



SELINUS UNIVERSITY
OF SCIENCES AND LITERATURE

**A Human Capital Ecosystemic Framework[©]
by defining
Holistic Human Capital: An integrated approach to
aligning culture, talent, and leadership to improve
employee engagement and sustainable business
performance.**

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A DISSERTATION

Presented to the Department of
Psychology
program at Selinus University

Faculty of Industrial Psychology
in fulfillment of the requirements
for the degree of Doctor of Philosophy
in Psychology

2023

DECLARATION

The dissertation titled "A Human Capital Ecosystemic Framework by defining a Holistic Human Capital: An integrated approach to aligning culture, talent, and leadership to improve employee engagement" is submitted for the Doctor of Philosophy in Industrial Psychology degree at Selinus University.

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ACKNOWLEDGMENT

I want to express my sincere gratitude and appreciation to the individuals and institutions that have contributed significantly to the successful completion of my Ph.D. Their support, guidance, and unwavering belief in my research have shaped this academic achievement.

First and foremost, I would like to express my heartfelt thanks to Selinus University, specifically Prof Salvatore Fava, my esteemed supervisor. Your belief in the importance and relevance of my research topic allowed me to explore and contribute to the field. I am grateful for your expertise, guidance, and dedication.

I want to express my gratitude to my mother and father. Your faith in my abilities, relentless encouragement, and constant support have been the pillars since I started my academic journey till now.

I want to thank my husband and son for their continued support, encouragement, and understanding throughout this journey. Your commitment and willingness to give me the time and space I needed is genuinely appreciated. Your support and belief in my capabilities motivated me when I needed it the most. Your love, patience, and sacrifices have helped me through long hours of research and writing. I am truly blessed to have you by my side.

I want to extend a special acknowledgment to Mr. Thinus Prinsloo, Group CEO of Capricorn Group, your belief in my potential has been the driving force behind my pursuit of this academic milestone. Your guidance and inspiration sparked the idea that became the foundation of my research. Your willingness to share your knowledge, expertise, and time to support me has been

instrumental in shaping the direction of my work. I am grateful for your mentorship and encouragement throughout this journey.

And most important, I would like to express my profound gratitude to God for granting me the bravery, patience, and diligence to embark on this academic path and for blessing me with the talent to navigate through the intricacies required to complete this process. I am humbled by the strength and wisdom I have gained from this experience.

I am forever grateful to everyone who has contributed to my academic and personal growth. I want to acknowledge the following individuals and organizations that supported me in multiple ways. I am forever indebted to every one of you.

1. Mr. Saar Ben-Attar, Managing Partner, Ascent Growth Partners. Thank you for your stimulating and challenging conversations during this journey.
2. Mr. Johan Poolman and Dr. Jeremiah Martin: Mindset Management, for the quantitative and qualitative experience you brought to this paper.
3. Ms. Michelle Pieterse, Chapter 3. Thank you for all the infographics and tables that you completed with such passion and dedication.

With heartfelt gratitude,

Stephanie Viljoen

ABSTRACT

The changing business landscape has heightened the interdependency between organizations and society. Organizations must remain vigilant about the social, environmental, and political challenges that may affect the business ecosystem. From the local small business to the global investment firm, how businesses interact with customers, employees, competitors, society, and their peers has been transformed forever.

This shift has necessitated organizations to transform and rethink the value of their human capital. More and more organizations are realizing the importance of aligning their human capital strategies with their purpose and strategic focus areas. The ever-changing landscape has necessitated a shift in focus to an agile, adaptable, and responsive workforce. Research confirmed that this is crucial for achieving sustainable impact and improving performance.

Human Capital is central to navigating this changing landscape, which became more prominent during the Covid-19 pandemic. A model or a framework typically governs the way Human Capital operates within an organization. Literature indicates that multiple Human Capital Models have been developed over several decades to provide a framework for managing people within an organization.

However, existing Human Capital Models have limitations regarding their scope and approach, especially considering the ever-changing context in which organizations operate. A traditional approach to Human Capital Management¹ often focuses on isolated aspects such as talent acquisition or

¹ Vulpen, E. V. (2018, October 22). 5 Human Resources Models Every HR Practitioner Should Know. AIHR. <https://www.aihr.com/blog/human-resources-models/>

leadership development while neglecting the interconnectedness of these components.

This study proposes a holistic perspective to human capital that integrates culture, talent, and leadership, recognizing that these elements are interdependent and essential for sustainable organizational success. The model is based on the premise that a shared cultural identity, an effective talent strategy, and strong leadership are necessary for an engaged workforce that drives sustainable business performance.

For an organization to deliver on its value proposition, all components must work together in an interdependent ecosystem.

Human capital refers to an intangible asset or quality not included in an organization's balance sheet. This emphasizes the importance of the human factor, and the value employees bring to the overall success of an organization. This addresses the importance of human involvement and the significance of employees in the value chain. Research proved that when human capital is engaged actively, it will be more productive and increase the profitability of an organization. Investing continuously in employees is key to enhancing a company's productivity and success.

Employee engagement indicates the emotional connection an employee has with the organization. Forming a connection within an organization involves the accumulation of diverse experiences by its employees, which are gained through interactions with numerous stakeholders over an extended period. In the research conducted by Gallup², organizations with a high engagement score have higher earnings per share, these organizations can recover quicker from disruptions, they have a higher customer satisfaction score, and their

² Inc., G. (2023, January 7). The Benefits of Employee Engagement. Gallup.com. Retrieved April 2, 2023, from <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

employees are more productive. However, many organizations struggle to engage their employees effectively. This study proposes that it is due to a siloed focus in their Human Capital Framework or Model. The hypothesis suggests that a model or framework must consider the entire ecosystem and be delivered in an integrated manner while considering changes in the world of work, society, and the organization's strategy to achieve sustainable outcomes. This dissertation will use a mixed-methods approach to examine the effectiveness of a Holistic Human Capital Model in improving employee engagement.

The dissertation will contribute to developing a comprehensive Human Capital Framework that integrates culture, talent, and leadership to enhance organizational performance. The model will provide a framework for organizations to optimize their Human Capital practices by focusing on the organization's purpose and strategy whilst considering multiple stakeholders that impact the ecosystem to achieve their strategic goals and objectives. The research will also offer practical recommendations for organizations to improve their Human Capital practices.

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CHAPTER 1

Introduction

Organizations face increasing pressure to remain competitive while focusing on sustainability in a constantly changing landscape. In addition, the global economy faces uncertainty and instability due to political turmoil, trade disputes, and the aftereffects of the COVID-19 pandemic. This has resulted in financial pressure in organizations, including reduced revenue and a focus on cost reduction.

The exponential rate of change in the technological environment requires significant investment to keep up with the latest advances to remain competitive and relevant. This includes adopting new technologies, such as artificial intelligence, machine learning, and blockchain. Added to the list are governance and ethical considerations such as data privacy, cybersecurity, and ethical practices. The long-term impact of multiple change drivers on the human aspect is yet to be determined and fully understood.

Businesses and institutions are increasingly urged by different stakeholders to take responsibility for their social impact. This includes considerations such as environmental impact, ethical practices, and the prioritization of social and governance matters. As a result, organizations are under pressure from external and internal stakeholders to demonstrate their commitment to sustainability and social causes, whilst ensuring positive impact on the bottom line at a low cost.

Organizations are struggling to navigate these challenges while optimizing people practices. Therefore, an effective Human Capital Strategy is required to increase employee engagement and to foster committed and motivated employees that will lead to sustainable business performance. With mounting

pressure from post-Covid-19 effects on holistic wellness, global factors, and regional economic pressures, organizations face an increased engagement dilemma. Attracting and retaining top talent, developing employees, and creating a purpose-driven culture whilst focusing on high performance, require a systemic focus to which leadership mindsets are central.

In this context, Human Capital Management has become critical to organizational success. Human Capital Management refers to attracting, developing, and enabling human resources to achieve organizational goals and is often supported by a Human Capital Model or Framework³. While traditional approaches have focused on discrete components of the Human Capital ecosystem, there is growing recognition for a more integrated and holistic approach that accounts for the interrelationship between multiple constructs.

This dissertation proposes a holistic Human Capital Framework that integrates critical components of the Human Capital ecosystem to enhance employee engagement and support organizational success. The framework considers a comprehensive approach that focuses on internal and external stakeholders including the strategy of the organization whilst recognizing the interdependencies between culture, talent, and leadership. The framework aligns these elements to create a culture of engagement and high performance.

The research objectives of this dissertation are twofold. Firstly, to develop a holistic Human Capital Framework that focuses on the entire organizational ecosystem, and secondly, to highlight how these factors contribute to employee engagement and organizational success.

³ Indeed. (2023, February 4). What Is Human Capital Management? (And How To Improve It). Indeed.Com, [www.indeed.com. https://www.indeed.com/career-advice/career-development/what-is-human-capital-management](https://www.indeed.com/career-advice/career-development/what-is-human-capital-management)

The research will be conducted through an extensive literature review, including interviews with key stakeholders in various organizations followed by the qualitative and quantitative case study approach. The quantitative part of the study will review the engagement scores of an organization and how it has changed when adopting an integrated Human Capital approach.

Chapter 2 comprehensively reviews the literature on Human Capital Management, associated models, and global changes that impacted the field during the last five years. The Chapter begins by defining the concept of Human Capital Management by discussing the various approaches taken to manage human resources effectively. Next, it explores the key Human Capital Models that have influenced people's practices whilst highlighting the key focus areas and the disadvantages of each of these models. The Chapter further explores the global changes that significantly impacted the field of Human Capital Management. The Chapter concludes by extracting themes from these models while highlighting the leading trends in Human Capital and how these mitigate the changes in the world of work.

Chapter 3 will highlight the learnings in Chapter 2 and start defining concepts needed for a Human Capital Ecosystemic Framework, focusing on integrating the various elements in a systemic manner. The Chapter will define the leading Human Capital constructs to build an integrated model. The focus will be on the themes that emerged during the literature review specified in Chapter 2, commencing with a focus on culture, highlighting the different perspectives and how it can be measured and managed. A key human capital practice that will be reviewed is talent investment and the different constructs that play out during the employee lifecycle. The Chapter will lastly focus on leadership and the critical role of a leader in an effective people strategy. Finally, the Chapter will conclude by focusing on the interrelatedness between these key elements.

Chapter 4 focuses on employee engagement as a key indicator of commitment and motivation. The chapter will highlight the concept of employee engagement and focus on global data supporting the link to business performance. The chapter will detail a case study of a Financial Services Group in Africa, highlighting the link between engagement and business performance. The case study will highlight the strategic journey of this organization, the changes made to Human Capital practices, and the impact it had on employee engagement and in turn, financial performance.

Chapter 5 concludes the dissertation by presenting a Human Capital Ecosystemic Framework, the principles that underpin it, and the descriptors that support it. Post this chapter; a recommendation for future research considerations is provided.

CHAPTER 2

Literature Review

Introduction

This Chapter comprehensively reviews two different components of literature 1) Human Capital Models, including employee engagement factors and organizational culture, and 2) the changing global landscape, the key elements, and how it impacts organizations and in turn human capital.

The first section defines Human Capital Management practices and highlights their importance to organizational success. It continues by highlighting the people management practices derived from Human Capital Models. The Chapter will subsequently review the various theories, models, and research that have been developed, highlighting both the benefits and disadvantages of these models.

The Chapter will conclude the literature review by exploring the global trends that significantly impacted the field of human capital in the changing world of work.

Human Capital – A Definition

In the field of people management, one often comes across the terms Human Resources (HR) or Human Capital (HC). Although these concepts share similarities and have overlapping areas, it is crucial to understand the distinctions⁴.

⁴ J. (2022, May 10). Human capital management vs human resource management | The Jotform Blog. The Jotform Blog. <https://www.jotform.com/blog/human-capital-management-vs-human-resource-management/>

Human capital is a relatively modern approach to employee management. The term Human Resources has, however, existed for more than a century. Human Resource Management focuses on developing and managing systems and procedures that enable employees to fulfill their responsibilities effectively. The focus is, therefore, more transactional, policy- and systems driven. The world of work and employee needs are, however, no longer aligned to this philosophy.

Human capital as a construct only emerged in the 1960s, during the age of automation. Instead of viewing employees as expendable individuals who merely performed the assigned menial tasks, businesses began to view people as valuable assets.

Human capital is a term used to describe the monetary worth a company can derive from its employees. Human Capital explores the duality of the employee-employer relationship. Organizations provide proper framework, suitable resources, fair compensation, and adequate support. The organization offers employment whilst the employees contribute to the economy through their education, skills, expertise, personal values and beliefs, networks and connections, and physical and mental health. Human capital encompasses all activities and exchanges between the organization and employees that span the employee lifecycle. The focus of human capital is, therefore, to maximize return for both employees and the organization.

For the purposes of this dissertation, the term human capital will be used as it emphasizes the investment in employees and highlights the interconnectedness with profit.

Human Capital Management

When expanding on the term human capital, it is important to understand how employees function within the organizational ecosystem. Human Capital Management refers to employees' knowledge, skills, and abilities contributing to an organization's value. These practices underly Human Capital functions within organizations. It refers to processes and practices used to attract, develop, and retain human resources to achieve organizational goals⁵.

The Human Capital department is the central function of dedicated professionals responsible for performing human capital management. It adds value to an organization by harnessing the best employee practices to deliver the best results. Human Capital Management provides the elements needed to optimize the performance and efficiency of employees; these elements are structured in a Human Capital Model or Framework to deliver an overall strategy.

There are several components contained in Human Capital Management. The following provides a view of the three key categories primarily used across multiple organizations⁶.

1. Talent management

Talent management is described as the process that commences from the first interaction with a prospective employee until transitioning out of an organization. It includes the recruitment and development of new skills, and it explores diverse ways to enhance work performance, including recognition and retention.

⁵ Danao, M. (2022, August 30). What Is Human Capital Management (HCM)? Forbes Advisor. <https://www.forbes.com/advisor/business/what-is-human-capital-management/>

⁶ What is human capital management (HCM) | IBM? (n.d.). What Is Human Capital Management (HCM) | IBM? <https://www.ibm.com/topics/human-capital-management>

A key component of talent management is recruitment and ensuring that the right talent is on board with the right skills. There is close alignment between attracting talent and the brand and culture of the organization as well as the employee value proposition. These are all elements that add to the uniqueness of an organization.

A key process once an employee is recruited is onboarding. Effective onboarding is a process that integrates new employees into the organization to ensure that they can become productive in a short space of time. This is seen as a critical part of talent management, and most organizations do not spend sufficient time on this element. The process ensures that employees understand the culture, what is required of them in the roles, the available training opportunities, and the benefits the organization presents. In addition, effective onboarding aligns expectations between the employee and the employer.

Once integrated, an employee can start exploring development and growth opportunities. This can take on various forms, and most organizations offer a blended approach between formal and informal learning. Development is also integrated into performance management in most organizations as this provides the platform for an effective discussion.

The last element in the talent management process is retention. A significant amount of effort is spent in identifying, recruiting, and developing talent hence a retention process is needed to support this. Retention can be seen as both monetary as well as non-monetary, and a blended approach that speaks to the needs of the individual is key.

2. Human Capital Administration

Human Capital Management practices are often supported by Human Capital systems that simplify complex tasks. For example, automation ensures that employees have easy access to administrative tasks, and it assists Human Capital practitioners in moving to more transformational practices. Systems include payroll, benefits management, and self-service portals. In addition, effective use of data ensures actionable insights that inform the organization's Human Capital Strategy.

3. Performance Development

Performance development is a continuous process that involves open communication for setting goals, creating development plans, providing ongoing coaching and feedback, conducting performance evaluations, and promoting engagement. Effective performance development ensures that there is alignment between the strategy of the organization and the objectives of an employee. It further requires continuous conversations and feedback that manages expectations and outcomes.

The above practices are not necessarily an indication of the functions within an organization but speak to the focus areas that inform a people framework. There are multiple functions in an organization that perform the various elements listed above, and there are multiple operating models that an organization can adopt to support this.

The benefits of these Human Capital management practices allow organizations to get the most value from their employees. When done effectively, it matches the right employee to the appropriate role; it ensures increased productivity whilst reducing costs and increasing return on investment. It also enhances employee engagement through several fit-for-purpose development initiatives.

A Human Capital Model or framework is normally adopted by an organization to support these practices. It refers to an organization's strategic plan for managing and coordinating business functions related to human capital. The goal of developing Human Capital Models is to assist businesses in managing their workforce most efficiently and effectively to achieve the established goals. Most research refers to the use of Models, but there is a move to a more agile and open approach that adopts the notion of frameworks.

The following section will explore the current five prevailing Human Capital Models, highlighting their focus, advantages, and disadvantages. The author acknowledges that many models are prevalent in this field, but based on research, the five models that influenced the world of work were selected for this study.

Human Capital Models

This section will highlight the five most prominent Human Capital Models⁷, how they add value to the business, and its impact⁸. For purposes of this dissertation, the term Human Resources will be used where the specific model references the particular term.

1. The Standard Causal Model of Human Resources Management

This is the best-known model and most widely used. It is based on work done throughout the '90s and early 2000s⁹. The model depicts a value chain that commences with the business strategy, involving people processes, concluding with financial performance. According to this model, Human

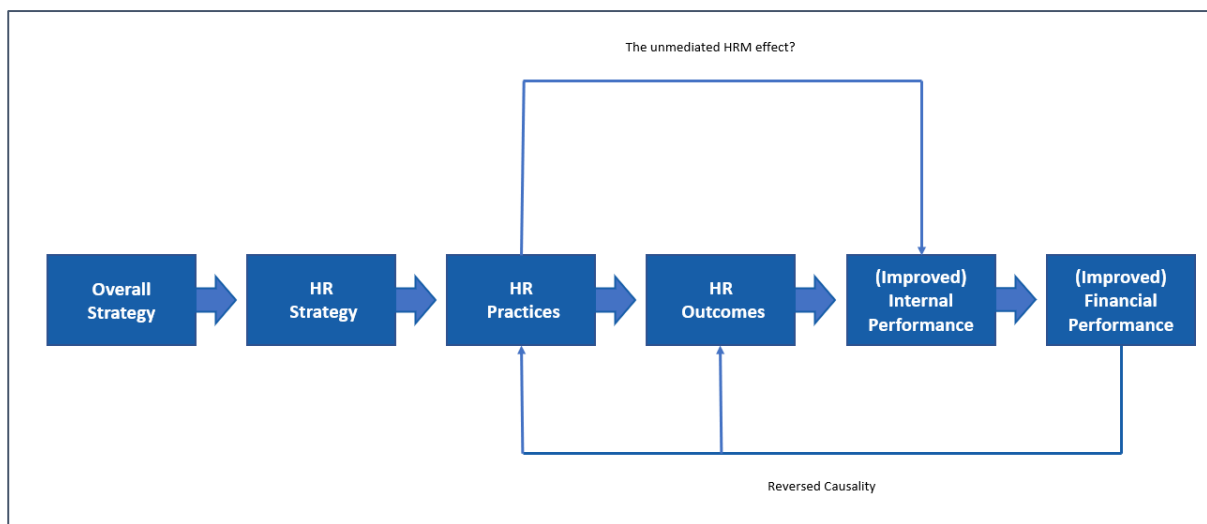
⁷ Vulpen, E. V. (2018, October 22). 5 Human Resources Models Every HR Practitioner Should Know. AIHR. <https://www.aihr.com/blog/human-resources-models/>

⁸ Staff, C. (2021, June 18). The Ultimate Guide to Human Resources Models and Theories. Contract Recruiter. <https://www.contractrecruiter.com/human-resources-models-theories/>

⁹ What is the Standard Causal Model of HRM? (n.d.). Peoplehum. <https://www.peoplehum.com/glossary/the-standard-causal-model-of-hrm>

Resources will only be effective if the people strategy is aligned with the business strategy. The Human Resources strategy is thus derived from the overall business strategy to maximize financial performance. The Human Resources practices are developed to follow the Human Resources strategy. Examples include hiring, training, appraisal, and compensation. These HR practices lead to specific outcomes, including improved internal and financial performance.

Figure 1 ¹⁰ *The standard casual model of Human Resources Management*



The model implies that certain Human Resource practices can improve internal performance. An example is when a good training intervention can directly result in better performance without necessarily influencing Human Resources outcomes.

The reversed causality in the model indicates that more robust financial performance should lead to further investments in Human Resource practices and enhanced employee outcomes.

¹⁰ Capital Hub, T. H. (n.d.). Human Resources Models Every HR Practitioner Should Know. Human Capital Hub. <https://thehumancapitalhub.com/articles/human-resources-models-every-hr-practitioner-should-know>

The disadvantages of this model are as follows¹¹:

1. The model assumes a traditional organizational structure with a typical hierarchy and clear chain of command. This might not be suitable for modern, more flexible, and agile organizations.
2. This model tends to ignore the broader social context in which organizations operate, such as social and environmental concerns. This might lead to short-term profits vs long-term sustainability. It further creates the impression that organizational success is only measured by profit.
3. A strategic Human Capital function is likely to be involved in strategic decision-making instead of just aligning with the strategy set by the business.
4. The model focuses only on the role of Human Resources and does not consider the role of leaders. This places the onus of success only on the shoulders of the Human Resources professionals.
5. The model emphasizes business performance and compliance rather than focusing on employee morale and engagement.
6. Culture, including crucial elements like diversity, equity, and inclusivity, is disregarded as a significant input into this model. This implies the need for more human-centricity in this particular model.

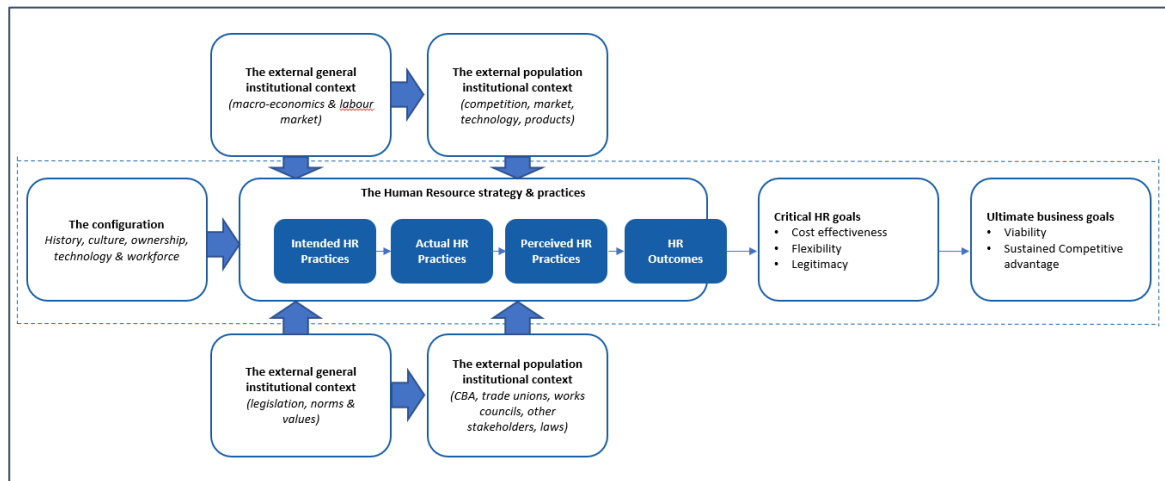
2. The 8-box Human Resources Model¹²

¹¹ Durham University. (2008, August 26). Commonalities and contradictions in research on human resource management and performance. Durham Research Online. Retrieved April 5, 2023, from <https://onlinelibrary.wiley.com/doi/10.1111/j.1748-8583.2005.tb00154.x>

¹² Vulpen, E. V. (2018, October 22). 5 Human Resources Models Every HR Practitioner Should Know. AIHR. <https://www.aihr.com/blog/human-resources-models/>

The 8-box model was developed by Paul Boselie and explained the Human Resources function. The model shows different external and internal factors that influence the effectiveness of a Human Resources system.

Figure 2 ¹³ *The 8-Box Model*



The model highlights several external forces that govern how Human Resources practices are delivered within an organization. It considers the governance, political, competitive, and labor landscape. Should any of these external factors change, such as the current war for talent, the human resources system should react to that.

