ROI (Return on Investment) on Human Capital

Meparishvili Ketevan,
The University of Georgia

In the 21st century, the success of proactive organization in no longer evaluated by tangible assets like cash, plants, equipments and buildings. The outdated approach was quantifying the contribution of human resources in organization. For better presenting a real picture, a Human capital scorecard tool has been developed for measuring human resources contribution within the organization, which is innovation for Georgian business market. The topic is outlining the main concepts, theories, hypothesis and application process of the Human capital evaluating tool, the primary goal of which is to measure financial and non-financial effects of investment and expenditures in human resources. By implementing relevant evaluation tool of human resources contribution within Georgian organizations it means to acquire a value of understanding the human resources usefulness in company. By using the HR scorecard, managers are able to determine what has affected the trend and forecast the future.

The classic books of management have ignored, avoided, or thrown platitudes at the question of human value in the business environment (Fitz-Enz, 2009, p. xvii). The era of the Industrial Revolution in the mid-eighteenth century had sow the “tangible” organization theory, which claimed that key industrial success was in tangible assets, such as cash, plants, equipments and buildings. This type of thinking had pushed early management theorists like Fayol, Weber, Taylor to examine the aspects of management and define the scientific management approach, which was focusing on human resources contribution and considered that the key to industrial success was the effective management of workers at all levels. Both, Fayol and Taylor tried to apply “scientific method” to the problems and concentrated primarily on the worker level, but none of the approach has been developed a reliable way to quantify the contribution of human capital to corporate profit till now. The only exception has been human resources accounting, which has not approved as a practical management tool.

The first sign of qualitative aspect of economics of “human capital” originated with Theodore Shultz, who claimed that recuperating the prosperity of people did not depend on energy, land or equipment, but rather on knowledge. (Shultz, 1979). We might describe the theory of “human
capital” as a unification of the intelligence, creativity and team spirit factors. There is no doubt that the human component adds the greatest economic value, but at the same time it is the most awkward asset to manage and evaluate, as the huge number of variables of human beings are creating complexity. Without the power of a human being none of the dependable variables such as, energy, plant, equipment and cash would work properly. People itself are mechanism which adds economic value and all other variables by their character add nothing (Fitz-Enz, 1990). Another angle from which we can see the perspective is not only the productivity level of human resources in organizations, but rather the satisfaction level of people at work. It has been acknowledged that as fulfilled is the work the more productive workers become. The driving force of fulfillment is knowledge, which helps accomplish tasks with higher quality and automatically the well finished job attracts attention of managers. Hence, investing in workers’ knowledge leads to job fulfillment and increased productivity level, but without implementing tangible quantitative metrics to reveal the costs and productivity of HR at three levels: 1) Organizational (contributions to corporate goals); 2) Functional (impact on process improvement); 3) Human resources management (value added by HR department activities) it is almost impossible to measure the affect.

For Georgian business market, the Human capital scorecard tool for measuring human resources contribution is new. The importance of Human resources in Organization is well-documented in various economic and business books. They play significant role as drivers of innovation and generators of respectable portions in Revenue. This is a major reason why implementing business tool for measuring the percentage of contribution in overall business processes and revenues per each worker is important. For modern HR managers in Georgia, it is essential to have a balanced set of measures to reveal the value of human resources contribution. To provide persuasive data on the human resources contribution in business processes, measuring it by Human Capital Scorecard (HCS) is favorable and promising tool. In western practices it is widely used in measurement mix, but not in Georgian business market.

Level of Education, knowledge and skills in HR is fastest-growing field in Georgia. Westernization has increased the need for individuals with specialized knowledge and skills to manage effectively business processes in the rapidly changing environment. Along with experienced staff, it is necessary to know their contribution in business and performance level.

The general trend in Georgia towards accountability with all staff members is creating a measurement metric for evaluating their contribution. Beside accountability, the pressure from managers and competitive economy are powerful drivers for introduction of HCS in human resources management. Widely spread process improvement tools in Geor-
gia, such as Total quality management (TQM) and Business process reen-
gineering (BPR) have generated an interest in measurement and evalua-
tion, including quantifying the capability of human resources. Those fac-
tors have created wave of applying HCS in measurement process, which
has become one of the most challenging issues in HR field. The critical
issue of the process is the nature and accuracy of its development.
(Philips, Stone, 2001). Huge amount of formulas and statistics are in-
creasing the confusion and misapply of HCS techniques. Implementation
and application of HCS in measurement process is unavoidable for Geor-
gian business community, as the organizations are striving to develop
their external and internal processes via people, without HCS tool it can-
not be measured the impact of Human resources and processes will not
add value. For the proper implementation of HCS tool logical approach is
needed, and what is most important, fundamental understanding of its
nature and utilization.

