

Q1. Read the following case study and answer the questions given below:

The approach CAA took to Human Capital Measurement

The Civil Aviation Authority (CAA) is the UK's aviation regulator. An independent organization, funded entirely from its charges to the aviation industry, the CAA is responsible for all civil aviation regulatory functions which include: economic regulation; airspace policy; safety regulation; and consumer protection. A non-profit organization, the CAA employs approximately 1100 employees across the UK with main offices in London and at Gatwick. Although independent, the CAA must report to and work closely with the Department for Transport, as well as reporting to the aviation industry. The CAA is currently subject to an independent review by Sir Joseph Pilling to ensure that the UK's arrangements for aviation regulation and policy making are fit for purpose and able to meet current and future challenges. This review is due to report in 2008.

The CAA began by considering why it was important to them to measure human capital. One of the key drivers was that the Authority's success relies on the expertise and effectiveness of its people. As 60 per cent of the CAA's total costs are the costs of employment, it was hoped that human capital measurement would allow the CAA to quantify the value of their staff and to examine the relationship between staff performance and business outcomes. Measurement of human capital also enabled the CAA's corporate objectives of continuous improvement, improved efficiency and cost effectiveness to be quantified more fully.

With the Human Resource (HR) function responsible for the measurement of human capital, a supplementary benefit for HR was an opportunity to develop some meaningful measures which could be communicated to the rest of the business. This has improved the image of HR and enabled communication in a way that was readily understood by the rest of the business. This was not without challenge for the HR team.

Having established that measuring human capital was a worthwhile task, the CAA then considered how measures might be developed. How would success of their business and the value created by people would be measured? Many different performance measures were tracked throughout the business but none related to the success of the CAA overall. In addition, each business group within the CAA has non-comparable strategic objectives, although they all contribute to the organization's corporate plan. There could not, therefore, be one overall measure but rather a combination of measures which combined would give an overall picture of the value of human capital.

For CAA, there would be no point in carrying out the measurement of human capital without reporting it to those who are the subject of the measurement. To date, most of the reporting has been internal with consideration being given to external reporting in future. Internal reporting mechanisms have included:

- HR Quarterly Report – delivered to the Board, Managers and HR. The Report contains the HR scorecard and analyses of absence, turnover, learning and development, resourcing and demographics. The HR Quarterly report is available on the CAA intranet for all staff to access if they wish.
- HR Advisers have access to monthly drill-down reports using specialist software (Cognos Powerplay).
- Drill-down analyses and reporting in response to ad hoc requests, carried out by a central team, is available on all HR metrics as required.
- Dashboards for line managers

For the future:

- Manager self-service access to reports at group, department and team levels is planned as the next step.

Further, the CAA spent time up front identifying what they wanted to know, what would impact on the bottom line and therefore what they wanted to measure. This is an important step and puts a focus on what is required rather than what is simply easy to measure. Introducing HCM is not a quick process. For CAA it took a while for HR to embrace the approach, let alone the rest of the business. HR were also faced with the prospects of capturing, analyzing and researching data and with using IT which represented some challenges for both mindset and skill. While it took managers a while to use and embrace the data, once they did, they wanted more of it and CAA warn to be prepared for this increasing desire and capacity to use data once the approach to HCM kicks off. To get initial buy in from the Chief Executive and the Board, HCM was presented in terms of supporting being a ‘high performing organization’ and contributing to the ability to measure strategic success. This enabled HCM to be presented as an enabler of strategic objectives, facilitating buy-in.

Case Study Questions:

- a) According to the given case study, *identify* the challenges faced by CAA in implementing HCM. (04 Marks)
- b) *Suggest* the key measures that can be considered by CAA to know the success of their business and the value created by people. (04 Marks)

What CAA want to know?	How can CAA measure that?
1. Are staff engaged?	A.
2. Are we managing attendance levels?	B.
3. Are we developing our staff effectively?	C.
4. Are our ‘customers’ satisfied with our performance?	D.

- c) **“HCM is not a quick process”**. Do you *agree* with the statement? *Advise* the CAA HR professionals regarding the steps to be taken in the HCM process. (06 Marks)
- d) *Discuss* how “Dashboards” are useful for the line managers in CAA. (04 Marks)
- e) *Appraise* the lessons that can be learned from the CAA's experience for other organizations considering similar initiatives. (06 Marks)
- (Total 24 Marks)**

Q2.

- a) *State* whether the given statements are True/False [Please specify the most appropriate answer in the answer script].
1. Correlating human capital resources to the company's strategic and operational needs, and ensuring effective utilization of those resources is the competitive strategies.
 2. Culture surveys and attitude surveys are examples of diversity data.
 3. Identify the needs of the business is considered as one of the human capital management drivers.
 4. Human capital treats the human beings as means.
 5. The Human capital index model demonstrates that a variety of HR practices contribute to higher levels of ability, motivation, opportunity (AMO) among individual employees.
- (05 x 01 = 05 Marks)
- b) Briefly *explain* the term “Human Capital Management (HCM)” and *state* three objectives of HCM. (05 Marks)
- c) *Compare and contrast* “human capital measurement” from “human capital data”. (04 Marks)
- d) **“The concept of HCM complements and strengthens the concept of HRM”**. *Critique* the validity of the statement. (04 Marks)
- (Total 18 Marks)**

Q3.

- a) Briefly *explain* “corporate social responsibility data” with appropriate examples reported in banks. (05 Marks)
- b) **“Mercer HR Consulting in 1990 assembled a research group to developed the organizational performance model”**. According to the model, *classify* the six interconnected factors which depicts the firm's human capital strategy. (06 Marks)

- c) *Sketch* the “Balance scorecard” which will be useful to analyze human capital information and report the benefits of this method. (07 Marks)
- (Total 18 Marks)**

Q4.

- a) According to the Chartered Management Institute (2006), briefly *describe* the three-tier approach to measures used by companies. (06 Marks)
- b) **“Internal reporting is becoming increasingly sophisticated”.**
i. *Comment* on the above statement highlighting the benefits of internal reporting.
ii. *Examine* what sort of the information will be valued by line managers. (10 Marks)
- c) Assume you are appointed to initiate HCM in Xlora Pvt Ltd., *suggest* four key measures that would be of value to its business model. Support your choices based on the findings of Centrica (2006). (04 Marks)
- (Total 20 Marks)**

Q5.

- a) *State* the benefits of “performance management data” that can provide insights on the value of human capital. (04 Marks)
- b) **“High-performance organization are identified as a part of the HCM programme”.** *Identify* the characteristics of a high-performance organization. (04 Marks)
- c) **“HR professionals carry out the roles of strategic business partners”.** *Illustrate* the multi-faceted roles of HR people focused in Ulrich and Brockbank model in 2005. (06 Marks)
- d) **“The knowledge and skills required within the HR function to implement and operate a full HCM programme are diverse”.** *Develop* a general framework for HR which includes of the requirements and demands the HR practitioners need to deliver HCM. (06 Marks)
- (Total 20 Marks)**