The core processes, or configuration, consider the organization's history, culture, and technology. These factors influence how organizations indicate what the Human Resources function does, what it wants to achieve, and how effective it is. All these factors influence the Human Resources strategy.

The Human Resources strategy consists of six parts:

¹³ Capital Hub, T. H. (n.d.). Human Resources Models Every HR Practitioner Should Know. Human Capital Hub. <https://thehumancapitalhub.com/articles/human-resources-models-every-hr-practitioner-should-know>

1. First, indented Human Resource practices indicate how the organization manages people processes, e.g., recruitment and training.
2. Actual Human Resource practices focus on the alignment between Human Resources and line management. However, the model does acknowledge that there is only sometimes alignment between these two stakeholders.
3. Perceived Human Resources practices highlight the employee's perception of what is happening within the organization. This considers the intent vs. what transpires.
4. Human Resource outcomes are derived from the execution of certain practices and are very similar to the Standard Casual Model, as explained in Section 1. The Standard Causal Model of Human Resources Management.
5. Human Resources outcomes lead to critical goals and set targets, e.g., cost-effectiveness and flexibility.
6. Business Goals indicate what ultimate success would look like, and it speaks to profit, market share, and market capitalization. It relates to the organization's viability and how it can build a competitive advantage.

This model highlights the link between Human Resources professionals and line management and indicates the importance of external factors that can influence the organization and, in turn, the strategy. This is a very comprehensive model, but there are a few disadvantages worth noting.

Disadvantages of the 8-box Model ¹⁴

1. The cost of running different Human Resources operations is high in large enterprises - making the model complex and inconvenient for small or medium-sized companies. In addition, one will need quite a large and

¹⁴ Thakur, S. (2022, March 9). HRM Models- Definition, Types with Advantages and Disadvantages. Huge Reference Manual. <https://101hrm.com/hrm-models/>

diverse Human Resources team to ensure this model is appropriately executed.

2. The model relies on the reaction of employees, and this does not offer reliable data. This will therefore impact how the people strategy is formulated.
3. The model's effectiveness implies alignment between management and Human Resources as it relates to the people strategy and practices of the organization. However, it does not offer an integrated view.
4. There are limitations in measuring employee experience and engagement.
5. The descriptors used in the model are quite complex and need significant explanation.

3. The Human Resources Value Chain Model.

The Human Resources value chain model is one of the best-known models. It is based on the work of Paauwe and Richardson (1997)¹⁵ and aims to expand on the traditional models.

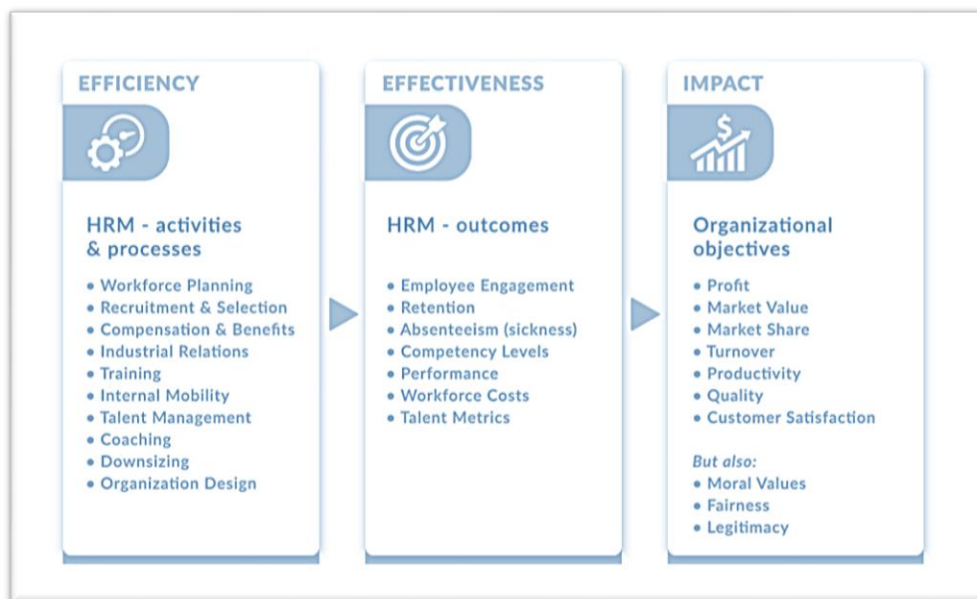
According to the Human Resources value chain, everything done in the people space can be divided into two categories, namely 1) Human Resources activities and 2) Human Resources outcomes.

Activities are classified as the day-to-day functions and tasks that the Human Resources practitioners fulfill, including recruitment, compensation, training, and succession planning. These activities are often measured using Human Resources metrics defined based on organizational needs. These metrics aim at improving efficiencies.

¹⁵ Paauwe, J., & Richardson, R. (1997, January). Introduction. *The International Journal of Human Resource Management*, 8(3), 257–262. <https://doi.org/10.1080/095851997341621>

Human Resources outcomes are the goals achieved when the abovementioned activities are executed correctly. When employees are recruited, trained, and remunerated, achieving specific goals or outcomes will ultimately benefit the employee. These outcomes are aligned with employee satisfaction, motivation, and retention¹⁶.

Figure 3 ¹⁷ *The Human Resources Value Chain Model*



The model implies that one must consider the outcomes to focus on activities. Processes must align with the goals; for example, getting the right hire on board is more important than the quickest hire. When Human Resources activities and outcomes are optimally aligned, it will lead to better performance. Recruiting the right talent, developing skills, and effective retention will improve

¹⁶ Capital Hub, T. H. (n.d.). Human Resources Models Every HR Practitioner Should Know. Human Capital Hub. <https://thehumancapitalhub.com/articles/human-resources-models-every-hr-practitioner-should-know>

¹⁷ Vulpen, E. V. (2018, April 30). *The HR Value Chain: An Essential tool for Adding Value to HR*. AIHR. <https://www.aihr.com/blog/hr-value-chain-essential-tool-for-adding-value-to-hr/>

the organization's performance. Research further indicates that as organizational performance and profit improve, more investment will be made in Human Resources activities.

Disadvantages of the Human Capital Value Chain Model. ^{18,19}

- 1 The model is quite granular, focusing only on internal activities within the Human Resources environment. However, organizations are complex, and more is needed to address the broader challenges that organizations face, both internally and externally.
- 2 The model is very linear and assumes a fixed sequence of activities. The lack of flexibility can limit the organization to adapt to the changing world of work.
- 3 The model is resource intensive and implies a significant investment in activities to ensure a positive outcome.
- 4 It loses sight of the strategic nature of human capital; - the transformational agenda, and it does not indicate a causal loop between the different constructs.
- 5 There is an over-emphasis on metrics. This might lead to short-term decisions rather than long-term goals.

4. The Harvard Human Resources Model and Framework²⁰

This model was created in 1984 by a team led by Michael Beer at Harvard University. He believed that many of the pressures experienced by Human Resources could be alleviated by focusing on long-term perspectives. The Harvard framework is a model that takes a more holistic approach to Human Resources, including different levels of outcome.

¹⁸ HR Value Chain – SanzuBusinessTraining.com. (2020, November 25). HR Value Chain – SanzuBusinessTraining.com. <https://sanzubusinesstraining.com/hr-value-chain>

¹⁹ Becker, B. E., Ulrich, D., & Huselid, M. A. (2001, March 1). The HR Scorecard: Linking People, Strategy, and Performance. <https://doi.org/10.1604/9781578511365>

²⁰ Thakur, S. (2022, March 9). HRM Models- Definition, Types with Advantages and Disadvantages. Huge Reference Manual. <https://101hrm.com/hrm-models/>

The major components of this model focus on stakeholder interests, situational factors, human capital outcomes, policies, and long-term consequences.

The Harvard model suggests that Human Resources is responsible for considering all stakeholders when developing long-term policies and strategies. The model suggests that Human Resources formulate policy decisions by analyzing stakeholder interests and contextual factors. These choices result in outcomes that will have long-term consequences for employees, business, and society. This model indicates a strong correlation between stakeholder interests and situational projections. The main motive for human capital is to adequately satisfy all stakeholders by shaping Human Resources policies. Some of these elements are similar to those listed in the 8-box model in section 4.2.

It is proposed that policies will lead to positive outcomes when the model is implemented. As mentioned, these include retention, cost-effectiveness, commitment, and competence. The model infers that this will achieve longer-term performance and success.

The Harvard Model outlines four different areas:

- 1 Human Resources Flow: The flow of human resources consists of recruitment, selection, placement, appraisal, promotion, and termination.
- 2 Reward systems: This should motivate employees to perform better and achieve more.
- 3 Employee Influence: Explains the responsibilities and authority level of employees across the organization.
- 4 Work Systems: This refers to the alignment between people and systems.

The four areas led to the formulation of the Four C's or Human Capital policies, namely:

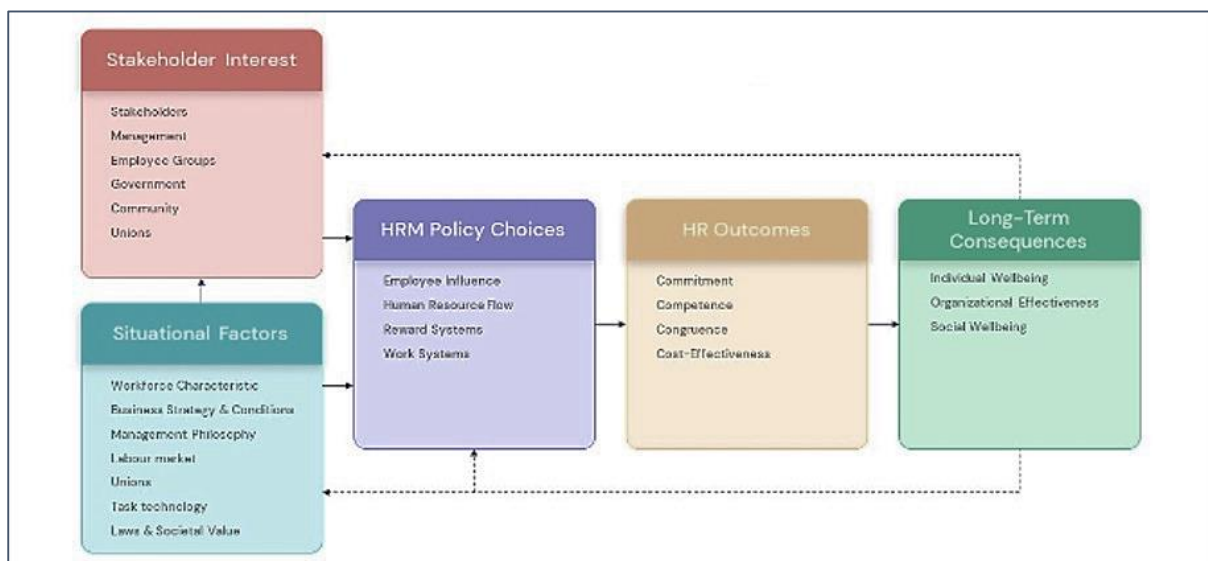
1. Commitment,

2. Competence,
3. Congruence, and
4. Effectiveness of Cost.

The Harvard framework is a model that takes a more comprehensive approach to Human Resources. It, however, assumes that one needs to have an in-depth understanding of all stakeholders, and policy formulation is firmly placed at this model's center. It further emphasizes the importance of trade-offs between different stakeholder groupings.

The model is divided into five sections and includes feedback loops to show that every element affects or interplays with other elements.

Figure 4 ²¹ *The Harvard Human Resources Model and Framework*



Even though stakeholders are a central part of the Harvard model, it has a broader scope and can be used in other areas of organizational modeling.

²¹ Harvard HR Management Model. (n.d.). SlideBazaar. <https://slidebazaar.com/items/harvard-hr-management-model-powerpoint-template/>

The Disadvantages of the Harvard Human Resources Model and Framework ²²

1. The Harvard Model's elements are comprehensive and can be overwhelming and difficult to translate into reality. The execution is, therefore, often not practical and makes it difficult for Human Resource professionals to implement it.
2. This model also assumes that Human Resources practitioners can meet all stakeholders' interests and that this will result in effective working practices that meet long-term goals. This is often different when reviewing competing priorities.
3. The strong focus on policies also implies a very administrative and governance angle to the model. In the new world of work, agility is key, and organizations should not be limited by policies when decision-making is required.
4. Mapping out all stakeholders takes time and effort. One often ends up with competing agendas that detract from the strategic value of Human Resources. Stakeholders often change as strategy evolves, which makes it complex to manage.
5. More emphasis should be placed on how culture influences multiple factors in an organization and how engagement and employee experience fits into the ecosystem.

5. The Ulrich Model ²³

Dave Ulrich, the father of modern Human Resources, introduced the Ulrich Model in 1995 and expanded on the concepts in 1997. His focus is on Human Resources and the partnership with business.

²² Harvard HRM Model: Explanation & Usage. (n.d.). Harvard HRM Model: Explanation & Usage | Personio. <https://www.personio.com/hr-lexicon/harvard-hrm-model/>

²³ Polc, L. (n.d.). Dave Ulrich's HR Model. Dave Ulrich's HR Model | HRM Handbook. <https://hrmhandbook.com/hro/model/ulrich/>

The Ulrich Model is a creative model that focuses on organizing all Human Resources functions into four central roles: 1) strategic partner, 2) change agent, 3) administrative expert, and 4) employee champion (or employee advocate). Rather than focusing on processes and functions, this model emphasizes the different stakeholders in the organization and the roles they play.

The Ulrich Model has significantly transformed the role of Human Resource practitioners in organizations by redefining its priorities and emphasizing the need for a partnership with business. By understanding and implementing the four key roles, Human Resources professionals can better align with the organization's objectives and, in doing so, drive value.

The model emphasizes the need for Human Resources to evolve from a function-oriented approach to a partnership-oriented one. Ulrich further acknowledged that organizational transformation does not only rely on Human Resources but on its partnership with business leaders.

Based on the Ulrich Model, there were significant shifts in the way Human Resources professionals operate within business:

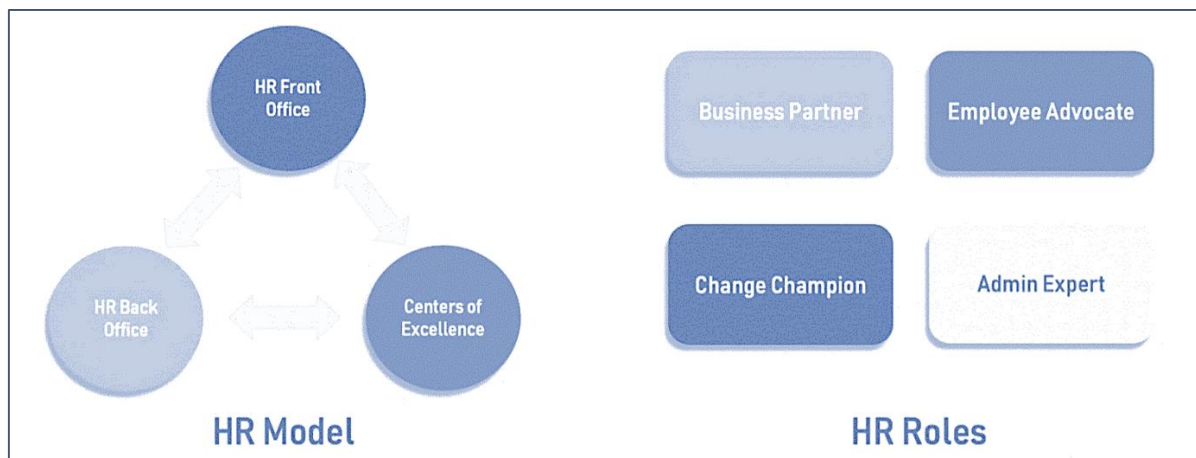
- 1 A shift from functional to strategic focus: The model encourages Human Resources professionals to adopt a more strategic mindset, focusing on activities that contribute to the organization's success rather than transactional activities.
- 2 Increased collaboration: A focus on collaboration with business functions to align the efforts of both business and Human Resources to the organization's overall success is central to this model.
- 3 Development of new competencies: This model places the onus on Human Resources professionals to remain up to date with the changing world of work and to ensure that they develop their skills accordingly. This also

implies acquiring business acumen – helping human resources professionals secure a seat at the boardroom table.

- 4 Enhanced organizational impact: Human Resources professionals can directly contribute to the organization's performance by driving better outcomes and results by focusing on value-adding activities, not just transactional activities.

The model transformed the role of Human Resources professionals and how the function is viewed in an organization. It aims to bring business and people closer together. This transformation of the Human Resources function has led to a more strategic focus, increased collaboration, the development of new competencies, and enhanced organizational impact. The model has placed Human Resources in a position where they can contribute to the success of the organizations and play a vital role in shaping the future.

Figure 5 ²⁴ The Ulrich Human Resources Model



²⁴ Polc, L. (2021, October 31). What has Dave Ulrich given and taken away? What Has Dave Ulrich Given and Taken Away? | HRM Handbook. <https://hrmhandbook.com/blog/2021/dave-ulrich-give-take/>

Although there is much debate about whether the Business Partner Model is still valid today, it represents an essential milestone in Human Resource's history and is still used in many organizations.

The evolution of the model also brought in elements such as talent management, employee engagement, organizational culture, and leadership development.

Disadvantaged of the Ulrich Model²⁵

- 1 It can be challenging to balance the four roles as defined by Ulrich. The specificity and skills needed in each of these roles might make it difficult for one person to be effective in all four.
- 2 There needs to be an acknowledgment that transactional Human Resources activities still need to be performed, and Business Partners are but one of the elements necessary for the successful execution of people strategies. This might frustrate Human Resources Business Partners and the line leaders. The line leader will focus on immediate actions and what needs to be done, whilst the Business Partner would want to focus on a more transformational agenda that does not always serve the immediate business need.
- 3 Another pitfall to avoid is the risk of becoming siloed within the Human Resources function. While the Ulrich HR Model encourages specialization within each role, Human Resources professionals must maintain a holistic understanding of the organization.
- 4 Successful implementation of the Ulrich Model may necessitate substantial organizational transformation, which can be challenging to manage. The model requires line leaders to reconsider the role of Human Resources and acknowledge them as business partners. However, line leaders might want

²⁵ Five shortfalls of the HR business partner model | The People Space. (n.d.). Five Shortfalls of the HR Business Partner Model | the People Space. <https://www.thepeoplespace.com/ideas/articles/five-shortfalls-hr-business-partner-model>

to keep decision-making power, will make Human Resources Professionals ineffective.

- 5 Implementing the partnering role often reveals critical shortfalls in key areas of business understanding that predispose the effectiveness of the partnership.

Conclusion

The models reviewed formed, over many decades, the cornerstone of Human Resources practices and frameworks. These models have been adopted and amended to suit organizational needs and drive business performance. It should be acknowledged that a model or a framework, whichever is adopted, is a guide. It's important that organizations adopt and change models to ensure that it is fit for purpose as the environment remains dynamic. The ideal framework should be agile enough to flex with the demands of the organization and the external environment. Human Capital Models or Frameworks have a significant place in organizations as they guide the way people practices are applied. This has a significant impact on employee experiences and, ultimately, employee engagement.

The purpose of Human Capital Models is as follows:

1. First, they provide a framework for understanding the landscape of Human Capital Management. It considers situational factors, stakeholders, strategic choices, and competence.
2. They legitimize specific Human Capital practices and indicate how it fits into the organizational context.
3. The Models describe Human Capital Management variables and relationships to be harnessed within organizations.
4. They serve as exploratory models for explaining the nature and significance of critical human capital practices.

All human capital efforts remain focused on increasing productivity and meeting organizational goals. The models mentioned above have significantly impacted the field of Human Capital. Of course, there is not only one perfect solution for all human capital efforts. However, understanding these frameworks in various forms is critical, and finding a suitable model for the organizational strategy drives success.

Human Capital Models developed thus far provide Human Resource teams and specialists with a solid foundation for designing, adjusting, improving, and developing new practices for the future. However, to achieve the ultimate goal, each organization requires a unique approach that is integrated.

From the literature review, the following are the key themes highlighting the limitations of the current Human Capital Models:

1. Limited applicability: Some existing models, such as the Ulrich Model and the 8-box model, have a limited scope of application and may only be suitable for some types of organizations or industries.
2. Lack of integration: Another challenge is the lack of integration between different models, which can lead to conflicting or incomplete recommendations. This can be especially problematic for organizations that use multiple models or frameworks simultaneously.
3. Focus on traditional metrics: Many Human Capital Models focus primarily on conventional metrics, such as turnover rates and employee satisfaction scores, which may not fully capture the value of human capital in today's fast-paced and rapidly changing business environment.
4. Insufficient consideration of external factors: Human Capital Models often fail to consider external factors such as changing market conditions, technological advancements, or socio-economic trends that can significantly impact human capital management.
5. Lack of agility: Human Capital Models may need to be more agile to adapt to changing circumstances, such as quickly scaling up or down in response

to market conditions. This can limit their effectiveness in today's rapidly evolving business landscape.

The enhancement of models, on the other hand, is never finished. A model is, by definition, a simplification of reality, and the five key Human Resources models discussed above are examples of this.

The following section will focus on highlighting additional elements that should be considered and, in doing so, conclude the dissertation by providing an alternative Human Capital Framework. It should be noted that the subsequent chapters of the dissertation reference will be made to Human Capital as a construct and not Human Resources, as this is a key differentiator in how people are viewed within an organizational context.

Changes in the Global Landscape: A Focus on Human Capital

The purpose of this section is to explore the literature on the changing global landscape, the key themes, and how it impacts the organization's ecosystem. It will further explore the emerging trends in the field of Human Capital focusing on the changing world of work.

Technological advancements, globalization, and changing demographics are part of the daily vocabulary in organizations. These changes have had profound implications for employees, organizations, and society. Therefore, when considering a revised Human Capital Framework, it is vital to take cognizance of these changes as it has significant implications across the organizational ecosystem. The following are the most noteworthy elements to consider.

1. Changing world of work.

The world of work has been significantly disrupted during the Covid-19 pandemic, with many people shifting to remote work and companies re-evaluating their business models and work arrangements. According to a study by the World Economic Forum in 2022²⁶, the pandemic has accelerated the adoption of digital technologies, with remote work becoming a norm for many employees worldwide.

The COVID-19 pandemic has rapidly made people the top priority in nearly every organization worldwide. Many challenges faced by Human Capital before the COVID-19 pandemic have been amplified. Industry experts agree that the role of Human Capital needs to completely reinvent and transform to respond more effectively to future disruption²⁷. The pandemic has prompted a profound rethink of ways of work. Companies were forced to re-evaluate their working models, purpose, culture, and values.

Globally the demand for remote and hybrid work continues to sky-rocket. It has become a powerful attraction tool for employers and often differentiates one organization from its competitors in the war for talent. From November 2020 to November 2021, the availability of roles offering remote work nearly doubled from 6.5% to 12.6%. This indicates that the norms associated with ways of working have shifted. To be competitive, employers need to adopt different employee value propositions when operating in a hybrid world of work.

Apart from the manner in which employees engage with their place of work, a survey conducted by KPMG in 2020²⁸ exposed significant skill gaps across most industries; it highlighted shifting priorities and focused on accelerated

²⁶ The five forces driving the new world of work. (n.d.). World Economic Forum. <https://www.weforum.org/agenda/2022/01/the-5-forces-driving-the-new-world-of-work/>

²⁷ 6 Ways the Workplace Will Change in the Next 10 Years. (2022, July 6). Gartner. <https://www.gartner.com/smarterwithgartner/6-ways-the-workplace-will-change-in-the-next-10-years>

²⁸ Bolton, R. (n.d.). The Future of HR in the New Reality. KPMG. <https://kpmg.com/xx/en/home/insights/2020/10/the-future-of-hr-in-the-new-reality.html>

digital transformation. This has a significant impact on the future of people strategies.