The Human Capital Scorecard (HCS) tool in HR is concerned with
measuring financial and non-financial effects of investment and expendi-
tures in human resources. As we have already outlined, the contribution
of human resources is most important for business and fortunately Geor-
gian decision-makers are cognizant this fact. There are a number of rea-
sons, why organizations should approach Human resources management
with performance-based assessment. First and foremost is that measur-
ing human resources performance allows decision-makers evaluate effec-
tiveness of their investments and expenditures. Secondly, it supports the
human resources productivity growth and thirdly, it assist to adjust with
overall corporate goals. Accordingly, for modern business organization it
is essential to have a performance based approach to every function, not
only for human resources and choose appropriate metrics for better un-
derstanding the current position.

But the important factor is the effect of performance measurement
techniques on organizational goals. In our case, we should ask if those
companies which are measuring the effectiveness of human resources are
comparatively successful or not with the ones which do not perform
measuring? None of the literature or survey outlines comprehensive an-
swer to this question, but there is no doubt about those who measure
know exactly their current position on marketplace and are informed
about their human related process effectiveness. Bohlander, Snell(2010)
pointed out that measuring human resources by HCS metric, has positive
effect on organizational performance and on decision makers satisfaction
with human resources. Miller (1994) is sharing the same consideration
and despite the differentiation in years of their work, both authors are
claiming that the performance measurement has strong effects on mana-
gerial behavior and attitudes.
As the world was moving forward and corporations were expanding, the level of complex challenges was increasing. People became inevitable part in creating and running a business. In response to growth of people’s contribution in managing organizations, the personnel changed its name to human resources. Nowadays, in intelligence age, people are recognized as a foundation of the organization. A simple and traditional personnel concept of proving service is no longer effective. Human resources are positioned as a capital of organization, which must be quantified as a tangible assets. The question is now to how can we quantify and increase the Human Capital Scorecard in human capital? The good news is that modern vision, attitudes and skills had implemented comprehensive model of measuring human asset, but for Georgian business community it is a truly new provoke. This paper is not about human resources, rather it focuses on human capital and the greater challenge of this topic is to apply successful model to Georgian organizations and observe its consequences.

Human resources management as a conventional discipline does not have a long history in Georgia. In the mid-1990, when companies started expansion, demand for personnel started growing, but along with dynamic development of business more skillful and experienced human resources became more desired, rather task executers. Current position of development changes from organization to organization, they are striving for westernization but still are far from maturity. As the world business is developing so rapidly, and Georgian business community is affected by global movements, it is necessary to learn and adapt more quickly. Unfortunately, modern reality does not give us chance to learn from our mistakes, so it is better to analyze and apply others successful approach for better managing our organizations, where the indivisible part of processes are human resources. Time to time, expenditures in human resources increases and companies are investing more, nevertheless tools to measure its performance is not evolving correspondingly. It is crucial for each organization to form human resources budget, manage activities and measure its failure or success. By the character and nature of human resources, it is the hardest process to measure its affect and value, but at the same time the most needful for business functioning.

As the challenge of 21st century is to manage human capital within organizations, there is no doubt that “HCS in human resources” is number one research priority for majority of investigators. This topic will investigate of how the randomly selected companies in Georgia are measuring investment/expenditure in human resources and then suggest alternative ways of how it is successfully done by someone else. We are currently preparing organizations for duties that do not exist yet.
Key Concepts

