THE HEART OF HUMAN CAPITAL

Key Concepts
Dear Leader,

Welcome to this collection of articles from The Heart of Human Capital, a blog for leaders dedicated to the win-win, where companies and their employees thrive together.

The mutual success of organizations and their employees is too rare, but we believe that does not have to be the case. Organizations and their employees can succeed together when organizations are purposefully and intentionally aligned with their employees on two levels:

1. **Incentive Alignment** that links personal and organizational success – valuing employees’ human capital (their skills, motivation and health);
2. **Purpose Alignment** that connects with people at a deep and passionate level – valuing employees as people.

We call the framework for this holistic approach Human Capital Stewardship.

You may be thinking: “That all sounds great! But a lot of things sound great, until you dig in and find little more than buzzwords and PowerPoint presentations.”

Understood. That’s why The Heart of Human Capital blog will deliver data-driven insights, perspectives, case studies and thought-leader interviews focused on helping leaders like you discover and explore policies, programs and leadership strategies that align the needs, interests and passions of your organization and its employees. It’s also why we launched our blog with a set of Key Concept articles that lay the foundation for the Human Capital Stewardship framework by – for instance – making sure we level-set with readers on things like how we define “Human Capital.”

This document puts all the Key Content articles in one place for your convenience and so you can easily share with your colleagues. We do recommend reading the first two articles in order, but invite you to skip around as your curiosity leads.

We hope you’ll find these ideas useful, and perhaps even inspiring. If so, please sign up to receive monthly updates and share what you find helpful with your colleagues.

Finally, we invite you to contact us with your feedback and ideas. We are eager to hear from and learn from leaders who are striving for the win-win in their organizations.

Chuck Reynolds, M.S.  
*Creator, The Heart of Human Capital*  
Wendy Lynch, Ph.D.  
*Contributor, The Heart of Human Capital*
P 4 - Human Capital Is…: The term “Human Capital” is being used with increasing frequency, but do you, your colleagues and your vendors share a common understanding of what human capital is (and isn’t)? Check out our definition, and use it to prompt discussion and seek consensus in your organization.

By Chuck Reynolds and Wendy Lynch

P 8 - Economic Principles of Human Capital Management: Every policy and program that makes up your organization’s employee value proposition sends employees a signal that will either reinforce or weaken the alignment between the decisions they make and the mission and goals of your organization. Understanding economic principles will equip you to identify, anticipate and be intentional about how incentives are aligned in your organization.

By Wendy Lynch

P 12 - Leadership Principles: The right kind of leadership will engage employees as people – deeply and passionately – in what the organization is working to accomplish. This article summarizes key take-aways from the Truly Human Leadership approach practiced and promoted by Bob Chapman, CEO of BarryWehmiller. For leaders striving to achieve and sustain the employer/employee win-win, it’s a compelling model and mindset.

By Chuck Reynolds

P 15 - The Human Capital Stewardship Framework: Learn about the Human Capital Stewardship framework, which suggests that organizations and people thrive when organizations not only engage the human capital assets of their employees through policies and programs that achieve Incentive Alignment, but also help employees find meaning in their work through leadership that achieves Purpose Alignment.

By Chuck Reynolds

P 18 - Health as Human Capital: Like skills and motivation, your health is a human capital asset, owned and protected by you, and part of the total human capital package you bring to the marketplace to exchange for things you want (salary, benefits, opportunity). This seemingly simple concept carries implications leaders who are striving for win-win alignment need to understand.

By Chuck Reynolds and Wendy Lynch

P 21 - Incentive and Purpose Alignment 2x2: Most organizations fall short on achieving incentive alignment, purpose alignment, or both. What can you expect under different alignment scenarios? This article proposes some implications to get you thinking.

By Chuck Reynolds

P 23 - About The Heart of Human Capital blog: Learn more about the blog and its authors.
We Have a Clarity Problem

If it has not yet happened to you, we wager that it will in the next few months. You will be in a meeting and the term “Human Capital” will be used. It’s possible that the term will be used appropriately and that everyone around the table will share a common understanding of what it means in the context used, but that’s unlikely.