The fundamental areas of focus the KPMG study emphasized:

1. Nurturing a purpose-driven culture. Employees have a desire to make a positive social impact rather than just working for shareholder value. There is a need to focus on this earlier in the careers of employees rather than waiting until retirement.
2. Employees actively seek opportunities to align their mission, purpose, and values with the impact and value of their work.
3. A focus on leaders to develop new skills and mindsets. Organizations were challenged during Covid-19, and traditional approaches proved ineffective. During this period, leaders had to show up and behave differently, shaping a new type of leader where capabilities are aligned with mindsets and behavior.
4. Reskilling for the future. Remote working and the exponential rate of technological advancements have placed excessive pressure on the skill sets needed for the future. The recruitment, talent, retention, and skills development changes are already evident. Upskilling and digital dexterity will outweigh tenure and experience.
5. Harnessing the power of analytics and technology will be at the forefront of investment into employee data.
6. Rethinking ways of working. In a short space of time, the whole world faced limitations around ways of working during the Covid-19 pandemic. As a result, organizations were forced to think about agile and flexible work practices and how to remain productive despite challenges. The learning is that effective alternatives can be adopted and retained - not just in times of crisis.

2. War for Talent.

The phrase “the war for talent” was coined by Steven Hankin of McKinsey & Company and later explored in a book of the same name by McKinsey consultants Ed Michaels, Helen Handfield-Jones, and Beth Axelrod²⁹. The authors identified a pending talent shortage that would significantly impact organizational performance. The original report urged organizations to focus on their strategies for recruiting, retaining, and developing talented employees. As the economy slowed down, people assumed that talent challenges were a thing of the past, and organizations paid little attention to this. The stark reality is, however, that the war for talent accelerated as economies started to recover post Covid-19.

This forced organizations to get creative when recruiting while also finding innovative ways to retain existing employees. This impacted the composition of the modern workforce, as it now comprises traditional employees, temporary workers, contractors, and gig workers. As the world of work continuously evolves, complexity and competition in the talent space will continue to increase. Talent models developed during the last century have proven insufficient in a constantly evolving world of work. A more sophisticated view is required to embrace talent across an employee's lifecycle with a strong focus on personalization to provide an enhanced employee experience.

3. Data-Driven and Insight Centric.

Effective use of data to uncover critical insights has always been a challenge for organizations³⁰. The proverbial “golden key” which is described as data can unlock insights that will exponentially transform organizations. The same is true

²⁹ The War for Talent: What It Is and How Your Organization Can Win – WiseForce. (n.d.). The War for Talent: What It Is and How Your Organization Can Win – WiseForce. <https://wiseforceadvisors.com/2022/07/21/the-war-for-talent-what-it-is-and-how-your-organization-can-win/>

³⁰ Bolton, R. (n.d.). The Future of HR in the New Reality. KPMG. <https://kpmg.com/xx/en/home/insights/2020/10/the-future-of-hr-in-the-new-reality.html>

for Human Capital professionals. Understanding employee data and how to effectively use it to gain insights and predict rather than react will be the cornerstone of the future of Human Capital. This implies that, in the future, Human Capital structures will include different skill sets like data scientists. Creating deep and meaningful insights will be the foundation for people strategies in the future. Human Capital professionals need to shift their mindsets to become data-driven, build their skills and integrate it into the people narrative.

4. The Green Economy.

While the pandemic has been the main topic of conversation for the past three years, there is a growing picture of a green economy. A green economy is defined as low-carbon, resource-efficient, and socially inclusive. In an economy that prioritizes sustainability, job and income growth is fueled by both public and private investments in environmentally friendly economic activities. Considerations also include infrastructure and assets that reduce carbon emissions and pollution, improve energy, and resource efficiency, and prevent the loss of biodiversity and ecosystem services³¹.

Environmental, social, and governance (ESG) factors are frequently relegated to investor relations; however, ESG encompasses all stakeholders. Organizations are becoming increasingly aware of the importance of human capital in this strategy, as they define the “Social” component of ESG. In the war for talent, ESG indicators will become increasingly important in attracting and retaining employees as it speaks to the need to contribute to society.

³¹ Green Economy. (n.d.). UNEP - UN Environment Programme. <http://www.unep.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-economy>

The data shows that top employers score 14% higher on their ESG indicators compared to the global average. This indicates a positive correlation between employee satisfaction and employer ESG indicators³². While progress at COP26 can be noted, adopting sustainability as a strategic choice is still lacking in many organizations³³. Significantly more organizations are incorporating ESG measures into the performance contracts of Executives and Senior Executives. This is further emphasized by linking the outcome of this to reward metrics. Being deliberate about creating an impact in the Green Economy requires a mindset shift; it is not about meeting targets but engraining sustainability into the organization's culture in an authentic manner.

Conclusion

Covid-19 confirmed the strongest of human traits - adaptability. The enormous increase in remote work alone proves that humans can adapt and create a positive outcome out of a dire change situation. During the pandemic we were forced to reflect and take stock. This changed the meaning of work and life and has integrated these two concepts while challenging the perception of purpose.

Human capital professionals took a leading role during the pandemic, and this should guide the importance of people as we traverse the changing landscape. Employees are asking for a shift in focus and for organizations to embrace sustainability, be more inclusive and flex around the importance of personal purpose and values³⁴. During the pandemic, important shifts

³² Graves, P. (2022, August 25). Council Post: The Important Role HR Plays In ESG Strategy. Forbes. <https://www.forbes.com/sites/forbeshumanresourcescouncil/2022/08/25/the-important-role-hr-plays-in-esg-strategy/>

³³ The five forces driving the new world of work. (n.d.). World Economic Forum. <https://www.weforum.org/agenda/2022/01/the-5-forces-driving-the-new-world-of-work/>

³⁴ Graves, P. (2022, August 25). Council Post: The Important Role HR Plays In ESG Strategy. Forbes. <https://www.forbes.com/sites/forbeshumanresourcescouncil/2022/08/25/the-important-role-hr-plays-in-esg-strategy/>

happened both in organizations, in employees, and in the Human Capital Function; this should be leveraged and celebrated.

CHAPTER 3

A Human Capital Ecosystemic Framework: Unpacking the Methodology

Introduction

When considering the current Human Capital Models and the changing global landscape, as discussed in CHAPTER 2, it is evident that a shift is needed in how organizations view human capital, i.e., the asset they attribute to employees.

Human capital is defined as the knowledge, attributes, skills, experience, and health of the workforce that is built throughout their lives ³⁵. Employees are reevaluating their preferences for work, including how to participate, whom they want to work with and for, the assigned tasks, and the working conditions. Organizations are at a pivotal point in reconsidering how they think about human capital.

Traditionally, organizations think about deploying human capital to create value for the company and shareholders. However, the truth is that employees are augmenting and enhancing their human capital, and being part of an organization is one element of this journey. When considering a Human Capital Model, it is therefore important that we view it from the employee's perspective, how to personalize it, and how to enrich it.

³⁵ Re:think: A new approach to keeping talent. (n.d.). Re:Think: A New Approach to Keeping Talent. <https://www.mckinsey.com/~media/mckinsey/email/rethink/2022/06/22/2022-06-22d.html>

Organizations should realize they are only part of employees' journey to build their human capital and value. The role organizations can play is through deploying an ecosystemic view of human capital, integrating culture, talent, and leadership to improve the employee experience and, in turn, employee engagement. This chapter focuses on unpacking the methodology for building such a framework.

The changing world of Human Capital – A shift in focus

For the past century, the management of human resources has been based on a transactional, process-oriented, and mechanistic approach. Organizations have assumed that work is fixed and repeatable, readily organized into discrete tasks, and grouped into well-defined roles. In the past, organizations were content with the notion that work would always take place within a designated physical space, with clearly defined job positions and rigid procedures. This approach was viewed as the norm. Emphasis was placed on strategic efforts that focused on cost and productivity, efficiency, and shareholder value.

As indicated in CHAPTER 2, these models have been challenged in recent years as organizations and employees struggle with a greater degree of discontinuity and disruption than ever before³⁶.

The implication is that organizations and employees are traversing a new landscape where innovation is stimulated, rules are challenged, and engagement has shifted. This opens doors for greater and more meaningful collaboration and co-creation within an organization. This requires different

³⁶ Deloitte 2023 Global Human Capital Trends. (2023, January 9). Deloitte Insights. <https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2023/future-of-workforce-management.html>

mindsets that foster curiosity, invite collaboration, and encourage shared growth.

Research conducted by Garner³⁷ in 2023, indicates that the following are emerging themes driving human capital priorities:

1. Shared purpose: 53% of employees want to work for organizations where their personal purpose connects with that of the organization. A purpose-driven culture is, therefore, essential.
2. Flexibility: 52% of employees indicate that flexible work policies will affect their decision to join or remain at an organization. This emphasizes the focus on and needs for hybrid working models.
3. Well-being: 70% of organizations have increased programs around well-being.
4. Person-first experience: 82% of employees indicate that personalization is important. The vanilla approach, where everybody is treated the same, is outdated. Instead, organizations should focus on personalized experiences.

When considering the changes in the Global Landscape combined with the research highlighted above by Gartner, there is a view of emerging trends that drive priorities for Human Capital³⁸, which informs a revised holistic and integrated model.

As indicated, the current Human Capital Models do not make provision for the changing landscape and are not responsive to the changing world of work. The following section will explore key elements of a holistic Human Capital Model. The following themes will be unpacked:

1. Purpose Driven Culture
2. Talent investment across the employee lifecycle

³⁷ Top 5 Trends for HR Leaders in 2023 | Gartner. (n.d.). Gartner. <https://www.gartner.com/en/human-resources/trends/top-priorities-for-hr-leaders-cpc>

³⁸ 12 HR Trends for 2023: Humanising (the Future of) Work. (n.d.). 12 HR Trends for 2023: Humanising (the Future of) Work. <https://www.linkedin.com/pulse/12-hr-trends-2023-humanising-future-work-david-green->

3. Reimagine Leadership

1. It is all about a purpose-driven culture – putting people first.

Harvard Business Review states³⁹, "Culture can be defined as the ways people in the organization behave and the attitudes and beliefs that inform those behaviors (i.e., 'the way we do things around here')—including formal, stated norms as well as implicit ways people work and interact." Purpose, therefore, answers the following questions:

1. Why are we here,
2. What are we here for,
3. What makes us unique,
4. What drives us forward and
5. How do we do more than just create profit?

It is difficult to disagree with Josh Bersin's assertion that the post-pandemic era is quickly becoming defined by employee experience: "How your organization shapes the way people work and live—from productivity to flexibility, well-being, health, and everything in between."⁴⁰ This speaks to culture.

One of the fundamental shifts is the importance of shared purpose in organizations.⁴¹ Connecting the organization's purpose to the purpose of the employee is fundamental to employee experience and engagement. In a purpose-driven culture, employees have a sincere sense of ownership of their purpose. The purpose energizes teams, informs decisions, and guides behavior.

³⁹ Company Culture Is Everyone's Responsibility. (2021, February 8). Harvard Business Review. <https://hbr.org/2021/02/company-culture-is-everyones-responsibility>

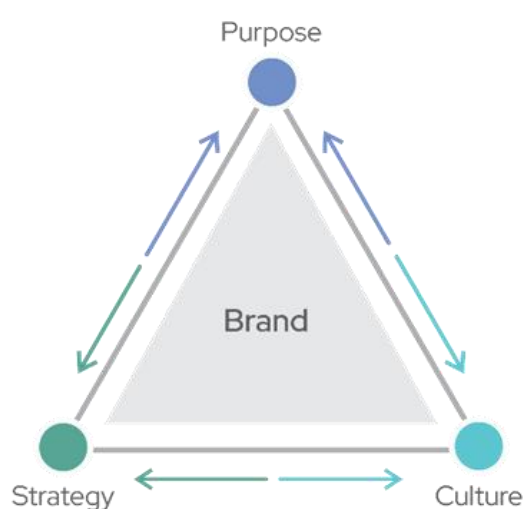
⁴⁰ Employee Experience 2021. (2023, April 16). JOSH BERSIN. <https://joshbersin.com/ex-definitive-guide-2021/>

⁴¹ Inc., G. (2021, October 22). Just How Purpose-Driven Is Your Organizational Culture? Gallup.com. <https://www.gallup.com/workplace/356093/purpose-driven-organizational-culture.aspx>

The second shift is the link between culture and strategy. Implementing an organization's strategy is more successful and long-lasting when rooted in a strong purpose and interconnected with the company culture. Magic happens when purpose, strategy, and culture are tightly connected and aligned, reinforcing each other ⁴². It is a systemic loop where specific levers can be utilized to create a robust culture. Leadership is about utilizing business and human resources to create a sustainable culture.

Shared responsibility for purpose, strategy, and culture has become vital as employees play different roles in developing and maintaining these three elements.

Figure 6 ⁴³ Purpose-Driven Culture (modified from source)



⁴² ⁴² Does Your Company Culture Reinforce Its Strategy and Purpose? (2022, June 10). Harvard Business Review. <https://hbr.org/2022/06/does-your-companys-culture-reinforce-its-strategy-and-purpose>

⁴³ Does Your Company Culture Reinforce Its Strategy and Purpose? (2022, June 10). Harvard Business Review. <https://hbr.org/2022/06/does-your-companys-culture-reinforce-its-strategy-and-purpose>

A company's strategy needs to be adaptable as external and internal changes materialize, which impacts how culture responds. When the purpose, strategy, and culture triangle is optimal, it is reflected from the inside out.

The way employees behave, how they interact with customers, engage stakeholders, and support the organization's sustainability agenda are all influenced by this factor. This shifts the focus from profits to people, and actions are guided by authenticity.

An excellent example of how this works in practice is to review Hyatt's people model⁴⁴. They rallied employees around a unifying purpose—we care for people so they can be their best. Hyatt's purpose resonated instantly within the organization because "care" is at the core of Hyatt's DNA. While "care" can be limited to only a feeling, Hyatt sees it as more: It is an action that starts with listening and empathy, resulting in caring action that leads to people being their best.

When considering a Human Capital Model, it is important to start with culture. This concept anchors the organization's strategy, influences people practices, is fostered by leaders, and is ultimately measured by employee engagement and business performance.

Developing a purpose-driven culture is a distinctive process for each organization and is influenced by its strategic objectives. However, it is essential to consider the following elements:

1. People: A purpose-driven culture values employees. As such, it provides a physically and psychologically safe work environment that strives to provide for the financial well-being of all workers. In a holistic Human Capital Model, the elements within the model need to speak to this.

⁴⁴ P. (n.d.). Hyatt's talent strategy transformation. PwC. <https://www.pwc.com/us/en/library/case-studies/hyatt-talent-strategy-transformation.html>

2. Planet: A purpose-driven culture values being socially responsible and works toward investing to make the planet, country, or communities safer, healthier, and more productive. This has become a central theme of organizational strategies and employee value propositions.
3. Profits: A purpose-driven culture ensures that organizations are profitable as people are vested in the strategy. This leads to sustainability.

To measure an effective culture, therefore, needs to be multipronged and focus on the following data:

1. Meeting of strategic goals as set through the strategy process.
2. Alignment of the purpose of the organization to the strategic goals.
3. Brand perception data and Net promoter score through customer surveys.
4. Employee engagement survey data.
5. Employee experience through integrated people practices.

Many organizations comprehend the conventional elements that form their culture and how it aligns with the traditional Human Capital Model and practices. It is not just about the purpose statement or the signage that indicates the values and beliefs. It needs to resonate through the employee lifecycle. As culture is entrenched in the employee value proposition of an organization, the following are key elements that organizations should consider, given the literature review in CHAPTER 2.

Three key elements impact culture based on changes in the world of work, as expressed in CHAPTER 2:

1. Diversity, Equity, Inclusivity, and Belonging across the employee life cycle.
2. People before Profit – an integrated wellness approach.
3. Flexibility and the productivity paradox.

1.1 Diversity, Equity, Inclusivity, and Belonging across the employee life cycle.

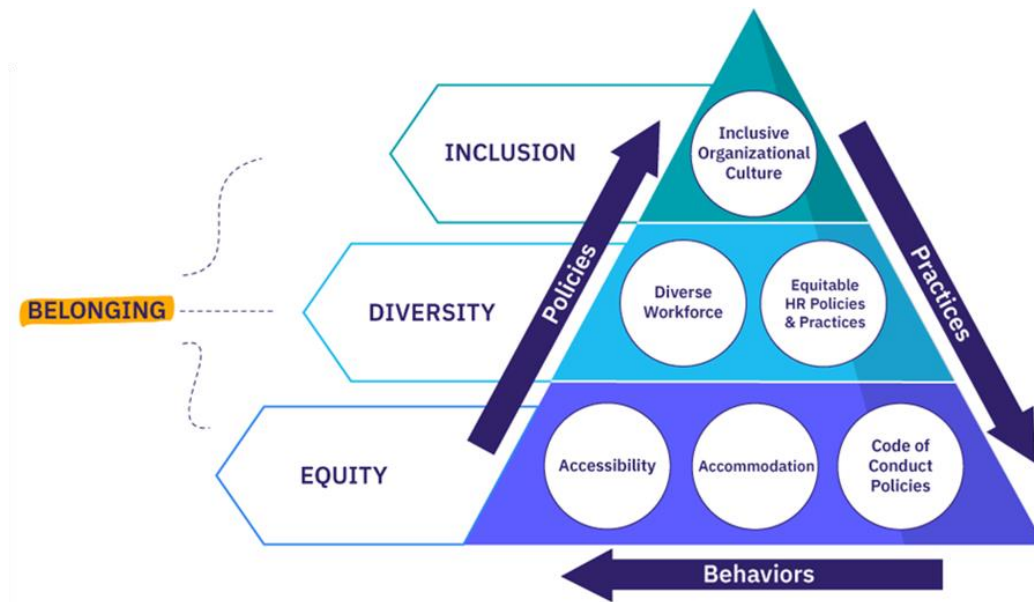
Diversity, equity, inclusion, and belonging (DEIB) has never evolved more rapidly than in the past two years⁴⁵. Organizations have realized that merely being diverse, equitable, and inclusive does not suffice to establish an engaged and dynamic work environment. Considering the changing world of work, the importance of inclusivity and belonging has been amplified.

Diversity and equity are but two pillars of creating an inclusive workforce. If employees do not feel that they belong, there will be no shift on a cultural level. When the focus includes belonging, it creates an environment where psychological safety is paramount to the diversity, equity, and inclusivity foundation. DEIB represents a long-term strategic focus that is an integral part of the organization and supported through an employee's lifecycle.

Figure 7 ⁴⁶ Diversity, Equity, Inclusivity, and Belonging

⁴⁵ Verlinden, N. (2022, January 12). Diversity, Equity, Inclusion, and Belonging (DEIB): A 2023 Overview. AIHR. <https://www.aihr.com/blog/diversity-equity-inclusion-belonging-deib/>

⁴⁶ Verlinden, N. (2022, January 12). Diversity, Equity, Inclusion, and Belonging (DEIB): A 2023 Overview. AIHR. <https://www.aihr.com/blog/diversity-equity-inclusion-belonging-deib/>



There is a strong link between DEIB and employee engagement. The following analytics conducted by Deloitte in 2021⁴⁷ supports this narrative:

1. An increase in individual performance of 56%.
2. A reduction in turnover risk of 50%.
3. An increase in employer net promoter score of 167%.
4. A decrease of 75% in sick days.

When an organization's culture embraces DEIB, everyone values what individuals bring to the group, there is a genuine desire for meaningful relationships, and there is an appreciation for individual differences. The importance of employee belonging has risen to the forefront of the war to attract and retain top talent. The following three constructs form it as per the Gallup Institute's research in 2022⁴⁸.

1. Opinions That Count

⁴⁷ Designing the Workforce Experience. (2021, September 23). Deloitte United States. <https://www2.deloitte.com/us/en/blog/human-capital-blog/2021/human-centered-workforce-experience.html>

⁴⁸ Inc., G. (2022, July 26). What Drives a Culture of Belonging? Gallup.com. <https://www.gallup.com/workplace/395102/drives-culture-belonging.aspx>

When employees share a common purpose but have different perspectives on how to get to the end goal, creativity and innovation are enhanced. Working in a psychologically safe culture implies that employees can share their thoughts and opinions without fear and are respected for their contribution.

Leadership mindsets become essential in this equation as it fosters a belief that others can help us grow and make better decisions, ultimately leading to improved and successful business outcomes. The results are clear - if line leaders shifted the number of employees who feel their opinions count by 60%, it could reduce turnover by as much as 27%, safety incidents by 40%, and increase productivity by 12%.

2. Meaningful Relationships

As indicated in section 1.3 Flexibility and the productivity paradox, people come into the office for their colleagues. This is why having a colleague who cares at work significantly impacts engagement and belonging. Meaningful relationships at work mean a higher level of trust, comfort, and care. The workplace becomes somewhere that fosters interaction and connection. A trusted relationship implies a culture of recognizing each other, assisting, and collaborating without fear, and doing the best work possible to ensure the team wins. Belonging is about being respected, welcomed, and valued. As indicated in Figure 6 below, Maslow's hierarchy of needs proposes that such a culture also helps satisfy a basic evolutionary human need for deep affiliations, as illustrated by our historical tribal roots connected to social, safety, and survival needs. Unfortunately, research indicates that only 20% of employees strongly agree they have a trusted colleague.

Figure 8 ⁴⁹ Maslow's Hierarchy of Needs

⁴⁹ Verlinden, N. (2022, January 12). Diversity, Equity, Inclusion, and Belonging (DEIB): A 2023 Overview. AIHR. <https://www.aihr.com/blog/diversity-equity-inclusion-belonging-deib/>



3. Cultural Competence

One of the foundational attributes to support a culture of belonging is ensuring that leaders can build a culture of DEIB. It is firmly embedded in human-centric leadership and is focused on having the ability to care for others through an appreciation of the differences in people embracing the unique opportunities and challenges that it brings. This does require leaders to have a high level of personal reflection and self-awareness.

Culturally competent line leaders recognize and appreciate the differences in the people and subsequently take a personalized but collective approach to weave together a beautiful quilt of diversity and a sense of belonging on their teams. Maya Angelou once said, " We all should know that diversity makes for a rich tapestry, and we must understand that all the threads of the tapestry are equal in value no matter what their color"⁵⁰.

When organizations foster a sense of belonging for diverse thinkers and people from diverse backgrounds and experiences, they benefit from enhanced

⁵⁰ Angelou, M. (2014, March 15). Diversity Quote. www.azquotes.com.
https://www.azquotes.com/author/440-Maya_Angelou

talent attraction, retention, engagement, innovation, and individual, team, and organizational performance, as research supports.

It is, however, challenging to get a culture that fosters DEIB. The following have been highlighted as the key elements to embrace as part of a people strategy⁵¹:

1. DEI is the base to build on. Start with the fundamental pillars of diversity, equity, and inclusivity. It is not about perfection but perseverance and taking small steps in the right direction to build a sustainable culture.
1. Focus on purpose. As stated in section 3.1, more people than ever seek meaning in their actions. In the workplace, this means they want to identify with the organization's mission (the "what" and "how") and vision (the "why").
2. It is important to acknowledge that your organization may not appeal to everyone. A clear organizational purpose and values imply a deliberate organizational persona that will fit in. This is important as culture cannot be a copy-and-paste exercise and needs to follow through the organization's DNA. Therefore, having employees that resonate and live this is critical, and not being fit for everybody is part of an effective talent strategy.
3. Make it a conscious effort. Belonging will not just happen; organizations need to ensure that diversity, equity, and inclusion practices are embedded before claiming a culture of belonging. In a rapidly changing world, this becomes even more of a challenge as agility and speed of alignment are critical. Therefore, organizations need to be intentional about it.
4. Lead by example. The following section will unpack leadership mindsets, but human-centric leadership is critical to driving a culture of belonging.
5. Include all employee segments, even gig workers, as diverse perspectives and inclusivity are fundamental across all employee groupings. As the

⁵¹ Verlinden, N. (2022, January 12). Diversity, Equity, Inclusion, and Belonging (DEIB): A 2023 Overview. AIHR. <https://www.aihr.com/blog/diversity-equity-inclusion-belonging-deib/>

world of work changes, the fluidity of employment terminology will evolve, and segmenting employees will not drive a culture of belonging.

6. Being accountable starts at the top.

Despite the increasing number of people working remotely, the innate human desire to belong to a group persists. People thrive when they feel valued, appreciated, and necessary to those around them. Even though digital tools may be used, the objective of great leaders remains consistent: to help people fulfill their purpose, encourage teamwork, and leverage differences for the greater good. DEIB is a powerful influence on the future of work; therefore, it is crucial to implement intentional actions immediately.