What is Human Capital Scorecard (HCS) in human resources (HR)? It represents a revolutionary approach to evaluate HR programs that yields various types of measures representing a scorecard of measures. Philips, Stone (2001:2) None of the books, topics or individuals characterize HCS straightforwardly as the best tool for measuring HR function, but the hypothesis exists and it states that “by understanding the drivers of HCS process and implicit weaknesses and advantages of HCS makes it possible to take a rational approach to the issue and apply appropriate combination of evaluation strategies within the HR function”. Philips, Stone (2001, p. 2) According to Fitz-Enz (2009, p. 36) the HCS in human capital is essential, since in 21st century, management needs a system of metrics that describes and predicts the cost and productivity curves of its workforce. If we back up the Greenspan’s uncertainty principle – Every model, regardless of its perfection are the expression of the world that we experience with all its complexity, it means that the HCS concept has been interpreted not for following the fashion, but it was necessary tool to measure results in organizations. The leading management theorist Peter Drucker alleged, that the greatest challenge for organizations today is to respond to the switch from industrial to a knowledge economy. Those theorists, who followed the same approach, had interpreted plenty of knowledge assessment tools. Unfortunately, we cannot judge which performance measurement tools are the best, as they are based on assumptions and some of them have much success stories about comprehensive HR evaluation programs and some of them failed in appliance process. Application of the concept by organizations should not be mandatory, but if decision makers are realizing the need for accountability of human resources expenditures, the HCS metric will be appropriate to utilize for assessing human resources investments.

Almost 15 years ago, when first the Balanced Scorecard framework was developed by Kaplan and Norton, organizations were arguing on its benefits as the major problem was in evaluation approach. Executives were unable to deliver what they wanted to deliver, but time to time they have analyzed the advantages and disadvantages of Balanced Scorecard (BS) measurement approach and today a majority of organizations, both public and private use this tool to manage organizational strategy via junction measures and assess the financial and non-financial key performance indicators (KPI). With the same framework human resources have equipped itself to reveal how policies and drivers of human resources add value to the company. Some years later, in 2001, the “HR scorecard” has been implemented by Becker, Huselid and Ulrich.

Those two models “HR scorecard” and “Balanced Scorecard” should be considered in appliance process HCS metric as they take into account
sensitive issues and intangible assets. Despite the fact that, there is no substantial information or survey proving that HCS model is widely used metric by multinationals, plenty of growing literature and topics are altering the significance of HCS. Nowadays, in practice, two general models exist for human resources management Human Capital Scorecard calculation. The first model, which was developed by Kaplan and Norton in 1992 is Balanced Scorecard, which is performance measurement system connected to organizational strategy and in 9 years later it has been grown into HR scorecard, developed by Becker, Huselid and Ulrich in 2001. Second model was developed by Jac Fitz-Enz in 2002 Human performance benchmarking, which till now is merged into organizational strategies and used as a measuring tool for evaluating Human Capital Scorecard in human capital and no other alternatives had been interpreted yet. Both of those models are measuring HCS in human resources management and underlines that this metric is not easy financial transaction, rather it demonstrates that the performance and value creation of human capital must be fundamental components of HCS model in human resources.

HCS model it complex and difficult to assess as it draws a line between what issues are measured and what issues should be measured. Currently, it is simple to find in annual reports of organizations the quantitative issues on personnel, but the trend of transiting the qualitative issues becomes inevitable. Due to intangible nature of the HCS model, the measurement of softer issues is getting more difficult and complex, as the justification is based mostly on personal feelings and intuition, but no matter how complex the variable should be, a decision maker should focus on knowledge retention, which is key factor of organizational success is best encouraged by balance scorecard model. The same attention level must be dedicated to brand recognition and economic value creation, by which organization can advance its financial performance measures with general HRM functions. No doubt that HCS model is the combination of soft and hard issues evaluation, which might be carried financial characteristic or strategic nature. Why combination? The answer is simple: Managers want to know how the organization is doing rather detailing on family issues of each worker. Of course it might lead to disastrous effects, but the aim of metrics is to show current position of company, how it has grown/decreased compared with previous year or competitor(s) and what should be done for development? Those questions are answered by mobility programs, which are executed by human resources department and its affect should be measured by HCS metric. The more decision makers and HR specialists are looking for advancement and improving indicators, the key aspect they are facing, lies behind measuring intangible assets.

Strong interdependence between financial and human performance has been revealed by The Hackett Group (2007), while assessing the hu-
man assets and its impact on organization. Research proved that, companies, which are better managing the human capital and their efforts on customer satisfaction, profits and productivity outperformed regular companies by four financial metrics: Significant distinction in net profit margin (22%) and EBITDA (2%), nearly half percent improvement in return on assets and advancement in return on equity by (27%). Research also found that, top companies according to the human capital management efficiency had several areas in common, such as: strategic workforce planning (determining the skills), Staffing (recruitment, hiring, and firing) Labor development (trainings) and Effectiveness (including relations and performance management). Those key areas are making top companies to be distinctive in process management, which automatically leads to increased market share and net income.