“Human Capital” is a trendy term right now, and it’s likely to become more so in the coming months as – among other things – freshly-minted ISO standards for human capital reporting capture the attention of your organization’s executive team. And, as “Human Capital” becomes trendier, people (consultants and vendors in particular) will attach the term to their ideas and solutions as a way of making those ideas and solutions seem sexier...more contemporary.

What happens next is predictable. Everyone assumes they know what “Human Capital” means, and that their own definition is shared by others in the room. And while this is very unlikely, the conversation about the human capital issue, idea, solution or strategy proceeds, because we assume we’re on the same page, we don’t want to risk looking dumb, or we don’t want to create conflict or delay the conversation.

There is a consequence for this lack of fundamental clarity: how can we talk about a human capital strategy if we have not first agreed on what, exactly, we mean by “Human Capital”?

You Can Lead to Clarity

We hope this article informs and emboldens you to be the one to press pause when the scenario above unfolds, or to be the one who asks for clarity if you’re already down the road in such a discussion. Perhaps you can say:

“I have an idea in my head about what we’re talking about when we say “Human Capital,” but I wonder if it’s the same as what others are thinking. Can we talk about this and try to get on the same page before we continue?”

In the balance of this article, we’ll first offer a bit of historical context, then a definition for you to consider, and finally, we’ll look at Human Capital from several perspectives – personal, corporate, family and societal – to further inform your thinking about issues, ideas, solutions and strategies.
Historical Context
While the recent rise in use of the term “Human Capital” makes it seem like a new idea, it’s not. The idea goes at least as far back as Adam Smith, and economists like Gary Becker, Jacob Mincer and Theodore Schultz popularized the term and advanced the thoughtful study and economic science of human capital through the middle of the last century. The Wikipedia Page on Human Capital has a decent history and plenty of links you can explore to learn more.

The point to be made here is that a lot of very smart people have studied and written about human capital for a long time. There is no one “best” definition of human capital, but there are some very good ones that can inform and even inspire your thinking.

Human Capital Defined* 
Human Capital is the potential value that an individual (or group of individuals) brings to an organization (company, family, community), where value is a function of:

- Skills – education and experience
- Motivation – attitude and incentives
- Health – physical and mental

I favor this definition, because:

A. While easy to grasp, it is comprehensive, including both motivation and health as human capital assets.
B. It invites/enables meaningful interpretation from a variety of perspectives (see below).
C. Most notably, it has been empirically studied in ways that have produced practical, actionable analytic insights for businesses.

* “an activity” refers to uses of human capital outside of work, e.g. in hobbies, as a parent or volunteer.
* Of note: this definition comes from Hank Gardner, former CEO of Human Capital Management Services who – with Wendy Lynch (contributor to this blog) – authored two important books focused on human capital: 1) “Aligning Incentives, Information and Choice: How to Optimize Health and Performance of Human Capital”; and 2) “Who Survives? How Benefit Costs are Killing Your Company.” Click here for information on purchasing these books.

**Different Perspectives on Human Capital**

Finally, to round out your understanding of Human Capital, we encourage you to look at it from four different perspectives. To help make these points stick, we’re going to make them personal.

**Individual**
- Your skills, health and motivation belong to you; they are your assets.
- No one else can make you more skilled, healthy or motivated.
- You have a huge, inherent capacity to grow all three assets to set yourself apart.
- The more you invest in building these human capital assets, the more value you will produce for yourself, your family, your community and others.

**Employer**
- Your employees own their skills, health and motivation.
- Your goal is to attract and hire people with the mix of human capital assets needed to perform the work of your organization, and to make investments that help people grow and develop those assets.
- All HR and benefit policies and program investments – from regular and incentive pay, to health benefits, to absence and disability policies, to training and development programs, to investments in environmental health and safety, and much more – should all be viewed through the lens of human capital.
- Decisions should be made only after understanding the consequences, both intended and unintended, of investments on the skills, motivation and health of employees (including in many cases contractors and gig workers).

**Family**
- Human capital can be nurtured (or not) within families.
- Adults can model how investments in one’s own human capital (learning, studying, practicing) produces pride, satisfaction and value.
- Partners can support each other in improving skills, motivation and health.

We encourage you to become informed about human capital … to lead your colleagues, consultants and vendors in the critical discussion about what human capital is, and then talk about ideas, solutions and strategies aimed at nurturing it.
It can be argued that the fundamental role of a parent is to provide the love, guidance and support of children so they can explore, discover, feel ownership of and develop their own human capital.