1.2 People before Profit – A holistic wellness approach

A silent crisis is happening in organizations, which has been amplified post Covid-19. According to the American Psychological Association (APA),⁵² nearly three out of five employees reported negative impacts of work-related stress in the wake of the pandemic. In addition, anxiety, because of financial pressure and increased demands in the workplace and home life, has negatively impacted employee engagement levels.

According to the World Health Organization⁵³ Burn-out is a syndrome resulting from workplace stress that has not been successfully managed. Three dimensions characterize it:

1. Feelings of energy depletion or exhaustion,

⁵² <https://www.apa.org/monitor/2022/01/special-burn-out-stress>. (n.d.).
<https://www.apa.org/monitor/2022/01/special-burn-out-stress>

⁵³ Burn-out an “occupational phenomenon”: International Classification of Diseases. (2019, May 28). Burn-out an “Occupational Phenomenon”: International Classification of Diseases.
<https://www.who.int/news/item/28-05-2019-burn-out-an-occupational-phenomenon-international-classification-of-diseases>

2. Increased mental distance from one's job or feelings of negativism or cynicism related to one's career, and
3. Reduced professional efficacy.

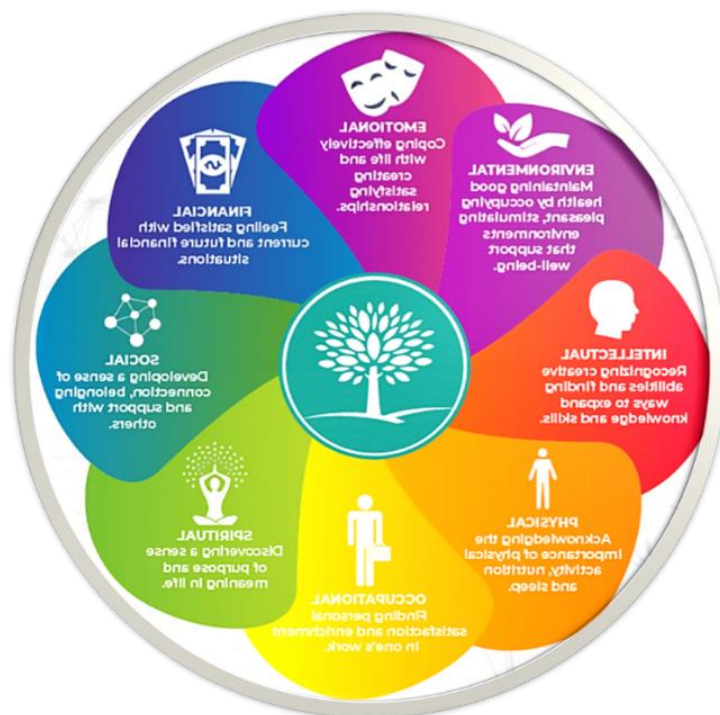
A powerful analogy used by Kathleen Hogan from Microsoft indicates that this crisis is at the same level as climate change challenges and can be referred to as Human Energy Crisis⁵⁴. Just as we have seen melting ice caps, rising sea levels, and wildly swinging temperatures, on the human level, we have witnessed depleted energy levels, an increase in mental health-related illnesses, and a decrease in engagement levels. Apart from well-thought-through wellness programs, the ask is for leaders to adopt mindsets where people come before profit. The ask is for leaders to regenerate energy for employees while ensuring it is renewable and sustainable. One can only get that right if one knows one's employees and can personalize engagement. It is vital to create an 'integrated wellness offering aligned to the purpose-driven organization' mentioned in section 3.1 and 'Hybrid working models' as per section 3.2. The latest Work Trend Analysis report shows that employees around the world have a new "worth it" equation, with 53% of respondents, particularly parents (55%) and women (56%), indicating that they are more likely to prioritize health and well-being over work than before. In addition, research indicated that the biggest reason for resignation was personal well-being or mental health.

Paradoxically, at the same time, a trend called "The Great Regret" emerged, where people that resigned realized that they wanted to keep working but in an environment that supported overall health and happiness. As we consider the war for talent, being proactive in wellness will be a key attractor and

⁵⁴ Why Leaders Cannot Ignore the Human Energy Crisis. (n.d.). Why Leaders Cannot Ignore the Human Energy Crisis. <https://www.linkedin.com/pulse/why-leaders-cant-ignore-human-energy-crisis-kathleen-hogan>

retainer of talent. Holistic wellness is an inclusive approach to all forms of well-being, as indicated in the figure below.

Figure 9⁵⁵ Wellness Pillars



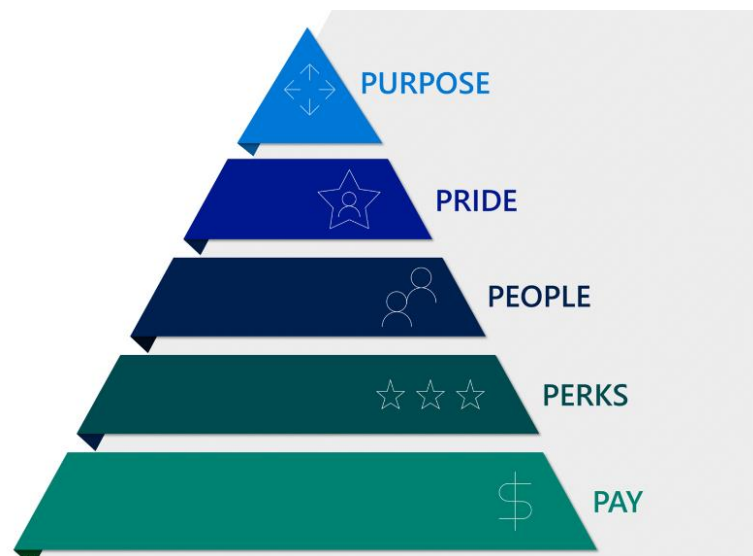
⁵⁵ Boiani, D. (2020, April 6). The 8 Pillars of Wellness and Health- The New Dharma? Sakura Designs. <https://www.buddhistmala.com/the-8-pillars-of-wellness-and-health-the-new-dharma/>

Wellness needs to be integrated into the people strategy of the organization.

Culture is the central point of an employee's engagement with an organization. There needs to be an alignment with purpose whilst ensuring employees regard their work as meaningful. This is linked to work inspired by the Maslow hierarchy and focuses on the 5 P's of ensuring fulfillment at work⁵⁶. Research conducted by Katherine Hogan indicates that by fulfilling an employee's basic needs first, you can explore the true impact of higher self-actualization needs.

The following can guide organizations toward a more integrated framework when considering meaningful work⁵⁷:

Figure 10 ⁵⁸ *The Five P Model of Meaningful Work*



⁵⁶ The 5Ps of Employee Fulfillment. (n.d.). The 5Ps of Employee Fulfillment. <https://www.linkedin.com/pulse/5ps-employee-fulfillment-kathleen-hogan>

⁵⁷ Why Leaders Cannot Ignore the Human Energy Crisis. (n.d.). Why Leaders Cannot Ignore the Human Energy Crisis. <https://www.linkedin.com/pulse/why-leaders-cant-ignore-human-energy-crisis-kathleen-hogan>

⁵⁸ The 5Ps of Employee Fulfillment. (n.d.). The 5Ps of Employee Fulfillment. <https://www.linkedin.com/pulse/5ps-employee-fulfillment-kathleen-hogan>

Employees enjoy a work culture where they can show up authentically, are proud to work for their organization, and believe in what it stands for. Being remunerated fairly and enjoying the benefits that forms the employee value proposition is the foundation of a healthy working relationship. A basic need of humans is interacting with others, therefore your engagements with other employees are important in determining meaning.

The following provides practical considerations when integrating wellness into an ecosystem:

1. Make well-being holistic by focusing on all the various elements of human well-being and incorporating them into the people strategy.
2. They realize that a person's career potential is not so much determined by their path as by their passion. It is fostered by finding meaningful ways to support career development. Focus on leadership mindsets and how leaders must show up to support their employees.
3. Building supportive team connections and fostering collaboration.
4. Be intentional: Offer flexibility where possible. Foster a mindset of impact over activity, as this is key to empowering employees in a hybrid world of work. Autonomy and trust, when balanced with accountability, free employees to focus on the most important metric—impact. Employees can maintain a healthy work-life balance without choosing between personal priorities and career advancement.

1.3 Flexibility and the productivity paradox

Hybrid working is the new normal, and the need for flexibility is increasing. McKinsey predicts that nine out of ten organizations will combine remote and on-site work in the coming years. Research affirms that this is a key consideration for employees when considering moving to a new organization. Therefore, organizations must define what this means for them, how it gets managed, and how to merge with their culture and business drivers.

Culture remains an anchoring point as the world of work changes. A notable finding is that organizations with the most significant productivity increases during the pandemic have encouraged "small moments of engagement." These allowed employees to remain connected to the culture of the organization. It fostered a feeling of belonging within a team and with their line leader and created space for innovation and collaboration.

Recent research from Microsoft based on 122 billion email exchanges and 2.3 billion meeting interactions, leaders have three pivots to drive alignment and empower people for the new ways we work.

1. End productivity paranoia

The traditional measurement of productivity has shifted as 85% of leaders report struggling to trust that their employees are productive. The research from Microsoft is staggering, with 87% of employees indicating that they are more productive at work, and productivity signals across Microsoft 365 continue to climb. An example is that the number of meetings per week has increased by 153% globally for the average Microsoft Teams user since the start of the pandemic, with a 46% rise in the number of overlapping meetings. During an average week, 42% of participants multitask during meetings by actively sending an email or interacting on other devices, which excludes practices like reading incoming emails and other work activities.

It is, however, difficult to comprehend these statistics with a traditional organizational productivity mindset. Organizations, therefore, introduced practices to govern and measure this rather than focusing on impact and output. An example of this is the use of technology to track the activity of employees. Unfortunately, using traditional measurements has resulted in productivity paranoia among leaders. Many employers perceive that their

employees are not working productively, even though there has been a rise in the number of meetings and other measurable activities. This significantly impacts engagement as employees feel that they are not trusted. Productivity paranoia risks making hybrid work unsustainable unless we can shift leadership mindsets.

2. People come into the office for their colleagues.

The social aspect of coming into the office is the most prominent reason employees return to work. Therefore, organizations must strive to reignite social capital differently when embracing hybrid working. The research indicates that 84% of employees re-establish team bonds, suggesting that interacting with coworkers is a key driver of office motivation. Employees further indicate that they would visit the office more often if they knew their direct team members or work friends would be present (73% and 74%, respectively). The percentages are even higher for Generation Z employees. It's therefore important to encourage time to help employees rebuild team bonds and networks whilst building a digital employee experience.

3. Building the Human Capital

In changing times, developing, and retaining talent is essential, especially as the war for talent increases. Employees often feel they must leave an organization to progress in their careers or build new skills. In the survey conducted by Microsoft, two out of three employees indicated that they would remain at their current employer if internal mobility were fostered. It is interesting to note that 68% of employees and 77% of business decision-makers say they would instead make a lateral move that offers new skills than a vertical move that is more senior but has fewer learning and growth opportunities.

Therefore, the focus is clear: invest and build human capital by ensuring that learning and growth are core to the organization's talent framework. It is important to understand that individuals often desire chances for personal growth that may not necessarily involve advancing in their careers. Sometimes, it is necessary to expand their skill set. Organizations need to make internal mobility a key talent priority. A powerful analogy is that a career is like a climbing wall or playground rather than a ladder. Mindsets must shift to create an internal talent marketplace where employees can grow skills, build careers, and find purpose while helping the organization thrive. It is about investing in talent across the whole lifecycle of an employee. This will be expanded on in the next section.

In conclusion, there is no perfect answer, or a one size fits all approach. What is, however, evident is when reviewing Gallup data conducted in 2022 ⁵⁹ on why employees leave an organization, the theme of "Engagement and Culture" is by far the most prominent (40%), followed by the theme of "Well-being and Work-Life Balance" (26%).

These two areas of dissatisfaction comprise 66% of the total reasons employees left their employer in 2022. That means three times as many people quit their job due to "Engagement and Culture" or "Well-being and Work-Life Balance" reasons, compared with the number of people who primarily left for better "Pay/Benefits."

Positive business outcomes are dependent on positive human outcomes more than ever before. This can only be achieved when culture is purposeful and integrated with holistic human capital practices. Having a great culture implies that one can attract and retain great employees. The following section

⁵⁹ Inc., G. (n.d.). Indicator: Employee Retention & Attraction. Gallup.com. <https://www.gallup.com/467702/indicator-employee-retention-attraction.aspx>

will explore the importance of talent investment in support of the organization's culture.

2. Mastering the Talent Lifecycle

Talent investment is an organization's commitment to recruit, develop, nurture, and deploy individuals best suited to fulfill the organization's current and future strategic intent. Literature refers to talent management rather than investment. Thus, a fundamental shift is required from traditional talent management to talent investment. Organizations need to invest in talent across the lifecycle of an employee rather than focusing on managing the process. Harvard Business Review in 2008 stated, "At its heart, talent management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it." ⁶⁰ However, when focusing on investment, it is a comprehensive journey that spans the lifecycle of the employee value chain and is an inclusive approach considering both internal resources and potential external talent. It supports the investing in human capital and is supported by research completed by McKinsey in 2023 ⁶¹.

It is important that the organization's talent approach aligns with the culture and, more importantly, the belief that all people inherently have untapped talent and potential. The focus is on the organization's view of talent from an entire workforce perspective, not just high performers, and those with high potential. When one looks at talent from an abundance perspective, organizations see the benefit of employees at all levels contributing to the organization's success.

⁶⁰ Talent Management for the Twenty-First Century. (2008, March 1). Harvard Business Review. <https://hbr.org/2008/03/talent-management-for-the-twenty-first-century>

⁶¹ HR rewired: An end-to-end approach to attracting and retaining top tech talent. (2023, June 27). McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/hr-rewired-an-end-to-end-approach-to-attracting-and-retaining-top-tech-talent>

The talent investment lifecycle starts with talent attraction and identification and continues through onboarding, optimization of talent, development, and retention to transitioning when someone leaves the organization ⁶². This is illustrated in the figure below.

Figure 11 ⁶³ Talent investment framework (modified from source)



The primary goal of talent investment across the employee lifecycle is to create an environment where employees are engaged, motivated, and productive enough to contribute to the organization's growth while building a continuous learning culture. To be more adaptable and inclusive, shifting from

⁶² Talent management life cycle: developing employees at every stage | Together Mentoring Software. (2023, March 15). Talent Management Life Cycle: Developing Employees at Every Stage | Together Mentoring Software. <https://www.togetherplatform.com/blog/talent-management-life-cycle>

⁶³ How HR Can Leverage the Employee Life Cycle When Needs Change. (2020, May 22). ScottMadden. <https://www.scottmadden.com/insight/how-hr-can-leverage-the-employee-life-cycle-when-needs-suddenly-change/>

solely managing talent to a comprehensive investment in talent is necessary. This approach should be flexible and agile. Cranfield Management School supports this view in an article published in 2022 ⁶⁴.

When one considers a talent investment framework, as depicted in

Figure 11, the following elements should be considered ⁶⁵:

2.1 Attracting / Talent Identification

During this phase, the organization tries to cultivate a positive experience for potential candidates. It is important to we need to identify and recruit talented individuals that fit in with the organizational culture and that are fundamental to the execution of the strategy of the organization. This phase can include internal and external talent. The organization's culture, supported by a strong brand position, is key during this phase.

Talent identification is as much an external as well as an internal process. When recruiting externally, one must ensure that the recruitment approach supports the organization's culture and strategy. The war for talent has highlighted the

⁶⁴ Parry, P. E. (2022). Talent Management is Dead - Long Live Talent Management! Talent Management Is Dead - Long Live Talent Management! Retrieved May 26, 2023, from <https://blog.som.cranfield.ac.uk/knowledge/talent-management-is-dead-long-live-talent-management>

⁶⁵ How HR Can Leverage the Employee Life Cycle When Needs Change. (2020, May 22). ScottMadden. <https://www.scottmadden.com/insight/how-hr-can-leverage-the-employee-life-cycle-when-needs-suddenly-change/>

need to explore alternative resourcing methods. These might include the following:

1. Partnerships with external bodies, including Universities,
2. Brand positioning via social media platforms and events,
3. Young talent programs,
4. Alumni talent initiatives and,
5. Strategic partnerships to insource or outsource resources, projects, or contained areas of work.
6. Crowdsourcing is an easy way for internal employees to get involved in the process.

To cultivate a culture of internal talent growth and development, it's important to have a clear understanding of the skills and potential of the employees within the organization. This includes assessing their abilities and mobility. There are multiple models identifying talent that an organization can explore to assist with this. Ensuring that internal talent is developed, mobilized, and retained based on personalizing needs is critical.

2.2 Onboarding

Onboarding is the critical stage connecting talent attraction to long-term, sustainable performance. Onboarding aims to fulfill promises made during the recruitment process so that employees don't experience a disconnect between expectations and reality, and it lays the foundation for the rest of the employee experience ⁶⁶. Perhaps more than any other stage, onboarding plays a critical role in your employees' perceptions of your organization. Employees often establish their opinion of your culture in the first few months, and misperceptions can take a long time to fix.

⁶⁶ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

Successful onboarding, on the other hand, can increase an employee's discretionary effort by more than 20% and drive employee performance by up to 15%. Furthermore, committed employees work 57% harder and are nine times less likely to leave⁶⁷. This is an opportunity to immerse employees in the organization's culture.

A successful onboarding programme aims to answer the following questions⁶⁴:

1. What do we believe in around here? This is all about culture, beliefs, values, mission, and the organization's purpose.
2. What are my strengths? People enjoy doing what they are good at. Investing into discovering and developing an employee's strengths paves the way for consistently excellent performance.
3. What is my role? Employees need to understand expectations and how they relate to teamwork and the organization's business objectives.
4. Who are my partners? Employees perform when they respect the people they are working with and are also respected by their colleagues.
5. What does my future here look like? It's about matching expectations and understanding their path for future growth.

It is about alignment of purpose, understanding the organizational culture, and creating a sense of inclusivity and belonging. Effective onboarding can ensure that employees are productive sooner. Depending on the organization's culture, multiple onboarding models can be followed, but it is critical to ensure that its line leader owned and driven.

During Covid-19, most organizations used a virtual onboarding approach, but there is a definite need for face-to-face engagement. This is highlighted in

⁶⁷ Onboarding New Hires Checklist for HR Leaders. (n.d.). Gartner. <https://www.gartner.com/en/human-resources/trends/new-hire-checklist>

Chapter 2: Changes in the Global Landscape: A Focus on Human Capital, where the need for personal engagement is highlighted.

2.3 Optimizing

"Optimizing" refers to the talent and performance practices that organizations use to create a flywheel effect for employees, allowing them to perform at their best. Without going into the detail of these practices, the following should be explored during this phase:

1. Talent mapping and review is a process that involves assessing the potential and performance of a team over a period to understand their strengths and abilities better. Evaluating individuals solely on their performance is an outdated practice. Companies should also focus on assessing potential to achieve better outcomes. Talented employees want to learn and grow, and in the US, roles typically involve 30% - 40% new skills to stretch employees to the next level of performance ⁶⁸. Future-thinking organizations are already making significant investments to assess people for their potential. Multiple tools are available to assess this based on the potential framework of the organization. Once an organization understands the potential of an individual and the performance, it can be mapped into a talent mode. Different models exist for the mapping of this, but the most popular is the 9-box talent model developed by McKinsey in 1970 ⁶⁹. A review of this every year is good practice.
2. Succession planning is the process in place to ensure that workforce planning is done effectively to meet the organization's strategic demands.

⁶⁸ Re:think: A new approach to keeping talent. (n.d.). Re:Think: A New Approach to Keeping Talent. <https://www.mckinsey.com/~media/mckinsey/email/rethink/2022/06/22/2022-06-22d.html>

⁶⁹ Enduring Ideas: The GE-McKinsey nine-box matrix. (2008, September 1). McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/enduring-ideas-the-ge-and-mckinsey-nine-box-matrix>

Succession planning helps assess a team's capabilities and enables workforce planning to fill important positions proactively and strategically.

3. Performance development goes hand in hand with talent. It ensures that strategic priorities are translated into individual objectives and measured and tracked continuously. Multiple models can be used to ensure that it is fit for purpose for your organization.

2.4 Development

Fostering a culture of growth and development ensures that the potential of talent is harnessed, and that human capital is fully utilized to benefit both the organization and the employee. Given the war for talent, developing internal capability has become increasingly important. Research by McKinsey in 2022 indicated that 41% of employees left their employer due to insufficient development opportunities⁷⁰.

Development includes formal and informal learning and supports talent practices such as job rotation, enrichment, and special projects. The critical part of development is a leader's understanding of the needs of both the organization and the employee. Gartner ⁷¹ defines personalization as a process that creates a relevant, individualized interaction between two parties designed to enhance the recipient's experience. Personalization will revolutionize the employee experience by providing customized solutions based on challenges in their role, career aspirations, and personal preferences.

⁷⁰ The Great Attrition is making hiring harder. Are you searching for the right talent pools? (2022, July 13). McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-great-attrition-is-making-hiring-harder-are-you-searching-the-right-talent-pools>

⁷¹ Personalized employee experience can help with L&D goals. (2017, November 6). Gartner. <https://www.gartner.com/smarterwithgartner/3-ways-personalization-can-improve-the-employee-experience>

2.5 Retaining

This is a critical phase, as organizations should focus on recognizing and retaining talent in a manner that is unique to the individual. Rewarding employees is fundamental to the organization's culture and can be monetary and non-monetary. Effective reward practices lead to engaged employees that feel valued and fairly treated. In research conducted by Gallup in 2022⁷² reward and benefits are the most common reason employees left their organizations, and that response increased the most since 2021 among all individual factors.

Rewards should be matched externally to ensure parity, and internal peer comparisons are needed to ensure fairness. Multiple recognition models exist, but it again comes down to personalization. Leaders should understand what reward, benefits, and recognition methods are important for each employee. Personalization of a value proposition ultimately makes an employee remain with an organization.

2.6 Transitioning

At some stage, employees leave the organization through various mechanisms. A proper transition is key to the brand of the organization, the internal morale, and the future relationship with the employee that transitions. Succession planning is, therefore, key in transitioning, implying that the organization's talent identification process needs to be in place for internal and external talent.

⁷² Inc., G. (n.d.). Indicator: Employee Retention & Attraction. Gallup.com. <https://www.gallup.com/467702/indicator-employee-retention-attraction.aspx>

Ensuring that the transitioning phase of an employee is optimal is as important as when an employee joins an organization. Combining exit surveys and interviews with other performance data will assist in identifying breakdowns in the employee life cycle and the key risk factors that predict employee turnover.

The following can be incorporated to develop meaningful business insights into your talent investment framework⁷³:

1. Understand why top talent stays with the organization.
2. Understand the exit experience from the employee's perspective.
3. Start collecting and leveraging multiple sources of data.

Exiting employees become brand ambassadors and ultimately form part of your alumni talent network that can rejoin at any stage. These employees might become business partners or assist with talent sourcing in the future. Organizations that master talent celebrate the fact that they assisted in an employee's success.

As mentioned, successful talent investment is integrated into a multitude of organizational and people processes; it is the framework that spans the employee lifecycle, and if there is a weak link in the chain, the systemic impact will be felt across the value chain.