Usually the advancement of financial performance by HR is driven by decreased employee life cycle costs, effective HR strategic plan, process management and outperformed performance measurement. According to Geary Rummler and Alan Brache (1990) “without performance measurement we cannot see expectations, know the matters inside organization, analyze gaps, provide feedback, reward and support decisions”. Hence, we may conclude that if organization (CEO) doesn’t know how to measure the human capital by using scorecard, which generates great value on outcomes, it cannot be managed.

In 21st century, the top priority of executives should be excellence in execution and growth initiative, rather cost reduction and technological innovation. Company mission and values should be focused on creating value and strong human capital leverage. Contribution of human resources in overall strategic goals is inevitably necessary, as it directly correlates with future feasibility and general costs. There is no doubt that each CEO, during his/her execution (no matter the difference in vision or personal attitudes) wants to create a brand from existing organizational resources and place the company at the top of the market. Without contribution of human resources, none of the expression of brand, such as stability, quality, innovation or service would be achieved. Company executive should clearly define how the brand would be expressed and accordingly how the human resources would act? It is important to ensure that all organizational assets, including human assets are oriented to serve for enterprise goals. It is common, that after outlining the strategy, mission and values, executives are starting their performance by targeting on increase shareholders investments. If we follow the extreme view of Milton Friedman (1970) about scope of business responsibility, he sees maximization of profit for shareholders as the only moral responsibility of a business, but we can clearly see the difference between increased profit and creating value. One is the outcome of some inputs, and second is the importance of those inputs. By targeting on effectiveness of inputs,
in our case on employees, assigning them personal performance targets and alignment with strategic goals, finally organization gets outputs, which are creating value. Hence, the primary action of executives should be ensuring that all organizational resources are aligned with strategic goals and business needs. Assess whether the existing human workforce is acting accordingly as the brand promise and evaluate how successful it is met and achieved. Hence, we will proceed to design a system of measurement that outlines those necessary connections.

The first step is to develop financial ratios to formulate connection between human resources and financial results. The basic combinations include: operating cost, revenue, pay, profit and employees benefits from bottom to high level. Inputs of human resources aspects are taken to draw up financial performance. Direct variables which are affecting on productivity, customer service and product are operating variables, such as remuneration, staffing strategies, trainings, turnover rates and etc. But we cannot deny the influence of indirect variables in finished goods. For that reason, we will suggest a system that will connect human resources performance and financial results closer. In general, financial results are calculated separately and only few paragraphs are dedicated to evaluate human resources performance (example: revenue per employee cost of educational programs, etc). In those financial results we don’t see the effects and human capital efforts. In other words, the relationship between investment in human capital to corporate financial results. "When we are looking at metrics, we are looking at result, not a cause. So, we need to add human capital analytics to the list of delivery systems." (Fitz-Enz, 2001, p. 40). The evaluation of human capital should be as basic activity as calculating revenue or expenses. Unfortunately, those numbers are not talking about from which business unit or functions they derived and how the human capital affected on those numbers. Who can assess primary drivers of final results? Maybe it was outcome of outstanding work of human resources, or due to price reduction, maybe affects of marketing campaign or increased customer loyalty. The list of possible factors would be never ending. The aim is to find causes and separate metrics to see what was driver of the result. In our case, assess the human capital effectiveness, as considerable amount of money are invested in there (remunerations, training and educational expenses, bonuses, quality topics, etc) and it is vital to see the how it has affected on overall financial results. If the organizational goals are the most important among business units and human capital, the value can be added. The human, financial and market goals should be interdependent and moving together. Kromling (1993) Goals are achieved through actions of human resources and all other variables are not valuable until applied by people. For this, the appropriate strategic level metrics of human resources functionality
evaluation and monitoring human capital effects on business unit goals are needed.