**Community (local-to-global)**

- Just as people are widely claimed (if not truly understood) to be a company’s most important asset, the same holds true for communities, regions, states and countries.
- To start, think about schools in your community from the perspective of what they’re doing to help children develop skills, to foster motivation and to protect and promote health. The cliché is worth stating – today’s students are tomorrow’s workforce.
- Much research on human capital has been done concerning public policies, such as education, nutrition and healthcare. If interested in a broad perspective, consider reading the World Economic Forum Global Human Capital Report. You can download the 2017 version [here](#), but more current versions may be available.

We encourage you to become informed about human capital and to be bold enough to press pause on discussions that assume everyone is on the same page. Take the opportunity to lead your colleagues, consultants and vendors in the critical discussion about what human capital is, and then talk about ideas, solutions and strategies aimed at nurturing it.

Has this article sparked a thought or idea you’d like to share? Please [contact us](#).

[Back to Contents.](#)
Economic Principles of Human Capital Management

By Wendy Lynch

Think for a moment about the many policies and programs that make up your company’s employee value proposition – everything from policies governing regular and incentive pay, to time off, to the structure of your health insurance benefits. Each of those policies and programs sends your employees a signal that will either reinforce or weaken the alignment between the decisions they make, and the mission and goals of your organization. A well-designed employee value proposition will send a strong and consistent signal that aligns incentives so that employees succeed by using their human capital assets to help the organization succeed – a signal that builds a proverbial win/win into structure of the employee value proposition.

Why Economics

Economics is about more than finance and mathematics. Economics is a behavioral science that uses rigorous concepts and sophisticated analytic tools to help us understand human decision-making – decision making that can be influenced by financial or non-financial factors.

When organizations develop policies and programs in a way that is informed by economic principles – and where those principles are used to model behavioral impacts – it can achieve win/win alignment. Absent an understanding and application of these principles, organizations send mixed signals. Some policies and programs align employee and organizational interests, while some don’t. At best, mixed signals cause hesitation and limit performance upsides, but the impact can be much worse, with misalignment influencing actions that can put the organization and its people at risk.

It is important to reiterate that your policies and programs always send signals – whether intended or unintended. Therefore, it’s important to understand why and how your decisions might strengthen or weaken alignment so you can be intentional about the incentives your putting in place.

Key Principles

I want to introduce you to four key economic principles. Understanding these principles won’t make you an expert in economics but understanding them will inform your policy and program decision-making so you can work to improve alignment. If you want more in-depth information and evidence of these principles at work, read the book I wrote with Hank Gardner, Aligning Incentives, Information and Choice.
1. Your Own Time and Money Matter More to You Than Someone Else’s

According to the principle economists call “Moral Hazard,” when a person is spending someone else’s money, he or she will tend to spend more, particularly if the spending is discretionary.

If you’ve ever ordered a steak instead of a burger, or perhaps decided to take the waiter up on the offer of a cappuccino after dinner instead of just asking for the check when dining on an expense account, you’ve been influenced by moral hazard. If you’ve ever paid for a child’s college or wedding celebration, you’ve likely confronted moral hazard from the other side.

Following are just a couple of examples of how moral hazard works behind the scenes in the realm of employment:

- **Health Insurance Out-of-Pocket Costs:** The less people have to pay out of their own pockets for medical services, the more of those services they will use. This can be a bad thing if employees are going to the ER when urgent care will do. It can be a positive thing when employees get flu shots because they’re free and offered at work.

- **Short-Term Disability Payments:** The closer short-term disability payments are to a person’s full wage/salary, the more of those benefits they will consume/ the more time it will take someone out on disability to return to work.

2. Nothing Is Free: Everything Is a Trade-Off

The economic principle of “Opportunity Cost” simply recognizes that resources are finite, so a decision to spend time, money or energy on one thing means there is less time, money or energy remaining to spend on other things. Spending more on Thing A means there is less opportunity to spend on Thing B.

In our personal lives, we bump into the opportunity cost principle whenever we make decisions that affect our household budget or need to figure out how to use our precious vacation time to take a vacation and fulfill obligations to visit family. Attending the family reunion in Sandusky cuts into plans to visit the National Parks this summer.