It aligns with the organization's strategy, supports the culture, and ultimately leads to effective people engagement and sustainable business performance. There are, however, multiple models when exploring a talent framework. The following three fundamental principles are suggested when one considers a talent investment strategy:

⁷³ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

1. When considering talent, one needs to start with the organization's strategy. The organization's direction will guide the type of skills and capabilities needed, how potential and performance are defined, how to grow and develop employees, and ultimately how to retain employees. It does require an agile talent approach that responds to the organizational strategy, global trends, and impacts, as well as movements in the market⁷⁴.
2. It starts with a talent mindset. Successful talent investment strategies start with a leader that embraces talent. To date, not much empirical research has been done on the role of leaders as part of the talent investment approach. Articles allude to a leader's different roles as part of the process, e.g., recruitment, development, and succession. However, no reference is made to an integrated approach where a leader fundamentally owns talent throughout the employee lifecycle. The most comprehensive opinion on this matter was published in the Ivey Business Journey in 2001⁷⁵. The article indicates that leader-led talent practices will ensure a competitive advantage in the future. An integrated leader-led talent approach will ensure a sustainable outcome across each talent dimension. This is an area where further research should be considered, as only 18% of senior executives view talent management as part of their roles.
3. Cultural Embeddedness is becoming an increasingly important focus in hiring for cultural fit and training for the skills needed. When one hires for potential, cultural fit becomes a non-negotiable. This also lends itself to the talent strategy being inclusive, which is fundamental to sustainable success.

⁷⁴ Danao, M. (2022, September 7). What Is Talent Management? Everything You Need To Know. Forbes Advisor. <https://www.forbes.com/advisor/business/what-is-talent-management/>

⁷⁵ Michaels, E., Axelrod, B., Handfield-Jones, H., Bio, V., & Bio, F. (n.d.). TALENT MANAGEMENT: A CRITICAL PART OF EVERY LEADER'S JOB - Ivey Business Journal. TALENT MANAGEMENT: A CRITICAL PART OF EVERY LEADER'S JOB - Ivey Business Journal. <https://iveybusinessjournal.com/publication/talent-management-a-critical-part-of-every-leaders-job/>

A talent management life cycle is essential for any organization that wants to remain competitive and attractive. This approach involves recruiting the right people and ensuring that those employees are developed and supported at every stage of their journeys.

The biggest misnomer is that human capital practices are owned and driven by the Human Capital department. It is fundamentally the role of a leader to understand their human capital and find meaningful ways to engage them. The following section will explore the importance of leaders and their role in an integrated Human Capital Model.

Reimagine Leadership

There has been a significant change in leadership in recent years, including its definition, the characteristics of a good leader, and the skills required for success. Leaders have always faced the daunting task of comprehending and managing a constantly evolving world. This challenge has been described using various terms such as dynamic, high-velocity, disruptive, turbulent, and many more. This has been summarized as VUCA, an acronym for Volatile, Uncertain, Complex, and Ambiguous. In recent years, a new concept has emerged known as BANI. It suggests that the current state of the world is characterized by brittleness, anxiety, non-linearity, and incomprehensibility⁷⁶.

Considering the various changes in the world, as highlighted in In Chapter 2, Section 5 *Changes in the Global Landscape: A Focus on Human Capital*, the

⁷⁶ Kraaijenbrink, J. (2022, June 22). *What BANI Really Means (And How It Corrects Your World View)*. Forbes. <https://www.forbes.com/sites/jeroenkraaijenbrink/2022/06/22/what-bani-really-means-and-how-it-corrects-your-world-view/>

finding indicates that VUCA is no longer relevant in a rapidly evolving world. BANI aims to make sense of the chaos experiences currently in the world of work.

1. **Brittle: The Illusion of Strength.** Brittle means being fragile, and breakable, while seeming firm. It is illusory strength, the belief that “everything will be all right” and the assumptions that “we all know are true,” but during the last two years, humanity realized that this is not the case. The world, especially nature, economy, and peacefulness, are a fragile, convoluted interconnected ecosystem. It implies letting go of certainty and the illusion of strength. The term "volatile" is no longer a fitting way to describe systems. Instead, "brittle" is a more relevant term as it refers to systems that seem to be functioning properly but are close to breaking down. Brittle systems operate the way they always have, but just one or two small but important disruptions can cause the system to implode. Recent examples include the war in Ukraine, which has caused significant ripple effects in terms of food security, energy supply and global trade in general. A new term labeled 'polycrisis' has recently emerged indicating how both present and future risks can interact with each other to form a compounding effect where the impact exceeds the sum of the parts ⁷⁷.
2. **Anxious - The Illusion of Control.** Anxiety is the sensation of helplessness and being overwhelmed by the challenges one encounters. It is often accompanied by stress. This makes it difficult to know what the right decision is to make. Anxiety is often caused by excessive exposure to information. When people constantly hear and see negative news, their level of anxiety tends to increase. Anxiety is a feeling that is based on personal perception and arises from a difference between what one

⁷⁷ McCarthy, C. (2023, May 2). How to lead in a world that's gone beyond VUCA to BANI | The Padfield Partnership. How to Lead in a World That's Gone Beyond VUCA to BANI | the Padfield Partnership. <https://padfieldpartnership.com/how-to-lead-in-a-world-thats-gone-beyond-vuca-to-bani/>

anticipates and what one encounters. It's the expectation of control and the illusion associated with it. Organizations are finding themselves operating in a space where social eras overlap rapid change, where the governance, structures, rules, and authorities are being challenged. This leaves employees confused and disorientated. As leaders it's important to understand that anxiety will remain a reality and how to work with it will become the norm.

3. Non-linear - The Illusion of Predictability. Non-linearity is a well-known concept indicating that there's no easy straight route from A to B. Instead, there are detours, dead ends, and unexpected outcomes. Non-linearity is a natural feature of any complex system and has always existed. An example of non-linearity is the "butterfly effect," which explains how a small event can set off a chain of cause-and-effect relationships. It implies that causes and consequences are not always known or assessable in advance. This implies that cause and effect cannot be managed or controlled. This concept challenges the third illusion, the Illusion of predictability.

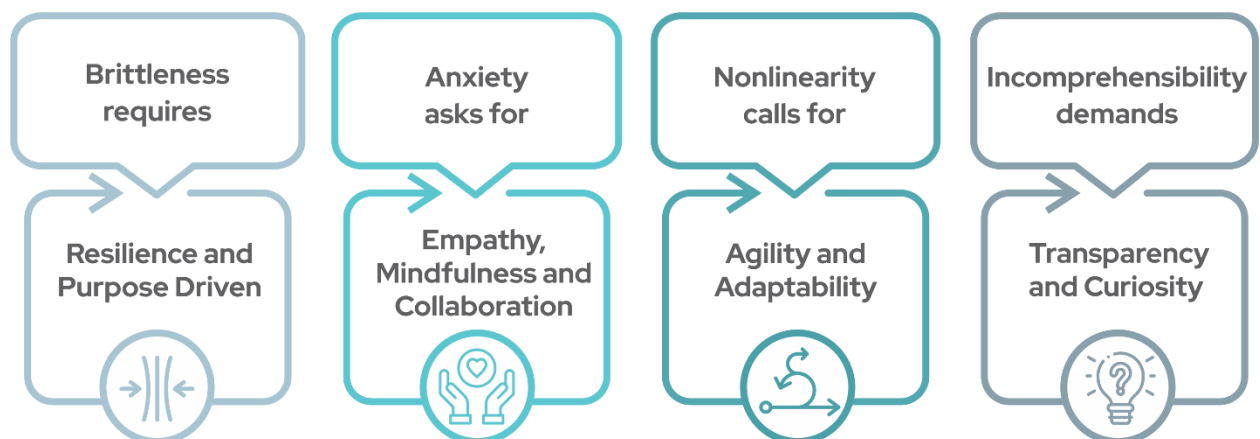
4. Incomprehensible - The Illusion of Knowledge. There is a common misconception known as the Illusion of Knowledge, where people believe they have a complete understanding of the world. The world remains an enigma, despite efforts to comprehend it. This implies that humans struggle to grasp and interpret what is happening around them and why. This implies that traditional means of finding answers will no longer suffice.

This is not so much about the world we live in but rather how we experience the world. It is less about the world that has become more Brittle, Anxious, Non-Linear, or Incomprehensible; it is that we need to let go of the illusion that it is not. Given this context, "doing what we have always done and leading how we have always led" will not lead to success.

Like the changing landscape, leadership characteristics, behaviors, and skills must expand, evolve, and advance. Reflecting upon the BANI world, successful leaders will distinguish themselves from others through their courage, resilience, forward-thinking mindset, or ability to effectively leverage the talents of those around them ⁷⁸. This speaks to a change in mindset. As a leader, it's essential to think about the realities of the world in order to sense and respond in an appropriate manner.

Current leadership thinking revolves around skills and competencies, with a limited focus on mindsets and behaviors. This is the critical shift that is required when moving from the VUCA to the BANI world. Based on research conducted by E&Y in 2023, 79% of C-suit executives agree that a different set of leadership mindsets will be needed for their businesses to succeed in the future. Not to say that skills and competencies are unimportant; however, integrating them with mindsets that lead to engaging behavior sets leaders apart.

Figure 12⁷⁹ Leadership Characteristics in a BANI World (modified from source).



⁷⁸ What's the quality all leaders should have to succeed today? (2023, January 9). World Economic Forum. <https://www.weforum.org/agenda/2023/01/quality-every-leader-should-have-to-succeed-in-todays-world-revealed-davos2023/>

⁷⁹ Grabmeier, S. (2020, July 28). BANI versus VUCA: a new acronym to describe the world - Stephan Grabmeier. Stephan Grabmeier. <https://stephangrabmeier.de/bani-versus-vuca/>

The BANI world requires a reset on leadership effectiveness. When a system is brittle, it requires leaders to build resilience and focus on being purpose driven. They need to create a space in which employees can interact and perform in order to achieve a shared purpose or goal.

Anxiety is an isolated feeling experienced by one single employee; it is a shared feeling that often presents itself in different ways, causing a ripple effect for others. When people feel anxious, it's important for leaders to show empathy and mindfulness, care and understanding. Humility is a key leadership trait during periods of anxiousness. Collaboration is the key to managing anxiety as co-creating a solution will add different perspectives to the problem and enrich the result. It's the collective intelligence in an organization that will create sustainable change.

In a non-linear world, leaders need to be agile and adaptive. This implies creating context and collaboration by being inquisitive, reflective, and showing up with an open mindset. Leaders shape culture, and the role in a non-linear space is to remove obstacles to focus on the objective. When leaders create a safe space, employees feel confident to show up in a curious manner and to fail without fear by tapping into collective creativity.

When something is incomprehensible, it demands transparency and curiosity. It's about showing up authentically and sharing in a transparent manner. Having a learning mindset, exploring with curiosity, and being open to multiple perspectives will limit ambiguity.

To further expand on what leadership should look like, it is important to reflect on what successful organizations look like during times of change. For decades, organizations were designed and managed for an industrial environment where productivity and maximizing earnings for shareholders

were top of mind. The focus was on preserving stability, scale, and predictability. Three underlying assumptions have limited leadership thinking. These assumptions include (1) leadership behaviors are a function of relatively stable characteristics, (2) variability of behaviors across situations represents a form of measurement error or internal contradictions, and (3) the manifestation of the leader's traits and the situations they face are mutually exclusive and opposing influences⁸⁰.

Leadership Mindsets

There are a multitude of great organizations, such as Allianz, Haier, Microsoft, and Nucor, who transformed their organizational approach to a culture of openness, agility, and adaptability⁸¹. The company's primary goal is to achieve sustainable and inclusive growth by utilizing the collective energy, passion, and talent of its employees. This shift in focus required these companies to shift their focus and align culture to strategy and the purpose of the organizations. It required a change in leadership style with a clear purpose and focus. They discovered that leaders must work together and constantly learn to adapt to the ever-changing business environment to create value for all stakeholders.

An integrated, holistic model implies that leaders should reimagine themselves and understand that they are interwoven into the Human Capital Model. It is a shift in mindsets, rethinking collaboration, ways of working within teams and reimagining the organization in which they operate.

⁸⁰ Gottfredson, R. K., & Reina, C. S. (2020, February). Exploring why leaders do what they do: An integrative review of the situation-trait approach and situation-encoding schemas. *The Leadership Quarterly*, 31(1), 101373. <https://doi.org/10.1016/j.leaqua.2019.101373>

⁸¹ New leadership for a new era of thriving organizations. (2023, May 4). McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/new-leadership-for-a-new-era-of-thriving-organizations>

A mindset, as defined by E&Y⁸², is formed from the beliefs, attitudes, and values that guide our actions. Both mindsets and capabilities are crucial for effective leadership, and it would be incorrect to claim that one is inherently more important than the other. Mindsets and capabilities are mutually reinforcing elements contributing to leadership success.

Mindsets shape how leaders approach challenges, interact with others, and make decisions. They influence a leader's motivation, resilience, adaptability, and willingness to learn.

Capabilities, on the other hand, enable execution. While having the right mindset is essential, possessing the necessary capabilities is equally important for fulfilling leadership responsibilities effectively. These capabilities include a range of skills, knowledge, and competencies crucial for success in a leadership role. These include strategic thinking, communication, problem-solving, emotional intelligence, and leadership skills. Capabilities provide leaders with the tools and resources to turn their mindsets into tangible outcomes.

Leaders need a balance of both mindsets and capabilities to succeed. Successful leadership requires a positive attitude and the necessary skills and abilities to lead and implement strategies effectively. Conversely, capabilities without the right mindset may lead to ineffective leadership that lacks inspiration, vision, and the ability to adapt to changing circumstances.

The appropriate mindsets and capabilities can vary depending on the leadership context. Effective leadership requires understanding the context,

⁸² E&Y. (2023). Five Leadership Mindsets. https://Assets.Ey.Com/Content/Dam/Ey-Sites/Ey-Com/En_uk/Topics/Ey-Lane4/Ey-Uk-Five-Leadership-Mindsets.Pdf. Retrieved July 1, 2023, from https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/ey-lane4/ey-uk-five-leadership-mindsets.pdf

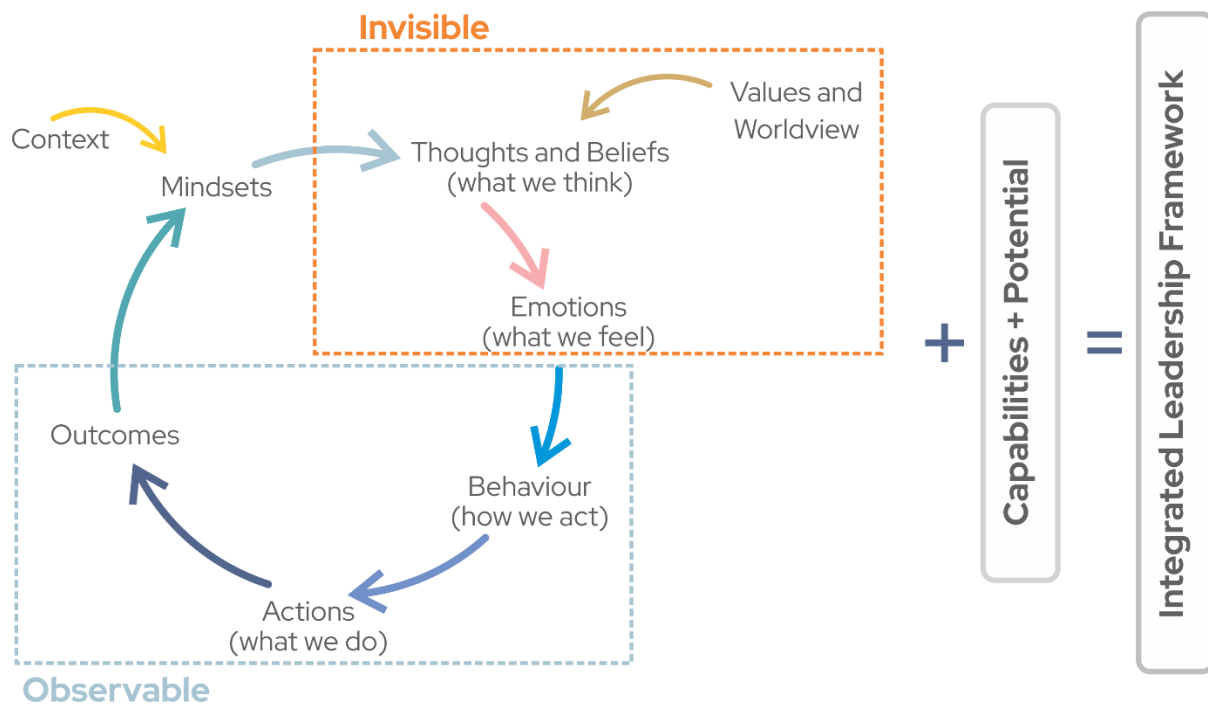
leveraging the appropriate mix of mindsets and capabilities, and acknowledging how to leverage their team given the scenario. Mindsets provide the foundation for actions and behaviors, driving motivation, adaptability, and learning. Capabilities, on the other hand, provide the skills and competencies necessary to execute leadership responsibilities effectively. The interplay between mindsets and capabilities enables leaders to inspire, influence, and achieve positive organizational outcomes.

Mindsets need to evolve over time; otherwise, our worldview does not change, which implies that mindsets can hold us back. Leaders must be aware of their surroundings and react accordingly. This helps them assess if they have the appropriate mindset for the current situation. In the same manner that capabilities are connected to mindsets, mindsets, and behaviors are inseparable. A causal loop exists as mindsets influence our thought processes, influencing how we act and what we do.

Figure 13 ⁸³ *Causal Mindset Loop (modified from source)* © ⁸⁴

⁸³ Cradock, S. (2012, April 18). Simple Ways To Change Your Mindset - Shane Cradock. Shane Cradock. <https://shanecradock.com/blog/how-to-change-your-mindset/>

⁸⁴ Viljoen, S. (2023, December). *An Integrative Human Capital Ecosystem Framework*, Doctoral Thesis, Selinus University of Science and Literature. Retrieved December 2023, from <https://www.uniselinus.education>



The link between mindsets and behaviors was identified approximately 40 years ago⁸⁵, but only in the last few years has neuroscience highlighted differences between the brain of a person who adopts different mindsets and subsequently carries out those different behaviors⁸⁶. To be successful, leaders should not only concentrate on their actions but also comprehend the critical mindsets necessary for effective execution. Both factors are equally significant and should be given equal consideration. The hypothesis is, therefore, that mindset can propel us forward or hold us back. In Dweck & Yeager's research into a growth mindset, they found that students who had a "growth" mindset and believed their intelligence could be developed performed better at school compared with students who had a "fixed" mindset and thought their intelligence was set in stone ⁸⁷. The same is true in organizations today, but

⁸⁵ Dweck, C. S., & Yeager, D. S. (2019, February 1). Mindsets: A View From Two Eras. *Perspectives on Psychological Science*, 14(3), 481–496. <https://doi.org/10.1177/1745691618804166>

⁸⁶ Ng, B. (2018, January 26). The Neuroscience of Growth Mindset and Intrinsic Motivation. *Brain Sciences*, 8(2), 20. <https://doi.org/10.3390/brainsci8020020>

⁸⁷ Dweck, C. S., & Yeager, D. S. (2019, February 1). Mindsets: A View From Two Eras. *Perspectives on Psychological Science*, 14(3), 481–496. <https://doi.org/10.1177/1745691618804166>

context is important. A leader in the Industrial Revolution would likely view their organization through a worldview that an organization is a machine. This led to behavior aligned with a command-and-control mindset to maximize efficiency and productivity by tightly managing human resources ⁸⁸.

Given the above, it is evident that mindsets differentiate how people navigate a situation and the mental lenses they apply. Mindsets explain why two leaders might encounter the same situation and process and respond to it very differently. One leader might see a situation as a threat that hinders their authority and therefore act in a command-and-control manner; another sees it as an opportunity to grow, learn, develop, and empower people. Leaders' mindsets are like mental lenses that guide them in processing and interpreting information to navigate various situations. Essentially, mindsets determine leaders' actions and motivations. When leadership frameworks ignore the concept of mindsets, it ignores how leaders see and interpret problems and how they then generate solutions. This is supported by research conducted by the Harvard Business Review in 2020 ⁸⁹.

Microsoft is an excellent example of an organization that effectively utilized the power of mindsets. Between 2001 and 2014, Microsoft's stock price and market capitalization remained largely unchanged. However, when Satya Nadella took over as CEO in 2014, he prioritized overhauling the leadership and culture at Microsoft. In his book, "Hit Refresh," Nadella explains that his primary focus was on shifting mindsets, specifically towards growth mindsets. He worked diligently to alter the mindsets of everyone within the organization and channeled all people practices towards this singular goal. Thanks to his

⁸⁸ McGrath, R. G. (2014). Management's three eras: A Brief History. Harvard Business Review. <https://hbr.org/2014/07/managements-three-eras-abrief-history>

⁸⁹ To Be a Great Leader, You Need the Right Mindset. (2020, January 17). Harvard Business Review. <https://hbr.org/2020/01/to-be-a-great-leader-you-need-the-right-mindset>

leadership, Microsoft's market capitalization and stock price has more than tripled⁹⁰.

Numerous studies have highlighted the significance of mindsets. However, the crucial question remains which mindset should a leader embrace? Based on the thorough literature review conducted in

⁹⁰ Nadella, S., Shaw, G., & Nichols, J. T. (2017, September 26). *Hit Refresh: The Quest to Rediscover Microsoft's Soul and Imagine a Better Future for Everyone*. Harper Business.

CHAPTER 2 and the concepts outlined in CHAPTER 3, the key leadership mindsets that require a shift are as follows:⁹¹

1. A mindset of preservation and scarcity.
2. A command-and-control mindset using hierarchies and authority.
3. Viewing the world with a mindset of certainty and
4. Focus on conformity rather than curiosity.

Shifting mindsets does not imply abandoning traditional skills; it requires building and expanding. As a leader, it's moving to an evolved ambition needed to lead thriving organizations in this new disruptive era. The following assumptions are validated when a leader develops and builds upon these elements.

1. Leaders must act as visionaries by generating a holistic impact for all stakeholders. They need to have a mindset that fosters growth, as defined on page 84.
2. Leaders are critical in the strategic process and success of an organization. As architects, they co-create new value through reimagining an ideal future state.
3. As a catalyst, collaborate in empowered networks with a mindset of partnership. For example, leaders own the Human Capital Model and practice in partnership with HR professionals.
4. The systemic loop between culture, strategy, and purpose is balanced by leadership.
5. The focus is on sustainable impact and not just profit, and this is achieved by collaboration and co-creation with a mindset of discovery and curiosity.
6. As leaders think about being their whole best selves, with a mindset of authenticity.

⁹¹ New leadership for a new era of thriving organizations. (2023, May 4). McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/new-leadership-for-a-new-era-of-thriving-organizations>

From the above, it is evident that there are multiple mindsets that leaders can adopt; it is dependent on the organization's strategy, the culture that is fostered, and the leader's value system. A significant amount of research has been done to determine the most successful mindsets. Upon reviewing the literature, the following mindsets support the hypothesis of this thesis by putting leaders at the center of the success of a Human Capital Model.

1. **Growth Mindset.** Having a growth mindset means believing that people, including oneself, can develop their talents, skills, and abilities and improve their intelligence⁹². The opposite is also true in that people with a fixed mindset do not believe that people can change. Research has found that people with a growth mindset are more mentally prepared to approach and take on challenges. They take advantage of feedback as well as constructively give feedback. These leaders adopt the most effective problem-solving strategies, remaining focused on the long-term goals and bouncing back despite short-term challenges⁹³. They show resilience and will continue building towards a vision even in highly volatile or shifting contexts ⁹⁴.
2. **Curious Mindset.** It is not essential for leaders to have expertise in every aspect of their domain. Leaders do not need to possess mastery in all areas of their field. A leader that fosters curiosity does not assume they have all the answers and is intentional about pursuing things with a beginner's mindset ⁹⁵. Curiosity is about obtaining new knowledge and pursuing

⁹² To Be a Great Leader, You Need the Right Mindset. (2020, January 17). Harvard Business Review. <https://hbr.org/2020/01/to-be-a-great-leader-you-need-the-right-mindset>

⁹³ Clark, L. (2019, May 23). Leadership Mindsets: How a Leader's Attitude in Four Key Areas Can Drive Innovation. GP Strategies. <https://www.gpstrategies.com/blog/leadership-mindsets/>

⁹⁴ What's the quality all leaders should have to succeed today? (2023, January 9). World Economic Forum. <https://www.weforum.org/agenda/2023/01/quality-every-leader-should-have-to-succeed-in-todays-world-revealed-davos2023/>

⁹⁵ Lapko, A. (2022, January 13). Council Post: The Power Of Mindset And Exploring The Mind Of A Leader. Forbes. <https://www.forbes.com/sites/forbescoachescouncil/2022/01/13/the-power-of-mindset-and-exploring-the-mind-of-a-leader/>

different opportunities to share thoughts and perspectives. A curious leader can also suspend their preconceived notions to truly listen and be open to feedback, observations, and advice. By intentionally demonstrating a curious mind, leaders build the team's critical thinking and promote an environment of creativity and collaboration⁹⁶.