Donald Kirkpatrick (1994) has developed a concept of calculating HCS in human resources. At first level he evaluated the reaction and satisfaction of participants involved in HR programs. Then, skills, knowledge or attitude changes are measure related to HR program implementation. On third level he suggested to measure changes in behavior on the job and evaluates business impact changes related to HR initiative. At final stage, the actual HCS metric is presented to compare monetary value of business impact with costs of the HR program (Benefit/cost ratio %).

The thoughts of Kirkpatrick was mainly focused on evaluation of training and educational programs, but as the organizations were developing and human being was becoming inevitable part of the processes, more comprehensive and advanced metric was needed to gather more different sources for developing measures. Wyner W.E (1996) through employee surveys has added to the concept of calculating HCS in human resources basic performance measurements such as turnover rate, benefit package, remuneration rate and hourly rate payment to express human resources contribution in numbers. Lately, Pauly D (1997) has transformed existing theory into more practical tool by assuming the human resources existence in organization as a new profit center. He implemented coefficient approach to the employees, such as number of years worked, educational background, organizational and technical skills to weight the actual cost of human capital, which company owned. This method was comprehensive and needful, but the existence of scaling involved too many personal attitudes and bias, so it wasn't widely accepted by organizations. The existing human performance reporting system, which nowadays is accepted by organizations, was implemented by Jac Fitz-Enz (2000) and due to its multidimensionality is commonly used by executives and HR professionals. Gary Hamel claimed that the key point of HCS process is to understand what factors should be selected before valuing and this hypothesis has been outstandingly transformed into tangible metric by Jac Fitz-Enz.

**Human Capital Scorecard**

Research has confirmed that, those managers who are using balanced approach to human resources and capital management; they surpass value oriented managers and decrease the managerial barriers. This concept was developed by W. Edwards Deming (1990). Lately, in 1996, the formulation of long-time surveys, methods and concepts has been transferred into practical approach by Robert Kaplan and David Norton and as a result we got the balanced scorecard approach. Till now, it is popular man-
agement tool for monitoring strategic goals execution. Over a time, it has transformed into strategic map and released from standard financial practices fetters. Key challenge became sustainable growth and learning, which was directly affected on business processes, customer satisfaction and financial performance.

Creation of The balanced Scorecard gave opportunity to transform the concept as a human capital valuation interpretation. The creation of HCS was the outcome of total ignorance of human factors in basic accounting system. From my point of view, modern managers now realize that standard accounting system is no longer representing sufficient data, by which the organization might be managed successfully. Increased level of competition, sustainable growth and continuous change has become key challenge for 21st century business organizations. It has lead to the formation of new key indicators and metrics, which will enable top managers to measure even intangible assets and processes within organization.

As we are targeting on human capital measurement indicators, the widely used balanced scorecard should be transformed into human capital scorecard, where the synthesis of financial and human performance will be matched. Table is divided into two separate sides, according to the time of impact and effect on financial performance of the organization.

Table 3: Human capital Scorecard. Source: Jac Fitz-Enz (2009: 61)

<table>
<thead>
<tr>
<th>Immediate impact on Financial Performance</th>
<th>Deferred effect on Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital Revenue</td>
<td>Exempt Percentage</td>
</tr>
<tr>
<td>Revenue divided by FTE</td>
<td>Number of exempt FTEs as a percentage of total FTEs</td>
</tr>
<tr>
<td>Human Capital Cost</td>
<td>Contingent Percentage</td>
</tr>
<tr>
<td>Cost of pay, absence, turnover, contingents</td>
<td>Number of contingent FTEs as a percentage of total FTEs</td>
</tr>
<tr>
<td>Human Capital HCS</td>
<td>Accession Rate</td>
</tr>
<tr>
<td>Revenue – (expense- total labor cost)/FTEs</td>
<td>Replacement hires and hires for new positions as a percentage of the workforce</td>
</tr>
<tr>
<td>Human Capital Value Added</td>
<td>Separation (Loss) Rate</td>
</tr>
<tr>
<td>Revenue – (expense- total labor cost)/FTEs</td>
<td>Voluntary and involuntary separations as a percentage of head count</td>
</tr>
<tr>
<td>Human Economic Value added</td>
<td>Total labor Cost Revenue Percentage</td>
</tr>
<tr>
<td>Net operating profit after tax – Cost of capital/FTEs</td>
<td>All labor costs as a percentage of total revenue</td>
</tr>
<tr>
<td>Human capital Market Value</td>
<td>Employee Development investment</td>
</tr>
<tr>
<td>Market Value – Book value/FTEs</td>
<td>Cost of all training and development as a percentage of payroll</td>
</tr>
</tbody>
</table>
The list of financial and human performances should be enhanced by adding growth section or HCS in workforce development. Norton made a brilliant definition of balanced scorecard, which has distinguished it’s functionally form other business performance measurements. He claimed that the BS was story teller about organizational strategy, rather simple set of measurement metrics. The challenge of 21st century managers is to unify the quantitative and qualitative data as a coherent reference set. Of course the qualitative data would not be used for everyday purposes, like quantitative (costs, sales, production), but qualitative aspects should be properly monitored for measuring the corporate culture balance. Benchmark the movement of qualitative indicators to quantitative and if the parallel is visible, that it should be harmonized. As much advanced would be the synthesis of financial and human performance, more strongly executives will become intimately linked with. This is a matter of experience and time. Key point of this measurement is to feel the things, which has not been seen before. Metrics should not be used for getting numbers and putting it into financial statements, it should talk about performance, productivity, change needs and contribution. It should indicate about probable danger and opportunity to develop. This is the true successful approach towards organization as a whole.