In the world of work, the reality of limited resources and the opportunity cost trade-offs that need to be made are present in ways big and small:

- **Rising Health Costs/Flat Wages:** Perhaps the most important tradeoff organizations have made over the past few decades is in funding rising health insurance benefits at the expense of wage and salary increases (as well as investments in training, technology enhancements and even safety).

- **Use It or Lose It Time Off Policies:** When an employer has a use it or lose it policy around paid time off, then employees with unused vacation time at the end of a year face a trade-off. Do they work anyway and forfeit the portion of their compensation that comes in the form of time off? Or, do they take the time off, and perhaps give up
the opportunity to use their human capital assets on important work assignments? Hint: Paying people for unused PTO goes a long way toward solving this dilemma.

3. **What Gets Paid For Gets Done**
This principle recognizes the important connection between how payments are structured and what gets accomplished.

Some personal encounters with this principle are very straight-forward, like at an automatic carwash, where you can pay to have your wheels cleaned or not. Some are less straightforward, like the arrangements you may have with your financial advisor. And some are murkier still, like healthcare. Generally, the more we know about what we’re paying and what that payment will get us, the better we feel.

In the context of the workplace, this principle is front-and-center in decisions around compensation, and particularly incentive pay, where the aim is to align rewards with specific performance outcomes. Among the many other places you find this principle at work, influencing behaviors:

- **Wellness programs**: Do incentives reward people for actions (e.g., getting screened, taking a health assessment), for participation, for outcomes?
- **Safety programs**: Do incentives reward “zero reportable injuries” (influencing a range of behaviors related to whether injuries get reported), or do incentives reward reporting of hazards and near-misses (encouraging people to be on the lookout for risk).

4. **Incentives Always Exist, Influencing the Direction of Behavior**
This principle rides on top of all other principles and how we think about those principles. Let’s explore this principle by digging into three key words:

A. **Always**: Whether you recognize, plan for or account for incentives, they exist in many forms (money, time, status, opportunity, etc.) and are at work in ways that can be surprising, but which can usually be anticipated and planned for if you apply the right sort of thinking to the right data.

B. **Influencing**: Incentives influence, they do not determine behavior. How strong a given incentive influences behavior will vary from one person to the next, and often from one circumstance to the next for the same person.

C. **Direction**: Incentives can influence people toward or away from behaviors you want...and toward or away from behaviors you don’t want. It is critical to consider not
just the incentives inherent in individual policies or programs, but to step back and look at the overall impact of incentives and the direction of the cumulative flow.

So, if incentives are Always Influencing the Direction of behavior, it’s important to understand incentives, to account for them, and – through thoughtful policy choices – use them to create a strong signal of aligned interests between employee-owners of human capital and your organization.

Stay tuned to this blog for lots more on economic principles and incentives.

Has this article sparked a thought or idea you’d like to share? Please contact us.
A Student of Leadership
I didn’t read a lot as a kid, but I remember reading books on Lincoln, Kennedy and Lombardi cover to cover. Only years later did it occur to me that what most intrigued me about these historic figures (yes, Lombardi is an historic figure if you grew up in Wisconsin) was their leadership.

About two decades ago I became a more serious student of leadership when I worked to identify the attributes of a small segment of what we called Key Opinion Leaders (KOLs) of benefits, HR and corporate medical professionals. These KOLs were professionals who led their organizations to adopt innovative strategies that yielded consistently better health, productivity and cost outcomes than peer companies. More on that in a future article, but it is relevant now to mention that “Humility” was the attribute I put at the center of the model.

Recently I have been studying leadership within organizations more broadly, trying to understand what it takes to lead, what it means to be a leader, and how strong (or weak) leadership affects the fate of organizations and their many stakeholders, particularly employees.

“Truly Human Leadership” Makes the Most Sense to Me
This fall I discovered, downloaded and listened to the book *Everybody Matters: The Extraordinary Power of Caring for People Like Family* by Bob Chapman and Raj Sisodia. The book told of Bob’s personal leadership transformation and how it affected his company (BarryWehmiller), its employees, and by extension their families and communities. Bob’s “Truly Human Leadership” approach rang true with what I have grown to understand about leadership, and (on a much larger scale) how I tried to practice leadership when I owned The Benfield Group.