3. **Inclusive/Collaborative Mindset.** An inclusive or collaborative mindset is the belief that optimal performance is only achieved when an environment is diverse and inclusive and where individuals collaborate to achieve. An inclusive mindset provides the opportunity to see differences in how others think and behave as advantages. These leaders also referred to as people-centric⁹⁷, invite alternative ideas and perspectives and foster an environment of co-creation and collaboration. Inclusive leaders create psychological safety where individuals feel comfortable surfacing ideas, even those that might not be popular. This environment values ideas and operates on a foundation of trust⁹⁸. This is characterized by a humble mindset where personal egos are put aside for the team's greater good. A humble mind allows leaders to recognize mistakes, and they focus on building a learning culture⁹⁹.

4. **Agile Mindset.** An agile mindset is the belief that success in a complex and volatile world requires flexibility, adaptation, innovation, and resilience. This

⁹⁶ What's the quality all leaders should have to succeed today? (2023, January 9). World Economic Forum. <https://www.weforum.org/agenda/2023/01/quality-every-leader-should-have-to-succeed-in-todays-world-revealed-davos2023/>

⁹⁷ 4 Mindset Shifts That Can Make You A Better Leader | Ivy Exec. (n.d.). 4 Mindset Shifts That Can Make You a Better Leader | Ivy Exec. <https://ivyexec.com/career-advice/2021/4-mindset-shifts-that-can-make-you-a-better-leader/>

⁹⁸ Clark, L. (2019, May 23). Leadership Mindsets: How a Leader's Attitude in Four Key Areas Can Drive Innovation. GP Strategies. <https://www.gpstrategies.com/blog/leadership-mindsets/>

⁹⁹ Lapko, A. (2022, January 13). Council Post: The Power Of Mindset And Exploring The Mind Of A Leader. Forbes. <https://www.forbes.com/sites/forbescoachescouncil/2022/01/13/the-power-of-mindset-and-exploring-the-mind-of-a-leader/>

way of thinking means that individuals can make mistakes, gain knowledge from them, and adapt their thoughts and actions to attain success. This is also referred to as a grateful mindset¹⁰⁰, or a learning-orientated mindset⁸⁵. An agile leader has the ability to take in, filter, and assimilate information quickly. They assess their decisions frequently and adapt, when necessary, at a pace that reflects the speed of business. Leaders that foster this mindset are quick thinkers that are creative in their responses and not scared to implement new methods, but they consider the associated risks and have a clear vision. Agile leaders are more open to the fact that the path to success may take some unexpected twists and turns, and they need to react to these. Research conducted by GP Strategies in 2019⁸⁵ asked leaders what mindset they needed to be successful in the future. Leaders across all levels prioritized openness and adaptability, followed by discipline. These might seem contradictory, but they adequately describe an agile leader who is responsive, adaptable, has a goal, and is disciplined about reaching it.

5. **Enterprise Mindset.** This is the belief that success is maximized when we prioritize the needs of the larger organization. Leaders with this mindset make all decisions in a team or business unit for the company's greater good. A leader with an enterprise mindset reaches across the organization, focusing on breaking down barriers and enabling decisions for the greater

¹⁰⁰ Clark, L. (2019, May 23). Leadership Mindsets: How a Leader's Attitude in Four Key Areas Can Drive Innovation. GP Strategies. <https://www.gpstrategies.com/blog/leadership-mindsets/>

¹⁰⁰ 4 Mindset Shifts That Can Make You A Better Leader | Ivy Exec. (n.d.). 4 Mindset Shifts That Can Make You a Better Leader | Ivy Exec. <https://ivyexec.com/career-advice/2021/4-mindset-shifts-that-can-make-you-a-better-leader/>

good¹⁰¹. This is also referred to as a purpose-orientated mindset¹⁰². This drives a culture of collaboration and innovation and fosters an "I plus we" mindset. A leader with an enterprise mindset is also in touch with the external and internal environments and can therefore anticipate trends. There are several examples where leaders should have considered the external environment in time to respond to it, e.g., Blockbuster or Kodak. By removing internal and external barriers in service of the greater organizational good, a leader with an enterprise mindset is opening a path of innovating, drawing in multiple perspectives¹⁰³.

The combination of these five key mindsets creates the right conditions, combined with the right attitude and behaviors, for innovation to flourish. Regardless of what the economic climate looks like and how fast the environment changes, the one characteristic that can derail mindsets is authenticity and purpose. Strong leaders can weather adversity and challenges if they are true to their values, communicate with them constantly, and use them as their North Star to lead people on the journey with them.

Great leaders can leverage changing circumstances and challenges into a shared goal and a sense of purpose that is embedded in culture¹⁰⁴. Great leaders understand that they need to continue to grow and have an open mindset that embraces mistakes and failures in order to provide learning.

¹⁰¹ Clark, L. (2019, May 23). Leadership Mindsets: How a Leader's Attitude in Four Key Areas Can Drive Innovation. GP Strategies. <https://www.gpstrategies.com/blog/leadership-mindsets/>

¹⁰² 4 Mindset Shifts That Can Make You A Better Leader | Ivy Exec. (n.d.). 4 Mindset Shifts That Can Make You a Better Leader | Ivy Exec. <https://ivyexec.com/career-advice/2021/4-mindset-shifts-that-can-make-you-a-better-leader/>

¹⁰³ Lapko, A. (2022, January 13). Council Post: The Power Of Mindset And Exploring The Mind Of A Leader. Forbes. <https://www.forbes.com/sites/forbescoachescouncil/2022/01/13/the-power-of-mindset-and-exploring-the-mind-of-a-leader/>

¹⁰⁴ What's the quality all leaders should have to succeed today? (2023, January 9). World Economic Forum. <https://www.weforum.org/agenda/2023/01/quality-every-leader-should-have-to-succeed-in-todays-world-revealed-davos2023/>

It can be challenging to ensure that these mindsets are effective and that one continuously develops them. The following are some key ideas that can be used to implement the concept of mindsets:

- 1. Link Mindsets to Behaviors:** Connect specific behaviors and actions to different mindsets. Given the organization's strategy as opposed to using the term "growth mindset," identify tangible behaviors associated with it, such as seeking feedback, embracing challenges, or encouraging learning opportunities.
- 2. Set Clear Expectations:** Clearly define the desired mindsets and behaviors expected from organizational leaders. Establish measurable criteria and provide examples that demonstrate what these mindsets look like in practice.
- 3. Foster a Learning Culture:** Create an environment that promotes continuous learning and development. Offer leadership development opportunities, workshops, and coaching sessions to develop specific mindsets and behaviors. Provide opportunities for leaders to practice and reinforce these behaviors in real-world scenarios.
- 4. Connect Mindsets to Organizational Goals:** Assist leaders in understanding how their mindsets directly impact organizational outcomes. Indicate the correlation between mindset, actions, and the overall success of the team or the organization. This can make mindsets more tangible and results oriented.
- 5. Hold Leaders Accountable:** Establish accountability mechanisms that assess leaders' adherence to desired mindsets and behaviors. Incorporate mindset-related criteria into performance evaluations, provide regular

feedback, and recognize and reward leaders who demonstrate positive mindsets and behaviors.

6. Encouraging Risk-Taking and Innovation. Organizations can create an environment encouraging risk-taking and innovation by fostering psychological safety, rewarding experimentation, and celebrating failures as learning opportunities. This approach encourages leaders and employees to embrace growth mindsets and drive innovation.

By grounding leadership mindsets in concrete actions, behaviors, and measurable outcomes, organizations can make it less abstract and more meaningful, ensuring their integration into everyday leadership practices.

Linked to this is the leadership style a leader adopts in different situations. Versatility is an essential leadership trait, especially during times of uncertainty. A recent study published in the journal *Consulting Psychology*¹⁰⁵ argues that over and above mindsets, it is also important for successful leaders to invoke a leadership style to match a given situation. This is similar to understanding which competencies, mindsets, and behaviors are appropriate in a given situation. Research has shown that leaders who use a "versatile" leadership style, which involves using a mix of deliberate, enabling, strategic, and operational techniques, are seen as better at managing teams during times of change.

The research's main conclusion is that versatile leadership, consisting of a vast repertoire of capabilities, mindsets, and behaviors appropriately applied to changing circumstances, is the recipe for leadership success. Leaders must possess a variety of psychological strengths to be effective in their roles. These

¹⁰⁵ Kaiser, R. B. (2020, September). Leading in an unprecedented global crisis: The heightened importance of versatility. *Consulting Psychology Journal: Practice and Research*, 72(3), 135–154. <https://doi.org/10.1037/cpb0000186>

strengths include courage, prospection, or the practice of cultivating future-mindedness, resilience, compassion, and determination¹⁰⁶.

Leadership and Engagement

Leaders are central to ensuring that employees are motivated and committed. On the one hand, leadership is entrusted with articulating vision and ensuring buy-in, which influences employee engagement. People are more motivated to do their work when they believe in a higher purpose and are aligned with the company's mission. There is a 78% positive statistical correlation between the line leaders' relationship with their teams and their teams' engagement levels ¹⁰⁷. Leadership is one of the four most significant contributors to building engaged workplaces, according to the 2022 Fortune World's Best Workplaces' study¹⁰⁸. In this study, nearly half of all employees in over 37 countries reported weak or poor relationships with their leaders. Leadership sets the tone for organizational culture and has been proven to be a key factor in driving organizational success. Given the new challenges of employee well-being, remote and hybrid work, and global economic pressure, the role of leaders will become paramount to business success.

The challenge is that leaders don't recognize the importance of their role in the engagement process. This is mainly due to:

1. Organizations only do engagement surveys annually which nullifies the importance given the operational and business pressures.

¹⁰⁶ What's the quality all leaders should have to succeed today? (2023, January 9). World Economic Forum. <https://www.weforum.org/agenda/2023/01/quality-every-leader-should-have-to-succeed-in-todays-world-revealed-davos2023/>

¹⁰⁷ Home | Mindset Management. (n.d.). Home | Mindset Management. <https://www.mindsetmanage.com/>

¹⁰⁸ Erb, M. (2021, November 8). Global Employee Engagement Benchmark Study. Great Place to Work®. <https://www.greatplacetowork.com/resources/blog/global-employee-engagement-benchmark-study>

2. Most engagement surveys don't address leadership behavior and mindsets as part of their measurements. This implies that leaders don't have to change to be regarded as successful in an organization.
3. Leaders are not trained in driving engagement and lack the skills and knowledge to create an engaged workforce.
4. Leaders are not rewarded and recognized according to engagement constructs.
5. In most organizations, it is owned and driven by Human Capital professionals, and action plans are not co-created.

By adopting an integrated leadership framework, the importance of the leader in the engagement process becomes apparent. Leaders can influence how employees are treated, what type of employees are hired, how performance is evaluated and rewarded, how an employee's growth is structured, and how the organization's brand assists with attracting talent. The leader-employee dynamic is not one-directional – in the same manner that a leader is concerned about employee engagement, the employee makes assumptions about the leader's capability. Deloitte found a 35%-point differential in trust in leadership between those employees who want to stay versus those who want to leave. Employee retention is a big part of employee engagement, as disengagement is one of the early symptoms of a high turnover¹⁰⁹.

Leaders should spend time understanding their people in order to personalize employee experiences. They should have a long-term vision while being operationally effective. Leaders must be bold in making mindset shifts to try new things. Furthermore, there is no one-size-fits-all approach. The ultimate goal is to prioritize employee engagement and empowerment to create a

¹⁰⁹ How Leadership Influences Employee Engagement. Where do Surveys Fit in? (n.d.). WorkTango. <https://www.worktango.com/resources/articles/how-leadership-influences-employee-engagement-where-do-surveys-fit-in>

sense of ownership, motivation, and loyalty among employees. Engaged and empowered employees contribute their best efforts, leading to improved performance and organizational outcomes.

Conclusion

This Chapter focused on capitalizing on the literature review on Human Capital Models and Global trends that inform the people space. This Chapter indicates that the shortcomings of the current Human Capital Models, as highlighted in

CHAPTER 2 are not fit for purpose as the world changed and evolved. The hypothesis that there is a need for a holistic Human Capital Model, as proposed in this study, is supported by the elements highlighted in this Chapter.

The Chapter supported the following five key human capital elements that need to be incorporated into a model for organizations:

1. External factors, business strategy, and the impact of these on people practices.
2. Understanding personal and organizational purpose is a central concept of culture.
3. Defining a talent investment framework that spans the lifecycle of the employee value chain.
4. The importance of leaders, specifically mindsets, in the engagement of employees and the ultimate success of an organization.

The model that emerged when considering the above ensures that both the external and internal view is considered. It is cemented in a strong culture aligned with the organization's purpose and led by leaders that foster mindsets that align with the changing world of work. Central to this is a considered talent investment framework focusing on how each employee is regarded during the lifecycle phases from joining an organization to transitioning. The success of any model is contained in the measurement thereof. Employee engagement focuses on having committed and motivated employees that build sustainable business performance.

The following chapter will focus on employee engagement as a measure of employee commitment and motivation. It will also expand on the link to business performance and highlight key elements that organizations can focus on.

CHAPTER 4

Introduction

When considering a Human Capital Model, it is imperative to understand the reasons behind its necessity and existence within an organization. The ultimate question is also, how does it help an organization succeed?

A Human Capital Model, in essence, provides a guide to indicate how business strategy intersects with people elements to generate a desired outcome, i.e., business performance. It directs the organization to the systemic influences of key constructs and enables a human capital strategy. The model provides a framework that legitimizes human capital practices and details the factors that influence it. Improved productivity and reaching the set company goals remain the main focus of all human capital endeavors.

The chapter will highlight the concept of employee engagement and focus on global data supporting the link to business performance. The chapter will further highlight a case study detailing a specific engagement model used by a Financial Services Group in Africa, highlighting the trend line since 2017. The focus will be to indicate the strategic journey of this organization, the changes made to human capital practices, and the impact it had on employee engagement and business performance.

Defining Engagement

There are a multitude of measures that one can use to indicate the effectiveness of a Human Capital Model. In an article published by AIHR in 2022, they identified 12 measures an organization can use to indicate success. The following depicts their research.

Figure 14 ¹¹⁰ Measures of Effectiveness of Human Capital Models



The measures outlined are standard and integral to the organization's daily operations, typically monitored through a human capital dashboard. Moreover, although these measures are important when looking at human capital in an integrated manner, one needs to measure success in a manner that integrates the different elements into a holistic outcome that directly links to business success.

Employee engagement refers to the level of an employee's commitment, motivation, and connection to an organization. Employee engagement details the degree to which an organization has created an ideal work environment where every employee can perform at their best. Engagement implies dedication to the organization's goals and values while prioritizing personal well-being in achieving success. Employee engagement is based on trust, integrity, commitment, and communication between an organization and its employees. It is an approach directly linked to business success,

¹¹⁰ Jay, S. (2022, May 24). How to Measure HR Effectiveness: 12 Useful Metrics. AIHR. <https://www.aihr.com/blog/how-to-measure-hr-effectiveness/>

productivity, and well-being. Employee engagement can be measured, and it can be nurtured and improved with the right level of focus¹¹¹.

Measuring employee engagement requires a holistic approach encompassing various factors, such as job satisfaction, organizational commitment, and personal investment in the company's mission. Employee engagement is a critical performance indicator for organizations as it directly influences productivity, efficiency, and overall success¹¹².

Engaged employees understand their role in the organization's strategy and how it aligns with the purpose and culture of the organization. Operating in an engaged environment implies inclusivity and psychological safety. It is an environment where feedback is cherished, skills are developed, and recognition is part of the culture. Engaged organizations rely on two-way promises and commitments between employers and employees. When employees are engaged, the operational measures depicted in Figure 14 will automatically be realized. Employee engagement cannot be achieved by following a mechanistic approach that extracts discretionary effort by manipulating employees' commitment and emotions¹¹³.

There are five key drivers of engagement, as indicated by Gallup¹¹⁴.

1. Purpose - employees want purpose and meaning from their work. It is important that their purpose aligns with that of the organization and that it is entrenched in the culture.

¹¹¹ What is Employee Engagement? (n.d.). Engage for Success. <https://engageforsuccess.org/what-is-employee-engagement/>

¹¹² Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

¹¹³ Inc., G. (2013, June 20). The Benefits of Employee Engagement. Gallup.com. <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

¹¹⁴ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

2. Leadership - Line leaders account for 70% of organizational engagement results. Great leaders consistently engage their teams to achieve outstanding performance. They create environments where employees take responsibility for their own, and their team's engagement and build workplaces that are mechanisms of productivity and profitability. Leaders have an influence across each phase of an employee lifecycle and can therefore either engage employees through their actions or demotivate and demoralize them.
3. Continuous conversations - when employees are engaged, they clearly understand the company's strategy, their role, and how they can make valuable contributions.
4. Development – employees would like to understand the growth and development opportunities that can be explored.
5. Focus on strengths – employees perform better if their strengths are amplified and recognized. Focus on coaching and developing strengths and gear remuneration and reward practices towards enabling this.

A significant number of the drivers as mentioned above depend on leaders that authentically influence the engagement of employees. Employee engagement, a byproduct of leadership, is improved when the leader has a direct relationship with employees, as indicated in the research conducted by Osborne & Hammoud in 2017¹¹⁵. The psychological experiences created by leaders have a direct impact on employee engagement. Engaged employees are fully invested in their work, both emotionally and cognitively. This multidimensional approach to engagement also encompasses physical engagement in the daily tasks at hand. It is the responsibility of the organization to cater to the needs of its employees by offering adequate training and

¹¹⁵ Osborne, S., & Hammoud, M. S. (2017, January 1). Effective Employee Engagement in the Workplace. *International Journal of Applied Management and Technology*, 16(1).
<https://doi.org/10.5590/ijamt.2017.16.1.04>

creating a fulfilling workplace environment. Conversely, the employees should strive to contribute to the organization.

Importance of Engagement

Employees make decisions and take actions daily that affect an organization and the rest of the workforce. How organizations treat their employees can significantly impact how they treat one another. This influences the mindsets of employees and, in turn, their behavior and actions.

Gallup is best known for the extensive work that they have done in the field of engagement. Decades of research indicate that engaged employees produce better business outcomes than other employees. This applies across industries, company size, and nationality and is evident in good and bad economic conditions.

The World Bank's chief economist, Indermit Gill, made a startling claim at the beginning of 2023, "A lost decade could be in the making for the global economy. The ongoing decline in potential growth has serious implications for the world's ability to tackle the challenges unique to our times — stubborn poverty, diverging incomes, and climate change."¹¹⁶. The implication of this message is clear if we do not increase global GDP, it will only get tougher for economies to survive. What actions can organizations and their leaders take to potentially reduce the impact of this crisis? Gallup has found one clear answer: Change how employees are managed.

In the 2023 State of the Global Workplace report, Gallup estimates that low employee engagement costs the global economy \$8.8 trillion. That is 9% of

¹¹⁶ Global Economy's "Speed Limit" Set to Fall to Three-Decade Low. (n.d.). World Bank. <https://www.worldbank.org/en/news/press-release/2023/03/27/global-economy-s-speed-limit-set-to-fall-to-three-decade-low>

global GDP — enough to make the difference between success and failure for humanity. Poor leadership leads to a decline in engagement and in turn, a loss in customers and profits. Gallup goes so far as to indicate that when analyzing well-being at work, having a job one dislikes is worse than being unemployed, and those negative emotions end up at home, impacting relationships with family. If a person is not thriving at work, it is unlikely that they are thriving in life¹¹⁷.

Employee engagement is, therefore, a vital factor that leaders must prioritize, not just when the organization is performing but especially during uncertain economic times. Neglecting it can lead to increased stress, impacting team engagement, productivity, and performance. Therefore, understanding the significance of employee engagement is absolutely critical.

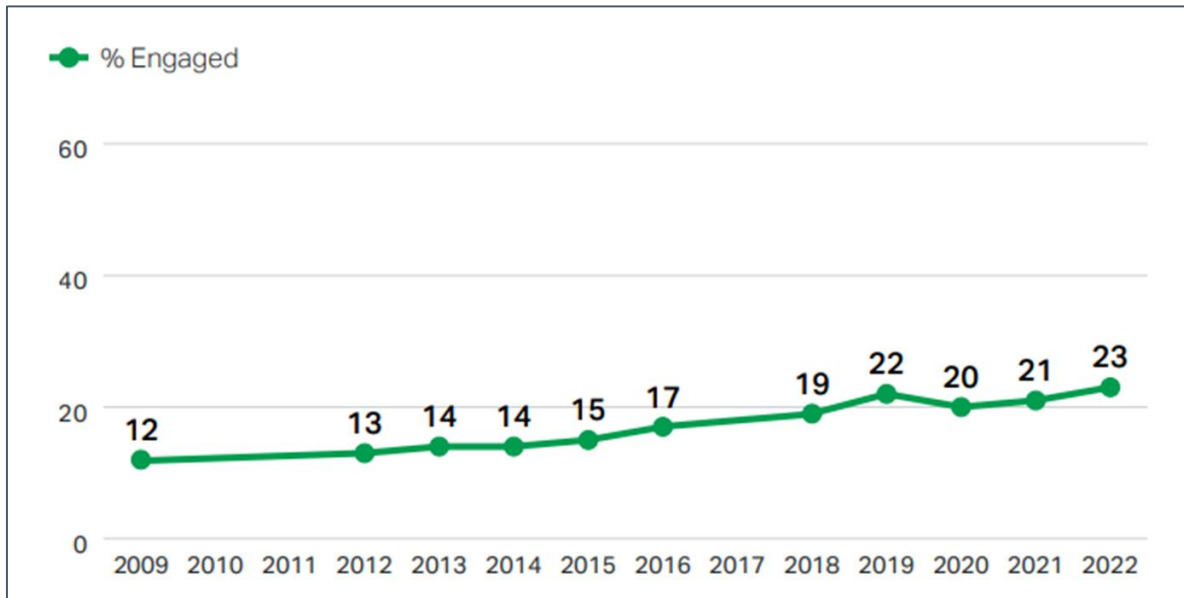
Gallup¹⁰⁶ categorizes an organization's employees as engaged, not engaged, or actively disengaged by using the following definitions:

1. Engaged employees thrive at work. They are highly involved in and optimistic about employment and the organization. They are psychologically invested in the organization implying that they drive performance and innovation and move the organization forward.
2. Not engaged employees are quietly quitting. They are psychologically unattached to their work and company. The employees are not fully engaged in their work as their unfulfilled needs result in them investing time without much energy or passion.
3. Actively disengaged employees are loudly quitting. They are not just unhappy at work. The unmet needs of these employees are causing resentment and leading to disruptive behavior that has the potential to

¹¹⁷ Inc., G. (2023, June 13). State of the Global Workplace: 2023 Report. Gallup.com. <https://www.gallup.com/workplace/506879/state-global-workplace-2023-report.aspx>

undermine the daily accomplishments of their engaged coworkers. This must be addressed to maintain a productive and positive work environment.

Figure 15 ¹¹⁸ *Employee Engagement Trends as measured by Gallup.*



To determine the percentage of engaged, not engaged, and actively disengaged employees, Gallup uses a proprietary formula founded on extensive research about how the engagement elements, measured by the Gallup Q12, relate to various workplace outcomes. The details are available in the cited source.

Disengaged employees have both a financial and cultural impact on their organizations. Not only do their losses in productivity and errors start to add up and affect those around them, but their attitudes can also start to rub off on others.

Gallup uses a proprietary formula founded on extensive research to determine the percentage of engaged, not engaged, and actively disengaged employees. Engagement is measured by the Gallup Q12, which relates to various workplace outcomes. The details are available in the cited source.