According to Gerard Blokdijk (2008), the human capital measurements should be included in financial reports, as they are most important resources of the organization and HC cost can occupy up to 40% of revenue. Simplistic methods for calculating human contribution are decrepit. Modern management followers must view the human capital as an investment of organization rather cost and more advanced tools should be invented for measuring their influence and contribution towards organizational performance.

The human resources capital evaluation need has been created, while companies start dealing with internal and external factors more effectively. It is important for every single top manager in Georgia to know the capacity of its human capital, what they need, what they can handle, how to use them in best manner and what the outcome should look like, especially in times of economic fluctuations, which happens in common on local business market. The problem is that most top executives are looking at human resources as to respond timely on their request and assist in times of trouble, without considering that the 30 to 60% of sales revenue is spent on labor cost. Giving such significant number of expenditures, it is becoming clearer why the profitability of valuable HR should be measured. Once it is achieved, the next step of cost reduction, increased productivity and net income follows with organizational processes. Unification of tangible and intangible assets brings more powerful indicator for maximizing the shareholders value and brand recognition. Once the volume of HR output and input increases, cost of
hiring decreases, people acquire new skills and knowledge which adds value, those issues directly affects on factors such as: customer satisfaction, quality, reduced production or service costs, improved market reputation, ROI, unit cost, happier customers, saved marketing expenses for obtaining new customer, increased profit margin and human capital assets.

**Application process**

The creation of best processes or solutions is the result of successful respond to the particular problem. This single solution might become well-known key or method to success, but the most crucial aspect in using secondary method is the benchmarking danger. It is common that the widespread solution is not working or being used properly by organization and one day, managers might discover that the processes and strategy are no longer working towards achieving common goal. This is the reason of copying one’s successful solution to another organizational practice, without application on situations and not taking into consideration organizational characteristic. Hence, we can concede that one’s successful method or solution does not automatically apply to other circumstances or companies.

We have outlined the key concepts regarding to the importance of human capital in organizations, impact on strategic goals and metrics that are used to measure HR contribution. Now we have come to the part that is the most crucial: it is how to apply human capital scorecard on existing business processes and how to monitor its impact on overall performance? This can be achieved by four-step process, which calls: process value analysis. The first step involves situation analysis, which strives to identify business problem in four key areas: quality, service, productivity and innovation. Second step is – intervention, which involves identifying problem and possible barriers for implementation of the best solution. Third step called impact focuses on change management, how the solution has changed business processes and what positive/negative impact does it brought. Last and foremost vital point is value analysis, as it strives to identify the internal and external effects on quality, service, productivity and innovation. If the executive level manager realizes that human capital can play a giant role in improving overall performance and business processes, than it cannot be difficult to see and feel the value added at the end.
Table 4: Metrics for process evaluation. Source: Jac Fitz-Enz (2009:99)