In all my observing, reading, thinking and doing of leadership, Bob’s was the leadership model that made the most sense to me.

Truly Human Leadership Take-Aways
At the bottom of this article, I provide some links that will connect you to more in-depth information about Bob Chapman’s Truly Human Leadership philosophy, BarryWehmiller’s leadership principles and the BarryWehmiller story. For purposes of this article, here are my take-aways. *My apologies to Bob Chapman and his colleagues if I’ve distorted anything here.*
• Truly Human Leadership does not de-value strategy or the role leaders play in the nuts and bolts of understanding markets, developing new products, managing supply chains, etc.
• However, Truly Human Leadership understands that the source of sustainable competitive advantage is found in people – in leading people in ways that will unlock their full potential in alignment with the vision of the organization.
• In order to unlock human potential, leaders must possess a sincere and deeply-rooted belief that every employee is – as Bob puts it – someone’s precious child, with unique gifts to contribute and a deep desire to matter...to make a difference in the world.
• When leaders accept the awesome responsibility of leadership for what it is – the stewardship of human potential – they align structures, systems, policies and programs to help people grow, succeed and find purpose and meaning in their work.
• Truly Human Leadership leads to organizational success not in spite of placing a high priority on the wellbeing of its people, but because leaders are intent on helping their employees thrive.
• And finally, when employees find joy and meaning at work, they discover more capacity to be better partners, parents, friends and citizens in their community, making the world a better place.

Leadership vs. Perks
One of the more interesting (and frustrating) things to observe – particularly in the current high-employment economy – is how organizations focus so much time, mental bandwidth and money on polishing their employee value proposition. Informed by benchmarking, companies compete in a more-is-better race to “attract and retain” talent. Of course, a company’s offer needs to be good enough to garner consideration in the labor pool, but as Wendy makes clear in her article on Economic Principles of Human Capital Management, spending additional money on perks to keep up with the corporate Joneses comes at a cost to investments in things like wages, incentive compensation, training or even investments in innovation that can provide future growth opportunities. No amount of pet insurance will fill the deep need people have to play a meaningful role in contributing to something bigger than themselves. Filling that deeper need is about the sort of leadership Bob Chapman practices, writes about and teaches – it’s about Truly Human Leadership.
More on Truly Human Leadership

The Truly Human Leadership approach is certainly not the only leadership approach worth looking at, and over time we’ll be drawing from many sources of inspiration and evidence of the importance of people-centered leadership, including Simon Sinek, (Leaders Eat Last, Start with Why), Robert Kegan and Lisa Laskow Lahey (An Everyone Culture), and others. For now, if you’re interested in learning more about how one leader has built a thriving company based on leadership that puts employees first, the following resources are worth some study:

- Blog/Podcast: Truly Human Leadership
- Leadership Development: Barry-Wehmiller Leadership Institute

Has this article sparked a thought or idea you’d like to share? Please contact us.

Back to Contents.
Laying the Foundation: Human Capital Stewardship
By Chuck Reynolds

Human Capital Stewardship is a holistic approach that integrates strategies for human capital alignment and leadership, enabling and equipping organizations and their people to thrive together.

That sounds wonderful, but what does it mean?

Over time, the aim of this blog will be to answer that question fully with data, insights and examples. For now, let’s use a model to lay the foundation for the concepts presented in this blog.

Human Capital Stewardship Model
Human Capital Stewardship requires that organizations focus on achieving both: 1) human capital alignment, which is largely about alignment of incentives; and 2) leadership alignment, which is primarily about alignment of purpose. More:

- **Incentive alignment strives to engage the human capital of employees** – their skills, motivations and health.
  - Policies and programs that can be used to achieve alignment include the broad array of economic and non-economic incentives commonly referred to as the “employee value proposition,” such as: regular and incentive pay, benefits of all sorts, training and development, occupational health & safety, and disability & time off policies.
  - Every policy and program sends a signal to employees. That signal that can either reinforce or weaken the overall alignment between the mission and goals of the organization, and the willingness/ability of employees to develop and use their human capital assets in support of those goals. Read Wendy Lynch’s article on Economic Principles of Human Capital Management to better understand how corporate policies and programs can create (or destroy) alignment between individual and corporate goals.