The above table indicates that 23% of the world's employees were engaged in 2022, the highest level since Gallup began measuring global engagement

¹¹⁸ Inc., G. (2023, June 13). State of the Global Workplace: 2023 Report. Gallup.com. <https://www.gallup.com/workplace/506879/state-global-workplace-2023-report.aspx>

in 2009. Although engagement declined in 2020, it has returned to its historically positive trend. It is, however, alarming that 59% of employees are not engaged, implying that they put in the minimum effort required and are psychologically disconnected from their organization. Although minimally productive, they are more likely to be stressed and burnt out than engaged employees because they feel lost and disconnected.

The research further indicates that 41% of employees suggest that culture is the most significant thing they would change in their organization. It further suggests that leadership is the linchpin of engagement. Line leaders attribute 70% of team engagement; having the right leadership mindsets is therefore critical. This supports the importance of culture and leadership as a central theme in the Human Capital Model, as indicated in this dissertation. Gallup highlighted five traits of great leaders that influence engagement:

1. Motivation: Inspiring teams by motivating them to get exceptional work done (curiosity mindset).
2. Workstyle: Setting goals, defining the resources needed, and directing the teams towards achieving these goals (growth mindset).
3. Initiation: Influencing employees to continue to act; despite failure, adversity, and resistance (agile mindset).
4. Collaboration: Building committed teams with connections that ensure an inclusive and trusted environment (inclusivity/collaboration mindset).
5. Thought process: Understanding the internal and external influences and taking an analytical approach to strategy and decision-making (enterprise mindset).

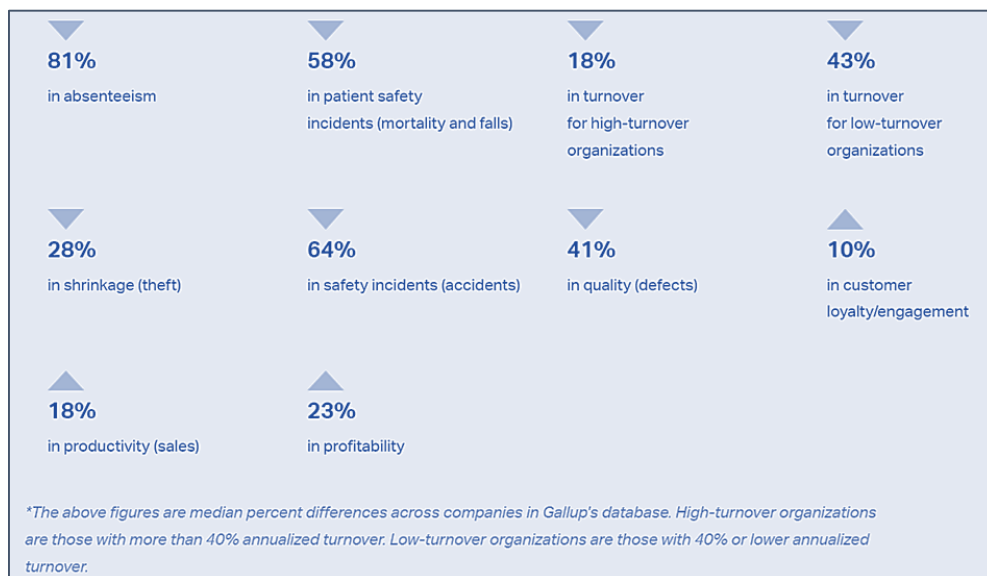
There is a strong link between the five key elements defined by Gallup and the Leadership mindsets defined in this dissertation, as indicated in brackets for ease of reference. Leaders are involved in every significant milestone of the employee journey, from onboarding to exit, and their interactions with employees are typically the dominant factor in positive outcomes at each

stage. For this reason, leaders need to look carefully at their employee experience strategy¹¹⁹.

When Gallup analyzed the differences in performance among different business units, the benefits of employee engagement were clear. Gallup's 10th employee engagement meta-analysis includes, completed in 2020, researched 112,312 business/work units, 2,208,292: employees across 54 industries¹⁰³. When comparing employee engagement levels, Gallup found that top and bottom-quartile business units and teams had the following differences in business outcomes:

1. Engaged Teams perform better on key indicators.

Figure 16 ¹²⁰ *Median percent differences based on research by Gallup.*



¹⁰³ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

¹¹⁹ Inc., G. (2013, June 20). The Benefits of Employee Engagement. Gallup.com. <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

¹²⁰ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

The meta-analysis conducted by Gallup indicates that employee engagement is related to each of the above-indicated performance outcomes. Results indicate high generalizability, which means the correlations were consistent across different organizations. The true score correlation between employee engagement and composite performance is 0.49.

2. Engaged Teams increase Organizational performance

Engaged employees are more likely to be motivated to perform better against the performance standards set by their organization. A survey conducted by the American Psychological Association with Harris Interactive¹²¹ found that employees who feel valued are significantly more likely to report being motivated and committed to do their very best for their organization (93% vs. 33%). They are also more likely to recommend their organization to others (85% vs. 19%).

Furthermore, organizations that score in the top half for employee engagement have more than twice the chance of success compared to those in the bottom half. Those at the 99th percentile have nearly five times the success rate of those at the first percentile.

Gallup's previous research conducted in 2012, has also shown that companies with engaged employees have higher earnings per share (EPS), and they have recovered from the 2008 recession at a faster rate. The study found that businesses with a critical mass of engaged employees outperformed their competition. Researchers discovered that as the economy began to rebound after 2009, having an engaged workforce became a strong differentiator in EPS. Companies with engaged workforces have an advantage in regaining and growing EPS at a faster rate than their industry equivalents. Conversely,

¹²¹ <https://www.apa.org/news/press/releases/2012/03/well-being>. (n.d.).
<https://www.apa.org/news/press/releases/2012/03/well-being>

companies with average engagement levels saw no increased advantage over their competitors in the economic recovery.

3. Engaged Teams Report Better Overall Well-being

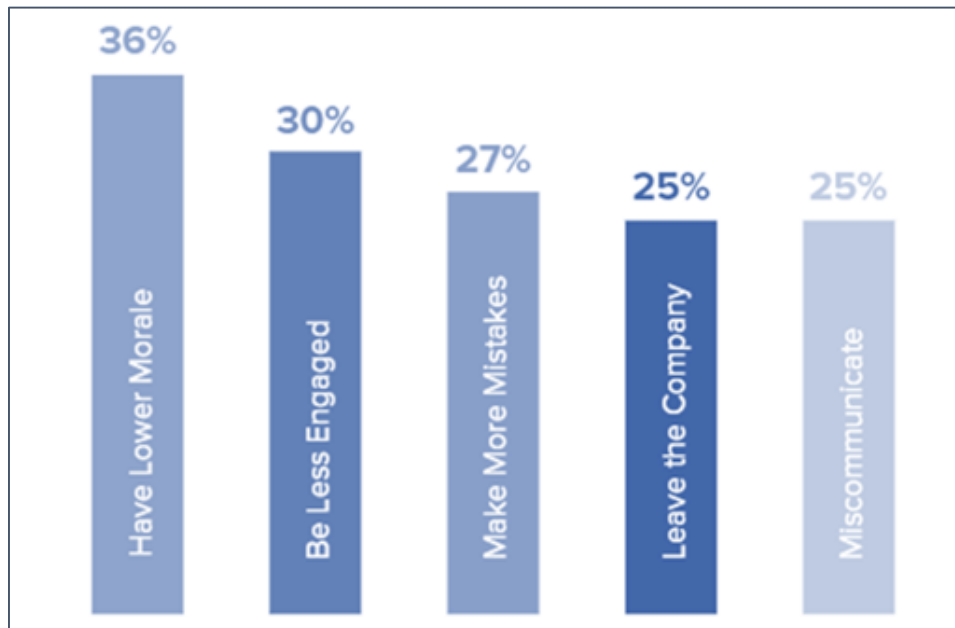
A growing body of research on positive organizational psychology demonstrates that not only is a disengaged work environment harmful to productivity over time, but that an engaged environment will lead to dramatic benefits for employers, employees, and the bottom line. Gallup has discovered five universal elements of well-being: career well-being (enjoy the work you do), social well-being (meaningful friendships), financial well-being (ability to manage finances), physical well-being (energy to get things done), and community well-being (enjoying the community where you live and in which you operate)¹²².

There is a significant relationship between engagement and well-being, with implications for employee performance. Engagement and well-being are highly correlated ¹²³. Well-being must be viewed holistically to realize the potential it has in driving performance. Employees with high engagement and low well-being have 61% higher likelihood of burn-out. Research shows that nearly 70% of people experienced burn-out, with the highest levels among Gen Z and Millennials. With more burn-out comes other negative factors, as indicated in the figure below.

¹²² The Link Between Employee Engagement and Well-Being - Business and Tech. (2021, March 9). Business and Tech. <https://www.futureofbusinessandtech.com/employee-well-being/the-link-between-employee-engagement-and-well-being/>

¹²³ The Link Between Employee Engagement and Well-Being - Business and Tech. (2021, March 9). Business and Tech. <https://www.futureofbusinessandtech.com/employee-well-being/the-link-between-employee-engagement-and-well-being/>

Figure 17 ¹²⁴ *Impact of Well-being on Engagement elements*



It's therefore critical that wellness is incorporated into engagement programmes. Holistic wellness programmes reduce workplace burn-out to near zero among engaged, thriving employees.

The difference between employee engagement and employee experience.

The dissertation indicated in

Figure 11, that central to the talent investment framework is employee experience. As indicated, it reflects an employee's entire journey with the organization. It includes the employee experiences before joining the organization to the transition phase. It includes aspects related to an

¹²⁴ Download: 2023 Employee Engagement Report - People Element. (n.d.). People Element. <https://peopleelement.com/resources/download-2023-employee-engagement-report/>

employee's role, workspace, well-being, and relationships with their leader and team. The employee life cycle captures the most significant employee-employer interactions that connect employees with the organization¹²⁵.

It's important to note that employee engagement influences employee experience during the initial stage of the employee life cycle. However, employee engagement also affects and is affected by all aspects of each stage of the lifecycle. The biggest difference between employee experience and employee engagement isn't so much that they are different, it is that they are interrelated. Developing employee engagement must be the main focus of leaders during every stage of the employee life cycle, all of which directly influences the employee experience.

The biggest flaw in Human Capital Models is that organizations have engagement programs that are disconnected from the rest of the people practices and thus disconnected from employee experience. The mistake most organizations make is to view engagement only as an end result, an example is to only focus on retention rather than understanding engagement as an integral part of the whole life cycle and as such a significant element in a powerful recruitment strategy. A second example is that organizations may see value in implementing an onboarding process focused on engagement yet fail to use it to transform performance conversations.

Organizations that focus on employee engagement as a central part of their strategy take a different approach by incorporating aspects of engagement into all elements of their employee experience so that each feed into and amplifies the other. A unique and powerful experience implies that every part of the employee life cycle should be implemented according to the organization's purpose and culture.

¹²⁵ Inc., G. (2013, June 20). The Benefits of Employee Engagement. Gallup.com. <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

Improving Engagement

Given the importance of engagement, it is critical to understand what can be done to improve it. The most significant cause of a workplace engagement program's failure is that it is regarded as something that human capital needs to solve. In most organizations, leaders do not own engagement, there is no expectation that they need to work with human capital to improve it, and a significant number of employees do not understand engagement.

Engagement results assist leaders and teams to start conversations and approach engagement issues authentically and meaningfully. Start by developing an engagement strategy; the following provides guidelines¹²⁶ :

1. Align Your Employee Experience with Purpose, Brand, and Culture. The employee life cycle and the experiences within it should be uniquely built to reflect the organization's purpose, culture, and brand. This supports the findings of this dissertation as explained on page **Errore. Il segnalibro non è definito.** and depicted in Figure 6.
2. Focus on all the elements in an employee life cycle to ensure that the employee experience is positive, this will in turn lead to positive engagement. This supports the findings as explained on page 63 and depicted in
- 3.
- 4.
5. **Figure 11.**
6. Remember that the core needs of employees are at the heart of engagement. This is supported by Maslow's hierarchy of needs, as depicted in Figure 8.

¹²⁶ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

A few constants in the organization have a significant influence on the quality of the employee experience at each stage of the employee life cycle. This is supported by a 2022 article written by Stephanie Santos for The Harvard Business Review:¹²⁷

1. The quality of the relationship between employee and line leader. Proactively and consistently scheduling time to connect with employees so that there is an understanding of what makes this employee unique. When leaders take a moment out of their day to check in with their team, people feel seen and valued.
2. Role clarity as it related to the objectives of the organization. Outlining the impact of work and the connection between employees and their organization incentivizes teams to be productive. When people can sense the connection between their output and the mission of the organization, work feels more purposeful.
3. Acknowledging the value that each employee brings to the team. Employees appreciate authentic leadership. It's up to the leader to foster this psychological safety. Normalize learning, encourage feedback, and celebrate team-wide and individual accomplishments.
4. The space and place where employees work e.g., do they have the right environment and tools in which to do their work.
5. The overall well-being of employees and how this is supported in the organization.

An employee is a consumer of the workplace, and this implies that they are looking for meaningful work, a supportive, collaborative environment, and an organization that can match the flexibility they want. Gallup ¹²⁸ recently asked 13,085 U.S. employees what was the most important to them when deciding

¹²⁷ Santos, S. (2022, August 11). *Employee Engagement: Our Favorite Reads*. Harvard Business Publishing. <https://www.harvardbusiness.org/employee-engagement-our-favorite-reads/>

¹²⁸ Inc., G. (n.d.). How to Improve Employee Engagement in the Workplace. Gallup.com. <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

whether to accept a new offer. The majority of employees (64%) say a role that allows them to have greater work-life balance and better personal well-being is at the heart of choosing whether to accept an offer or not. It therefore important that organizations rethink their talent investment strategy, how it aligns with their strategy, and how their culture supports it.

Case Study: Capricorn Group ¹²⁹

Background

There are multiple models and tools available to measure employee engagement. As part of this dissertation, the author would like to expand on a case study of The Capricorn Group. The Capricorn Group is a regional financial services group that started in Namibia and expanded to Botswana.

The Group started in 1982 and was listed on the Namibian Stock Exchange in 2013. The two banking subsidiaries operate in Namibia and Botswana, with other subsidiaries and associates offering complementary financial products and services.

The Capricorn Group employs circa 2500 individuals who make up a diverse workforce. The organizational culture encourages exceptional performance, supported by a strong sense of responsible behavior. The purpose of the organization is to improve lives through leadership in financial services by being Connectors of Positive Change. The organization has a strong culture called The Capricorn Way, which was developed internally from 2014 to 2016 and implemented in 2017.

¹²⁹ Capricorn Group is a diversified financial services group in Namibia. (n.d.). Capricorn Group - Home. <https://www.capricorn.com.na/Pages/default.aspx>

The Capricorn Way directs all stakeholders to embrace positive change, and it is underpinned by three beliefs:

1. We believe that Purpose Inspires Leadership.
2. We believe that Diversity Ignites Quantum Leaps.
3. We believe that Being Connected Helps Us Grow.

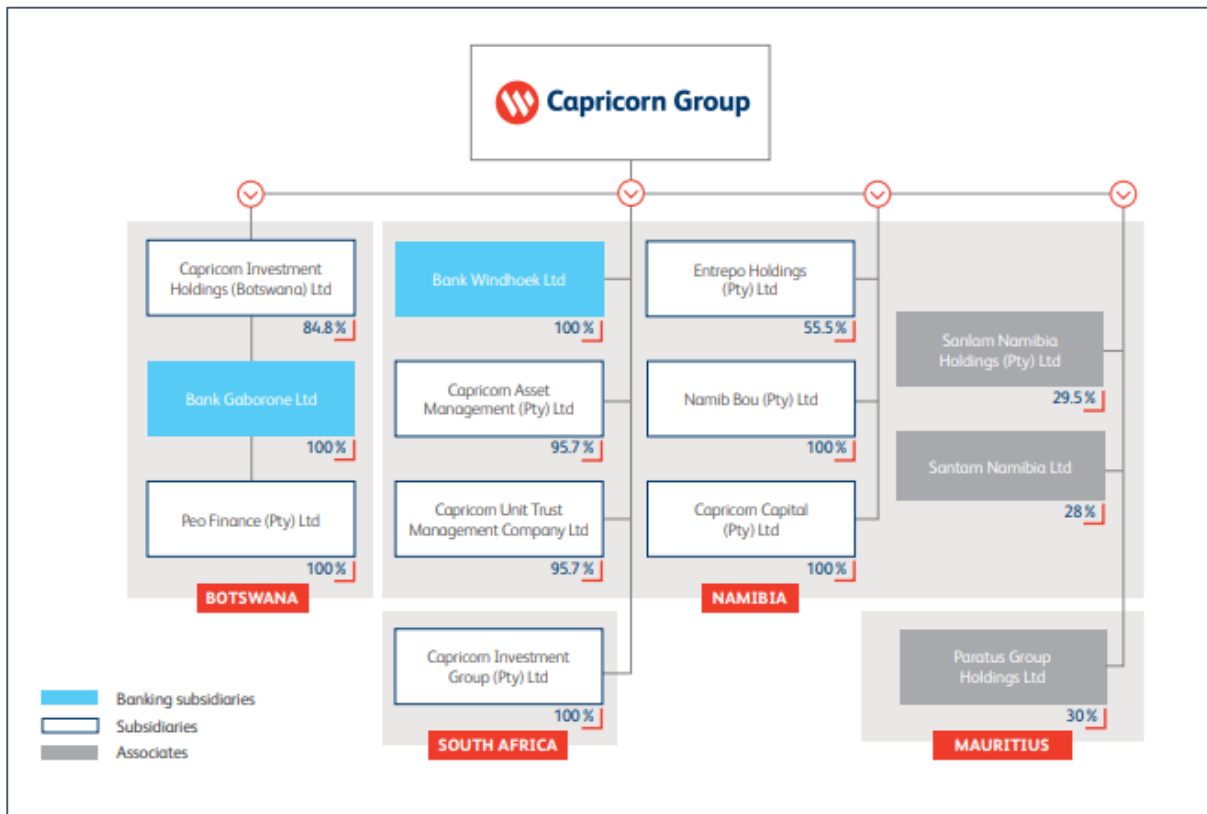
This is supported by the following Brand Values:

1. Inspired: We strive to empower the communities we operate in.
2. Open: We learn from the best and share our knowledge openly.
3. Dedicated: We aim to build deep customer relationships and put the needs of customers first.

92 % of the Group's total comprehensive income attributable to shareholders derives from Namibia. The main contributors are:

1. Bank Windhoek: 70.1%
2. Entrepo: 12%
3. Associates: 4.2%
4. Capricorn Asset Management 4.8% and
5. Botswana through Bank Gaborone: 8%

Figure 18 The Capricorn Group Structure



The Evolution of the Strategy

The strategic process that is adopted by the Group stems from the work done by A.G Lafley and R.L Martin in 2013 in their book *Play to Win*, which focuses on the defining of strategic choices as an outcome to a strategy process¹³⁰. The strategic choices that the Group embraced evolved over time as the social-political environment, the global landscape, the regional influences, and the economy changed. The Group adopts a 3-year strategic cycle and constantly reviews the choices in order to sense and respond to changing conditions.

The Strategic choices that are relevant to the case study include the following:

¹³⁰ Lafley, A. G., & Martin, R. L. (2013, February 5). *Playing to Win: How Strategy Really Works*.

Strategic cycle: 2018-2020

Choice 1: For the next three to four years (2018 – 2020), focus on building our foundation in Namibia, Zambia, and Botswana in order to get to a position of market leadership.

Choice 2: Win in Namibia, Zambia, and Botswana through operational excellence (lean, efficient, fast) and effective execution.

Choice 3: Compete in Namibia, Botswana, and Zambia through strategic relationships and partnerships in InsurTech, FinTech, Mobile & Telco, and Education.

Choice 4: No firm expansion into other countries in Africa until we have achieved our winning aspiration in our existing markets. Continue to look at opportunities elsewhere in Africa where we can enter with a commercially viable product and customer proposition.

Choice 5: In considering other African countries beyond 2020, target technological / borderless / cyber opportunities above bricks & mortar entry. Evaluate opportunities, whether cyber or bricks & mortar, on a case-by-case basis.

Strategic cycle: 2020-2023

Choice 1: We will transform our business using data & digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage. We will transform our business using data & digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage.

Choice 2: We will grow through entrepreneurial action in order to contribute to a sustainable organization.

Choice 3: We will prioritize diversity, equity and inclusivity focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.

Strategic cycle: 2023-2025

Choice 1: We will transform our business using data & digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage.

Choice 2: We will create long-term value towards a sustainable Group from customers, markets, and relationships through business development.

Choice 3: We will prioritize diversity, equity and inclusivity and embed them into the cultural DNA of the Capricorn Group.

Choice 4: We will leverage a single unified brand, to drive growth.

Choice 5: We will position the Group as an advanced follower, to turn sustainability integration into a business advantage, whilst creating environmental and social surpluses.

Choice 6: We champion a purpose driven culture that inspires leadership mindsets of curiosity, collaboration, and growth, that leverages talent and embraces DE&I to deliver a meaningful employee experience and sustainable business impact.

When considering the evolution of the strategic choices since 2018, it's evident that the Group matured as the environment evolved. The strategy is fit for purpose, and it matured as the landscape evolved with the addition of deliberate people choices.

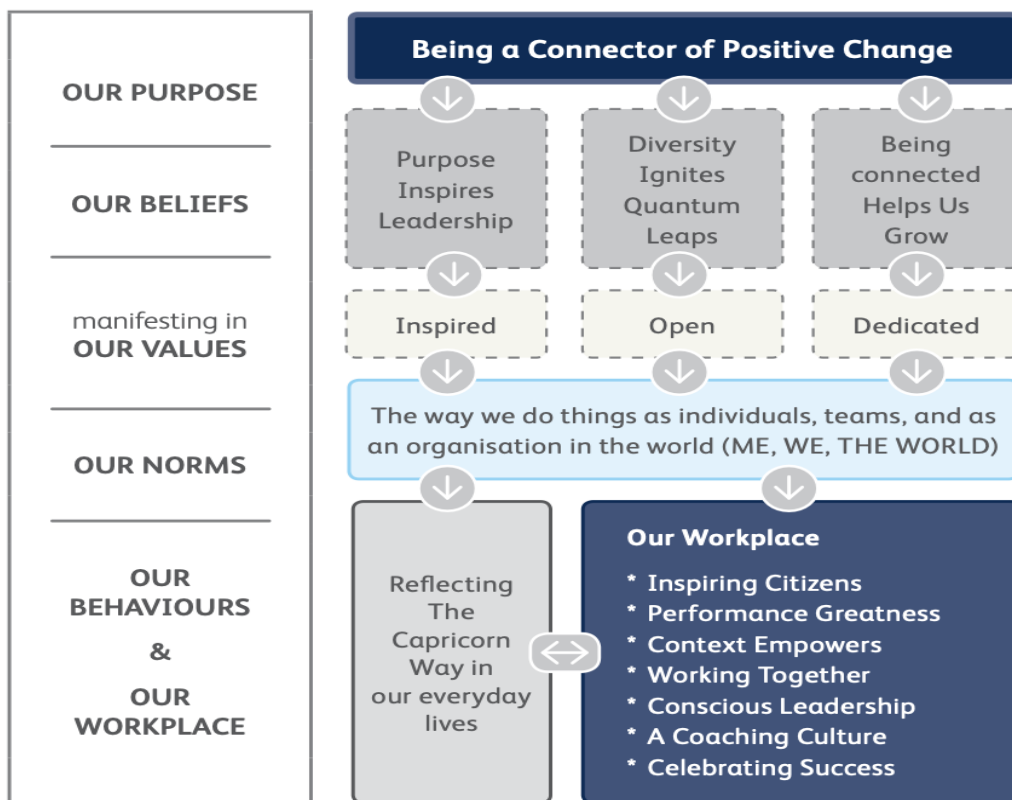
The People Agenda

Employees have always been central to the strategy of the Group, and in 2017 the Group made a deliberate choice when they launched The Capricorn Way. The Capricorn Way is the organizational code to unlock potential in both individuals and collectively across all stakeholders. It is a combination of the organization's beliefs, values, norms, and behaviors. What sets this apart from

other culture programs is that this was built by the employees across all levels in the organization.