<table>
<thead>
<tr>
<th>Administration</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Administrative costs as a % of sales</td>
<td>• Service Cost as a % of sales</td>
</tr>
<tr>
<td>• % of topics completed in top-iced time and budget</td>
<td>• Service unit cost</td>
</tr>
<tr>
<td>• Internal customer satisfaction level</td>
<td>• Customer satisfaction level</td>
</tr>
<tr>
<td>• Outsourcing cost/benefit</td>
<td>• Mean time to respond and repair</td>
</tr>
<tr>
<td>• Average topic response time</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Safety and Security</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rates of security incidents</td>
<td>• Marketing cost as a % of sales</td>
</tr>
<tr>
<td>• Safety and security costs as % of sales</td>
<td>• Advertising cost as a % of sales</td>
</tr>
<tr>
<td>• Level of lost days</td>
<td>• Sales administration cost as a % of sales</td>
</tr>
<tr>
<td>• Accident rates</td>
<td>• Distribution cost as a % of sales</td>
</tr>
<tr>
<td>• Worker compensation costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Purchasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee complaint level</td>
<td>• Inventory cost</td>
</tr>
<tr>
<td>• Recycling %</td>
<td>• Purchasing cost as a % of sales</td>
</tr>
<tr>
<td>• Maintenance cost as a % of</td>
<td>• Average time and cost to process</td>
</tr>
</tbody>
</table>
Index Value and Application

Having human capital financial index means to acquire a value of understanding the real picture of human resources usefulness in company. By using the HR scorecard, managers are able to determine what has affected the trend and forecast the future. This leads to more successful plan for obtaining increased revenues. If one third of Georgian organizations had used HEVA (human economic value-added index) for assessing the value of human resources against technology and equipment, the economic environment could have been more sustainable. All of modern business companies in Georgia are striving to follow the trend of XXI century – computerizing the employees, but none of them are measuring properly the productivity of their actions/investment. Executive level managers must understand that by equipping the business with state of art technology and spending huge capital, does not guarantee the productivity. If the process improvement or failure is not assessed, the economic value will not be added to strategic moves.

The important questions managerial level should ask in the index application process are:

- What was the key factor to sales/service income?
- Ratio of investment in technology and convenience to people?
- How the investment improved productivity?
- Was there any tangible effects?
- Is company supporting competition for increasing human resources productivity?
- Is outsourced and regular knowledge of employees managed?
- What is the average salary of employees?
- How does the remuneration is increased according to the growth of revenue or
- Correlation with industry or competitor companies
- Ratio of benefits to payroll
- Turnover of absenteeism and human resources
- Profit per employee
- Ratio of Profit per employee and revenue per employee
- Comparison of economic value added (EVA) with competitors
If answers on those questions are provided, effective future planning can be done.

All of those above written measures are processes, which involves people. The impact and contribution of employees should be outlined, analyzed, fixed and given the opportunity to add value on existing business processes. The most intangible and unseen asset of business processes are human related. Financial department can give a figure, which indicates current financial performance of business in terms of financial metrics, but can Georgian HR managers give the same figures regarding to the human resources metrics and outline their contribution towards achieving the positive or negative results? Most of Georgian executives are thinking that if company is running well financially, this is the cause of new technology or increased budget on advertising. Once the processes fails, which results in lost customers, employee dissatisfaction or manufacturing delay, nobody knows exact percentage of HR contribution in that circumstances, what, when, where and how they have affected on it. Organization comprises from processes, which are key engine of business units and due to its complex nature, it is difficult to manage. In order to identify better ways for managing them modern manager must look from three dimensions (strategic, operational and task) Peter Keen (1997). Processes are consumers of resources and the economic value added must be measured in order to outline the worth of processes. Effective process measurement is the outcome of continuous improvements Chris Ashton (1997). Process improvement is not a dogma, it has its own values, when something is done it causes effect. When company increases the output from the same input, it leads to cost reduction, when the satisfaction level of customers is increasing, the percentage of sales is increasing, when company saves time, it saves money, etc. Indivisible part of process optimization is human resources contribution and qualitative/quantitative effect of human capital investment is converted into financial and market value.

We all see that without human being none of the function of organization would have worked, even atomized business units. Value is inside employees and every time organization find values added, it ought to know: How the employees added value - by improving performance via personal inputs/trainings or leveraging the tools given by organization? After applying human capital scorecard tool, the answer becomes apparent. By describing the ongoing processes of organization, indicating the source of the problem and finding solution for it, it becomes clear that human capital is primary profit crowbar and their impact is no longer puzzling task.