- **Purpose alignment strives to engage employees as people**, inspiring them to invest not only their human capital, but to give of themselves deeply, personally, even spiritually to the pursuit of the organization’s vision and mission.
  - Leadership practices that can serve to achieve purpose alignment include having a clear vision and mission, making sure work is meaningful/that employees can find...
meaning in their work, respect for every employee, coaching, mentoring and teaching the inspires and facilitates growth, and trust & transparency.

- Each of the above elements (and others) constitute an employee experience which – though it will vary from day-to-day – generally sends a signal to employees. That signal can either reinforce or weaken the sense of purpose and fulfillment people seek and experience through their work. Read more on this topic in the article, Leadership Principles.

- **The Human Capital Stewardship framework** suggests that organizations and people thrive when organizations not only engage the human capital assets of their employees through incentive alignment, but also help employees find purpose and meaning in their work through leadership alignment.

**Organizations and people thrive when organizations not only engage the human capital assets of their employees through incentive alignment, but also help employees find purpose and meaning in their work through leadership alignment.**
WANTED: Renaissance Organizations

Human Capital Stewardship requires an organization to be strong on both sides of its “brain.” It requires an organization that is intentional about helping people across and down the org chart develop strong leadership skills so they can engage employees as people in what the firm is doing, AND it requires a seriousness about making investments in policies and programs that are informed by economic principles to achieve human capital engagement via strong alignment of corporate and individual goals.

This is not easy, and therefore, it is rare. Hopefully, over time, this blog will help make it less so. For now, check out this Incentive and Purpose Alignment 2x2 to get a sense of where your organization currently stands.

Has this article sparked a thought or idea you’d like to share? Please contact us.

Back to Contents.
Health as Human Capital
By Chuck Reynolds

Consider the following two statements:

1. Health is a human capital asset, like our skills and motivation, and part of the total human capital package we offer to the marketplace in exchange for other things we want (e.g. jobs, pay, new opportunities). *

2. As an asset, health is something we are wise to protect and enhance, because better health increases our capacity to contribute at work, at home and in our community, with the net result being greater opportunity for lifetime earnings, experiences and quality of life.

These statements probably ring true because they reflect your life experience. All of us have experienced at least temporary illnesses or injuries that have had negative impacts on all aspects of our lives. And, hopefully, we’ve all experienced the joy of recovery, where the return of good health restores our ability to be a valuable employee, partner, parent, child, friend or volunteer.

* NOTE: If you have not yet read the article “Human Capital Is...” for a primer on human capital, we recommend you do so...the balance of this article will make more sense if you first understand human capital more fully.

Implications of Health as Human Capital
Now let’s take the idea of Health as Human Capital a step further and consider some important implications.

• If it is true that we own our own health – like all human capital assets – then it is also true that employees are primarily responsible for the actions they take and the decisions they make that affect their health. Ideally, corporate (and government) policies should not only encourage health-promoting actions and behaviors, but should also reinforce the idea of individual responsibility and accountability for health.
Policies and programs (corporate or government) should reinforce the relationship between good health and rewards. Reinforcing this relationship creates alignment that encourages people to protect and improve their health, creating a virtuous cycle.

**Reality Check – Corporate Incentives Often Align Against Health as Human Capital**

If you look objectively at the incentive alignment inherent in corporate policies and programs, you will see that they too-often discourage personal health responsibility and fail to reward (or even punish) good health. The misalignment is not intentional, of course, it’s just that some policies fail to account for fundamental economic principles, leading to unintended consequences that discourage individuals from investing in and protecting their health asset.

Over time, this blog will provide specific examples based on the analysis of human capital data. If you want to get a head start on the data behind the above examples, you may want to read Aligning Incentives, Information and Choice.

In the meantime, here are a few examples of misalignments:

- **Healthcare Benefits Generously Subsidize Illness Intervention, But Not Prevention:** Our system (employer and government-funded) has evolved over the past fifty years to emphasize expensive treatment over prevention and ongoing health management. This places a greater value on external intervention over individual responsibility for prudent ongoing care. An employee may struggle to afford healthy food, regular office visits and medications needed to manage her diabetes, but if she has a heart attack, the expense will largely be covered. This misalignment may protect her from an exorbitant bill, but at the same time discourages personal responsibility and prevention.

