings their whole self to work, sets boundaries (protecting their own human capital) and delivers results. This is the **New Human Capital**, which smart organizations can leverage to their advantage..

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Human Capital Principles: Adaptive Beliefs, Values, and Assumptions



Source: This chart is from Burud, S. & Tumolo, M. (2004). *Leveraging the New Human Capital: Adaptive Strategies, Results Achieved, and Stories of Transformation*, pp. 119. Palo Alto, CA: Davies-Black Publishing.

Additional Resources Related to Human Capital

This month, we highlight resources on the web pertaining to human capital management, reporting and policy.



Global Perspectives – Accounting for People: Task Force on Human Capital Management Reporting: “The Task Force was set up in January 2003 to look at the performance measures currently used to assess investment in human capital, consider best practice in human capital reporting, and the performance measures that are most helpful in reports to stakeholders, establish and champion the business case for producing such reports and produce a final advisory report.”

- View the homepage at: <http://www.accountingforpeople.gov.uk/index.htm>.
- Access their research reports here: <http://www.accountingforpeople.gov.uk/task.htm>.


Human Capital Assessment and Accountability Framework (HCAAF) Resource Center: “[A] comprehensive collection of strategies, tools, and methods for agencies to use as they build this new world. The HCAAF Practitioners’ Guide is intended to accelerate government-wide efforts to support agency mission results with strong human capital strategies.”

- Visit the Resource Center at: http://www.opm.gov/hcaaf_resource_center/index.asp.
- Access the Practitioners’ Guide here: http://www.opm.gov/hcaaf_resource_center/resources.asp.


Human Capital Policy Initiative: “The Human Capital Policy Initiative (HCPI), a special project of the University of Pittsburgh’s Institute of Politics, was created to close the gap in communications, foster linkages among policy makers at all levels, and develop a forum for open discussion on workforce development.” This web site contains useful resources and information such as reports, presentations and links. They also publish

their own web log, HCPI Blog.”

- Visit the Initiative’s web site here: <http://www.hcpi.org/public/cfm/homepage/>.
- Visit the web log here: <http://hcpi.blogspot.com/>.

 **Global Perspectives – *Guide to Human Capital Reporting: An Internal Perspective*:** “People are not only a company’s “greatest asset” but also their single largest investment. Yet very few companies presently distinguish themselves by measuring and reporting on human capital. Commissioned by the Chartered Institute of Personnel and Development (CIPD), Mercer has developed the Guide to Human Capital Reporting: An Internal Perspective, to help managers embark on the measurement and reporting journey. The 75 page guide outlines the five key stages of best practice measurement.”

- View background information and a summary of the report here: <http://www.mercerhr.com/knowledgecenter/reportssummary.jhtml/dynamic/idContent/1168875>.
- Access the report here: <http://www.cipd.co.uk/NR/rdonlyres/14186133-F440-47DF-92BE-36E5F65B7962/0/humancapguide0105.pdf>.

 **Global Perspectives – *Organisation for Economic Co-operation and Development (OECD). Human Capital*:** “Human capital plays an important role in the process of economic growth and individuals’ labour market outcomes are linked to their educational attainment. The OECD reviews policies that influence the incentives to invest in human capital and the efficiency of the provision of education services.”

- Access the OECD’s publications and documents on human capital here: http://www.oecd.org/department/0,2688,en_2649_34605_1_1_1_1_1,00.html.
- Visit the OECD’s homepage at: http://www.oecd.org/home/0,2605,en_2649_201185_1_1_1_1_1,00.html.

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