- **Short-Term Disability Policies that Fully Cover Wages:** When an employee can make as much by not working as they do by working, they are more likely to delay a return to work and are less likely to take actions and make decisions to protect their health and safety – actions that would help keep them from missing work due to illness or injury.

- **Lack of Variable Pay:** When employees can earn bonus pay through the productive use of their human capital, they are more likely to take actions and make decisions that will protect and improve their health so they can be at work and perform. Compared to those who are paid hourly (earning the same amount regardless of how much they accomplish), those who are eligible for bonuses take better care of their health and safety and take advantage of prevention opportunities. Unfortunately, well-structured incentive programs that reward employees for their specific contributions are rare.

- **(in the past) Smoking breaks:** For decades, employers allowed employees several breaks per day to get their nicotine fix. They did not, however, allow non-smokers
similar breaks to take a short walk or get fresh air. Anecdotally, we’ve heard of people who began their smoking habit in order to get a break with their work friends.

**Paddling Against the Current**

It is common for employers to spend a lot of time, money and strategic bandwidth on policies and programs to promote employee wellbeing and safety. It is also common for companies to be disappointed in the impact of these investments in terms of improving behaviors and outcomes. We would argue that a key reason such programs fail is that they are striving to paddle against the current of corporate policies that not only fail to reward good health and safety, but in some instances even reward illness and injury.

Health is a human capital asset, owned by your employees. Your policies and programs should reinforce that ownership and reward actions and decisions that protect and improve health.

Has this article sparked a thought or idea you’d like to share? Please [contact us](mailto:contact@heartofhumancapital.com).

[Back to Contents](#)
Incentive and Purpose Alignment 2x2

By Chuck Reynolds

A 2x2 to Consider Implications of Incentive and Purpose Alignment

I have a fondness for 2x2s. While they can fall short on capturing nuance, they’re often very useful for explaining relationships and synergies – in this case, the synergy between human capital alignment and leadership alignment.

The figure below helps us explore the Human Capital Stewardship framework by enabling us to explore the synergy of incentive and purpose alignment. It’s pretty straightforward, not requiring a lot of additional explanation to convey the gist, but I’d like to amplify the figure’s implications by making it personal. Follow these steps to reflect on your own experience over the years.

1. Study the 2x2 and think about your work experience over the years. Note, you may also recall your experience on sports teams or as a volunteer for a community agency, etc.

2. Think about how those experiences fit into the four boxes:
   - **Lower left**: Low incentive alignment and low purpose alignment
   - **Upper left**: Good incentive alignment, but low sense of purpose
   - **Lower right**: strong purpose, but mixed signals in terms of policies and programs making up incentive alignment
   - **Upper right**: strong sense of purpose and incentive alignment.

3. In each box for which you have a vivid recall of the experience, think about how working at that organization affected you and those with whom you worked in terms of:
   - A. your attitude about the organization, and its mission?
   - B. how you thought about your customers?
   - C. the way you interacted with people on your team or in other departments?
   - D. the quality and quantity of your effort on a day-to-day basis?
E. whether/how you thought about ways to help the organization become more successful?
F. whether you were willing to present, argue and even fight for those ideas?
G. how likely were you to give discretionary time, energy or focus to your job?

I’ve been part of organizations in every quadrant, and I can tell you that – while I consider myself to be very conscientious and passionate about my work – my attitude, actions and willingness to invest my human capital and to give fully of myself to the vision of my employer has varied significantly from one type of experience to the next.

How about you? What has been your experience with incentive and purpose alignment? What does that experience tell you about the importance of incentives that align in a way that values your human capital? ...about the importance of leadership that gave you a sense of purpose and made your work meaningful?

**WANTED: Renaissance Organizations**

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This is not easy, and therefore, it is rare. Hopefully, over time, this blog will help make it less so.

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[Back to Contents.]
About The Heart of Human Capital

The Heart of Human Capital
The Heart of Human Capital is a blog for leaders dedicated to the win-win, where their organizations and employees thrive together. At the blog, you will find information, insights and perspectives about how best to invest in human capital based on a holistic framework we call Human Capital Stewardship. Learn more at www.HeartofHumanCapital.com.

Blog Authors

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Feedback and Ideas Welcome

Have some feedback or an idea you’d like to share? Please contact us contact us, and let’s have a discussion.