The Capricorn Way is a living document that continues to grow in meaning, and it's been weaved into business and people processes. It is regarded as the organization's moral compass or north star, and it explores the question of purpose by asking "Who am I?", "What is my purpose?" and "How can I make a difference, not just for myself, but for others?".

Figure 19 The Capricorn Way



The Group understood the alignment between strategy, purpose, and culture, as explained in CHAPTER 3 **Errore. L'origine riferimento non è stata trovata.** and illustrated in Figure 6.

The Capricorn Way has evolved since 2017, and during the last six years, the focus has been on embedding the culture as part of the DNA of the organization. It is included across people, practices, and processes and is lived throughout the business across stakeholder groupings.

The implementation of a culture and being deliberate about it is a critical mindset shift for any organization. The question, however, remained – how will we measure success? The Capricorn Group placed a high priority on incorporating its culture into the business and focused on fostering committed and dedicated employees.

Employee Engagement

Employee engagement and the link to business performance has been researched and explained in the literature review in CHAPTER 4.

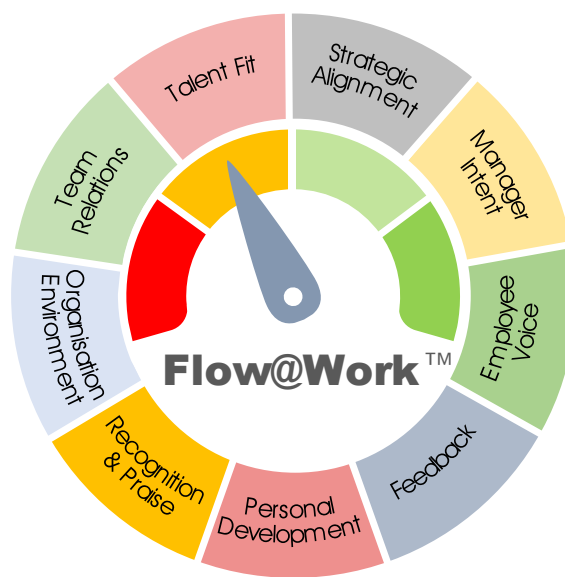
Capricorn Group engaged Mindset Management¹³¹, a South African based business that was founded as a result of the inability of existing employee engagement solutions to deliver anything more than top-level feedback to executives. This frustration led to the development of the Flow@Way-of-Work employee engagement model. Their vision is to believe that driving sustainable engagement requires the right information, in the right hands, at the right time.

Mindset's Flow@Work™ model is based on the results of extensive market research conducted by Gallup, Towers Perrin, Blessing White, The Hay Group, and others, and builds on the pioneering work of Mihaly Csikszentmihályi. The programme maps a holistic path that will help companies and business units

¹³¹ Mindset Management. (n.d.). Home | Mindset Management. <https://www.mindsetmanage.com/>

create work conditions enabling people and ideas to flourish, where employees enjoy doing their best, and where they are optimally productive. In short, it provides the context and framework for creating the conditions that will allow employees to be engaged and for performance to flow. The elements of the engagement model and what it measures are depicted below.

Figure 20 The Flow@Work Engagement Model



The table below represents the most recent reliability results across commitment and willingness. These scales were consistently used across the period presented.

Table 1 Reliability Results

	Alpha	Means	Standard Deviation
Willingness	0.75	7.97	1.50
Commitment	0.79	8.10	1.90
Strategic Alignment	0.75	8.23	1.50
Manager intent	0.92	7.66	2.20
Feedback	0.79	7.88	2.10
Employee Voice	0.81	7.20	2.10
Recognition and Praise	0.76	6.65	2.00
Personal Development	0.80	7.07	2.10
Organizational Environment	0.82	7.67	1.80
Team Relations	0.83	7.87	1.70
Talent Fit	0.77	7.19	2.20

The reliability indicators across all the constructs are extremely high, indicating that the elements proposed as part of the holistic Human Capital Model correlate positively with employee engagement. The standard deviations to the mean are also low, indicating that scores are closely clustered around the mean.

Their philosophy that employee engagement should be driven through ongoing business improvement and policy design processes initiated from the top resonated with the Capricorn Group. The first employee engagement measurement was completed in early 2018.

The Engagement Journey

When first completing the engagement survey, the Group had a participation rate of 78%, with 75% of employees being engaged. This was regarded as good results that aligned with the benchmark data. The Group, however, wanted to ensure that 1) Engaged employees remained committed and motivated and 2) focused on employees that were not engaged. To achieve this, a detailed analysis of the results and working groups were established to focus on qualitative and quantitative feedback. The areas of strength already displayed in the first survey were around The Capricorn Way and the fact that employees resonated with it. The identified focus areas were strategy, talent, and recognition.

During the last five years, the organization completed the engagement survey on a yearly basis, with the same methodology in place – focus on the strengths and build on them and be deliberate around the areas of development. During the last five years, the following are some of the notable and strategic human capital practices that were implemented based on the outcome of the engagement survey.

1. The Capricorn Way was entrenched in the business through various initiatives. Today each employee resonates with the culture, and there is a strong sense of belonging across the group, irrespective of the different corporate brands.
2. A deliberate focus to ensure that all employees understand the organization's strategy and how each role fits into the execution thereof. The concept of strategic choices was introduced at various forums throughout 3-year strategic cycles. Engagement is focused on face-to-face unpacking of the strategy down to business unit level. Various communication tools are used to ensure comprehensive engagement and understanding.
3. Deliberately adding two strategic choices in 2020, focusing on the people agenda.
4. Performance Management was reframed to Performance Development and the balanced scorecard was replaced with a more holistic approach that incorporated customers, company, colleagues, citizenship, and conduct. The process was also automated.
5. The Capricorn Way was introduced as a performance measure to ensure that success does not only focus on “what” gets done but also on “how” it is executed.
6. Talent Management was reframed to Talent investment, and mapping was done across the lifecycle of an employee. The aim is to have an integrated approach where the group invests in talent throughout the employee

journey. Significant investment was also made to improve and embed each leg of the employee journey. The concept of potential was also introduced across five key drivers, and recently, a measurement tool was developed in support of this.

7. A recognition system was launched – called Sparkfolios¹³², where employees can electronically, by different means, provide recognition.
8. An employee application called MyCapricorn was launched¹³³. This enabled real-time communication with employees. This was especially effective during Covid-19. The platform further allows employees to complete key tasks, e.g., leave applications and surveys electronically.
9. The Learning and Development function changed to people development and reinvented the way learning takes place across the organization. A notable achievement was the launch of a Digital academy with the focus of enabling all employees to enrich their knowledge of the fourth industrial revolution.
10. A diversity, equity, and inclusion programme were introduced as a strategic choice in 2020.
11. Leadership across all levels received a significant amount of attention by introducing a variety of learning opportunities. This included both personal, team, and organizational elements.
12. Well-being became a key focus area during and after Covid-19. Well-being is a significant driver in the organization. Multiple initiatives were introduced, including an onsite clinic that is recognized by the Minister of Health and Social Services, podcasts, webinars, small group and individual interventions, and articles.
13. A reward strategy focusing on talent, performance, and benchmark data was introduced.

¹³² *sparkfolios. (n.d.). *Sparkfolios. <https://www.sparkfolios.com>

¹³³ *Unleashing the Future of Employee Engagement* | Wyzetalk. (n.d.). Wyzetalk. <https://www.wyzetalk.com/>

14. Human Capital strategic drivers were introduced that focused on holistic and integrated practices.

The initiatives mentioned above were developed and introduced during a five-year period with the aim of improving employee engagement and ultimately improving business performance.

The Outcome

The aim of the dissertation is to introduce a new Human Capital Model that integrates multiple concepts with engagement and business performance as the end goal. The Capricorn Group has, during the last five years, adopted these principles. An analysis was conducted in collaboration with Mindset Management to review the engagement and business performance of the Group during the last five years.

The Mindset Management Flow@Way-of-Work model was built to measure two constructs as indicators of being fully engaged. As such, employees who score high on both the Commitment (emotional commitment to the organization and its values) and Willingness (willingness to exert discretionary effort to help organization achieve its goals) scales of our survey are said to be fully engaged. These scales are each highly reliable (Willingness $\alpha = .75$; Commitment $\alpha = .79$) and were used as part of an annual diagnostic survey process across the Capricorn group. The participation rate is also critical when analyzing engagement and the Group's participation rate increased from 75% in 2018 to 93% in 2023.

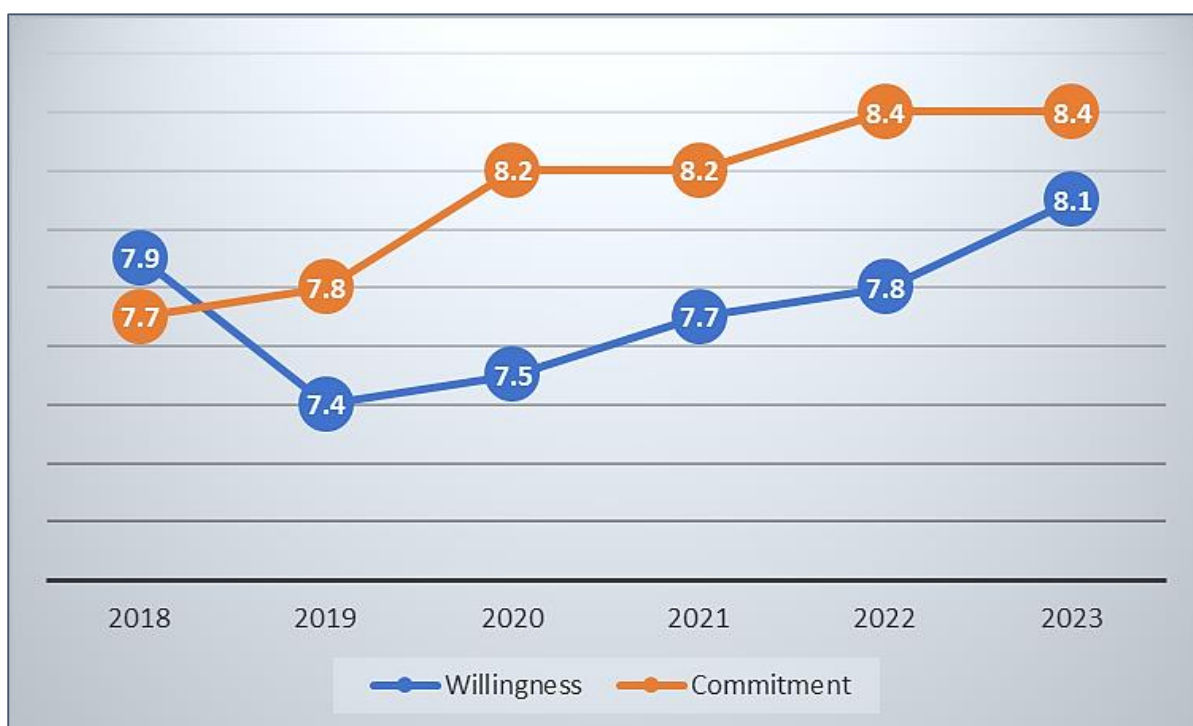
The following represents the latest data from the 2023 engagement survey. The group has, over the last five years, improved engagement from 75% to 86%.

Figure 21 Capricorn Group 2023 Engagement results



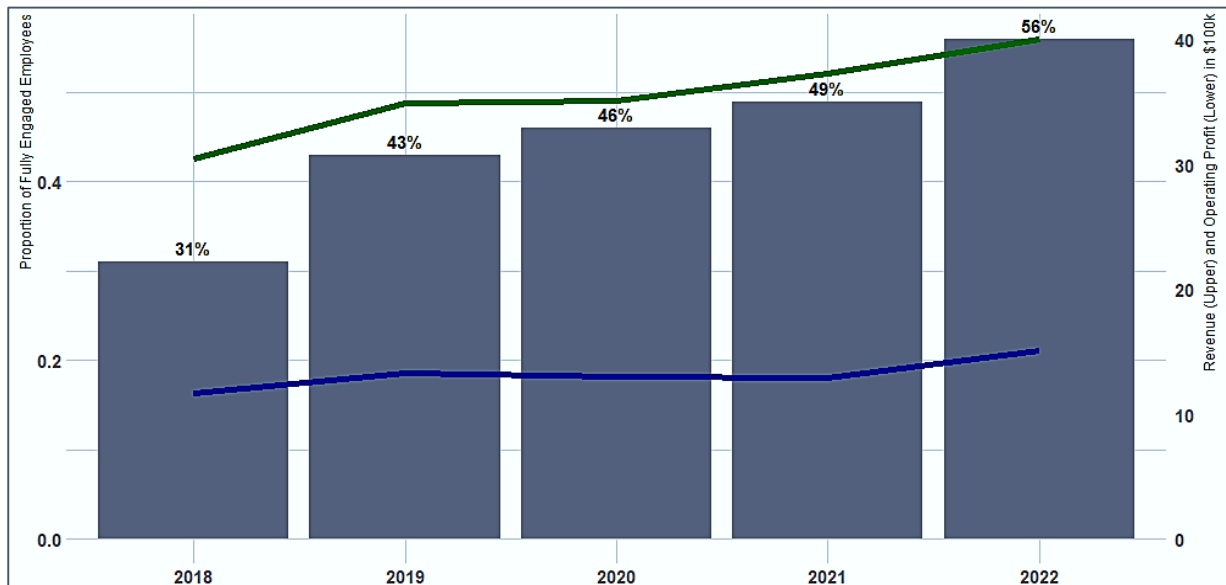
More notable is the commitment and willingness scores that have improved year on year since 2019. Since the inception of the survey, the scores have been above the benchmark data.

Figure 22 Trend line from 2017 to 2023



Starting with the bottom line, Profit (blue) and Operating Revenue (green) both increased over the time series, suggesting that the Group performed well despite difficult economic times exacerbated by Covid-19.

Figure 23 Capricorn Group Financial Performance over a five-year period.



* Numbers expressed in Namibian Dollars

Further, across this time span, the proportion of employees who scored high on both engagement indicators (to be classified as “Fully Engaged” by the model) increased from 31% to 56% over the same period. Together, these metrics suggest that Capricorn’s human capital strategy is likely supportive of both enhanced business performance and progressively increasing levels of employee engagement.

Beyond the bottom line, however, other metrics like total deposits further suggest that Capricorn is encouraging customers to increase the amount of money held in their accounts.

Figure 24 Total deposits and engagement index scores.



* Numbers expressed in Namibian Dollars

In the graph above it's evident that over the five years measured, both the index of our measures of Commitment and Willingness (y-axis) and Total Deposits held with Capricorn (bubble size) increased. Although not pictured above, these numbers should be read in the context that over this same course of time, the percentage of income coming from non-interest sources also increased from 41.3% in 2018 to 45.9% in 2022. This percentage is often used to evaluate how effective financial services institutions are at addressing gaps in revenues in lowering interest rate conditions. Thus, this percentage increase suggests that over this course of time, while clients were increasing deposits with the group, a greater proportion of revenues were coming from either fee collection or sales of paid services. Relative to income from interest, income generated in these ways likely depends on a greater degree of employee effort in both addressing customers' concerns surrounding increased fees and explaining the value associated with the bank's various paid services.

These measures suggest that the Capricorn Group navigated the transition involved in the Covid-19 pandemic extremely well and that this was not done

at the expense of employee engagement at the company. While this data is not appropriate for statistical analysis, none of the observed patterns suggest that the engagement levels of employees at Capricorn are a limiting factor in the institution's performance. Further, given the increasing proportion of non-interest income and total deposits, this data may suggest that employee efforts allowed Capricorn to address changes in the underlying banking business caused by interest rate changes.

Conclusion

The firm strategy, brand position, and purpose of the Capricorn Group supported by a strong culture ensured that employees remained engaged despite external factors. The human capital strategy that focused on holistic and integrated interventions proved to be successful as the correlation between the engagement scores and financial performance is evident.

It further indicates that the model of engagement used is fit for purpose and aligns with the constructs that deliberately improve business results. The holistic implementation of human capital practices that is supported by line leaders has been cited as the driving force behind the increase in engagement scores. The Group has performed well despite economic pressure and external influences. Its therefore, evident that the following can be noted as the constructs of success for the Group:

1. A strong strategy that is owned and understood by each employee in the organization.
2. A well-established and well-known Brand in the countries where the Group operates.
3. A purpose-driven culture that supports engagement and commitment.
4. People practices that span across the lifecycle of the employee from attraction and identification to the transition phase.

5. Leadership capabilities and mindsets that support the strategy and own the employee journey.

The above speaks to a holistic Human Capital Model that focuses on integrated practices across culture, talent, and leadership. It has indicated that when these factors are in place, an employee will have a positive experience which leads to increased engagement and, in turn, sustainable business performance.

CHAPTER 5

Findings

The interdependence between companies and society has intensified due to the constantly changing societal and business landscape. This calls for a more mutually beneficial relationship between business and society. Organizations are struggling to navigate these challenges while ensuring that they have an engaged workforce that is driven to sustainable business performance.

Post conducting the literature review, it is evident that the dynamic nature of the business environment requires a comprehensive re-evaluation of people practices, including the redrafting of a fit-for-purpose Human Capital Model or Framework. There are a multitude of traditional approaches to human capital that have focused on distinct components of this ecosystem. These models formed the foundation for human capital practices that organizations currently embrace. Research indicates a growing need for a comprehensive and interconnected approach that addresses the various factors affecting an organization, both internal and external. This is primarily driven by multiple changes in the external environment, the evolution of the world of work, and the increasing shift in what is deemed meaningful and purpose-driven from an employee perspective.

Although there is not a one size fits all approach when considering Human Capital Models or the associated practices, when one considers a framework, it should be fit for purpose given the current landscape that organizations operate in. Considering the changing world of work, the talent conundrum, the focus on gaining better insights through data analysis, and the move towards a green economy, all indicate that traditional thinking will not achieve sustainable performance.

The implication is that organizations and employees are traversing a new landscape where innovation is stimulated, rules are challenged, and engagement has shifted. This opens doors for greater and more meaningful collaboration and co-creation within an organization. A shift is required where different mindsets that foster curiosity, invite collaboration, and encourage shared growth are explored.

This dissertation highlighted key elements deemed critical when adopting a Human Capital Model. These included:

1. The strategic direction of the organization is influenced by both external and internal drivers.
2. The purpose and culture of an organization is interwoven with the strategy. These elements combined are what bind employees to the organization. This makes an organization unique and gives an employee a sense of belonging.
3. Talent investment philosophy that spans the lifecycle of the employee. It's the notion that investment in people should take place during the lifecycle.
4. The role of leadership and how this has shifted from purely competencies and skills to incorporating mindsets is fundamental when exploring successful leadership traits.
5. The measurement of impact through employee experiences enhances engagement and ultimately drives business performance.

The research indicated that these elements cannot stand alone and be viewed in isolation. It is indeed an ecosystem that exists in an organization. It recognizes that these elements are interdependent and essential for sustainable organizational success. The model is based on the premise that these elements foster an engaged workforce that drives sustainable business performance.

Maximizing Human Capital is about value creation. This is achieved by investing in talent and enhancing engagement that is driven by leadership and cemented in the culture. It is about developing economic value emanating from the interplay between the organization and its employees. One can conclude that it is a systemic and holistic view of employees within a dynamic system.

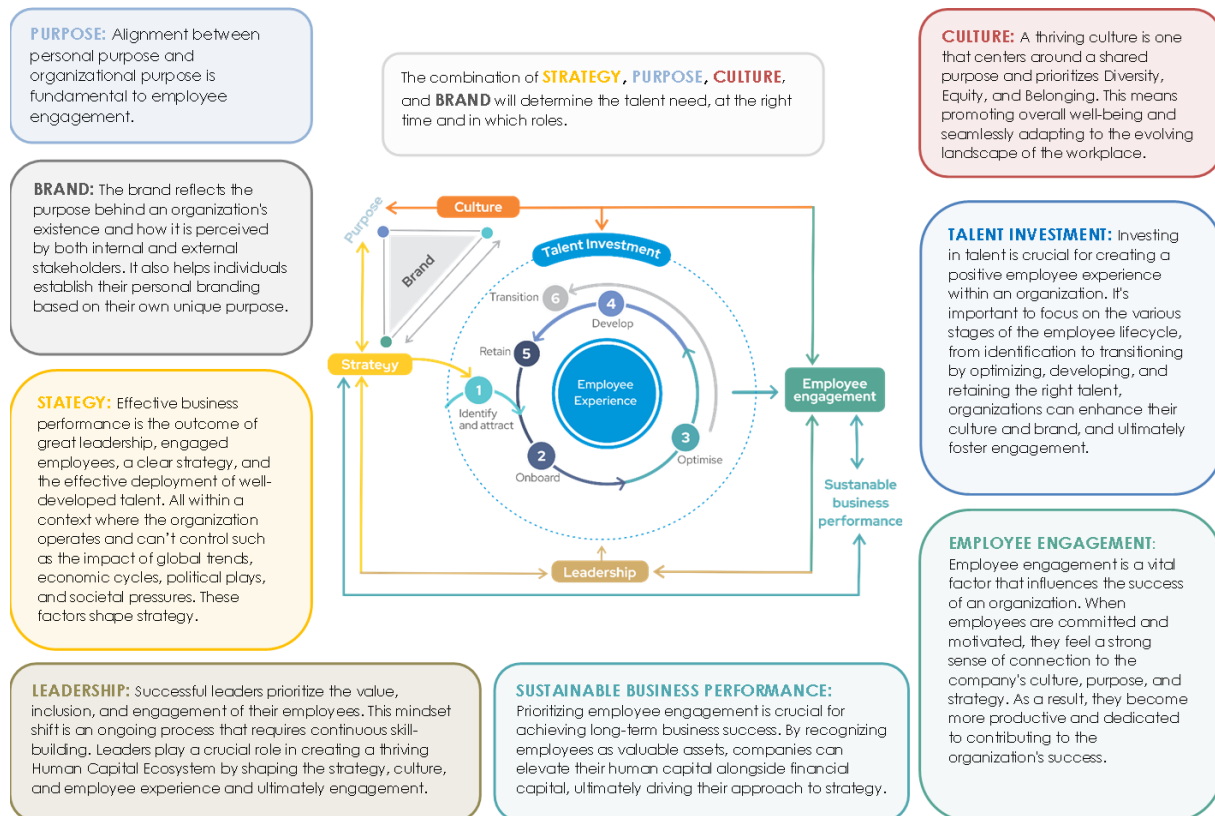
A significant amount of research has been cited supporting the link between employee engagement and business performance. Organizations, however, seem to struggle to engage their employees effectively. This dissertation asserts that the siloed approach adopted across numerous Human Capital Models profoundly impacts employee engagement and in turn business performance. It is undeniable that a systemic framework is necessary for addressing the evolving landscape, societal changes, market trends, or changes to the workforce demographics. After conducting an extensive literature review and a detailed case study, the evidence suggests that an effective engagement model must include holistic and integrated people practices delivering more sustainable business performance.

A Human Capital Ecosystemic Framework ©

The Human Capital Models explored in this study have formed the foundation for Human Resource practices as adopted by most organizations. The following presents the model that is designed as part of this dissertation. The model represents a fully holistic and integrated view of the human capital ecosystem. It speaks to the synergistic relationship between various constructs that must co-exist to produce the desired results for multiple stakeholders. The most apt manner to describe this model is a Human Capital Ecosystemic Framework. The following figure explains the framework in detail by means of an extended version.

Figure 25 ¹³⁴ A Human Capital Ecosystemic Framework © (expanded version)

The proposed framework creates an efficient ecosystem where each component relies on the others to function at its best. This system is interdependent and dynamic, with the capacity to detect and respond to changes.



The proposed framework is built on the following principles, as proven in this dissertation:

1. Convergence: The framework focuses on convergence, indicating the coming together of various components into a unified system. This includes multiple internal and external stakeholders, the political and economic

¹³⁴ Viljoen, S. (2023, December). *An Integrative Human Capital Ecosystem Framework*, Doctoral Thesis, Selinus University of Science and Literature. Retrieved December 2023, from <https://www.uniselinus.education>

environment in which an organization operates including the social context.

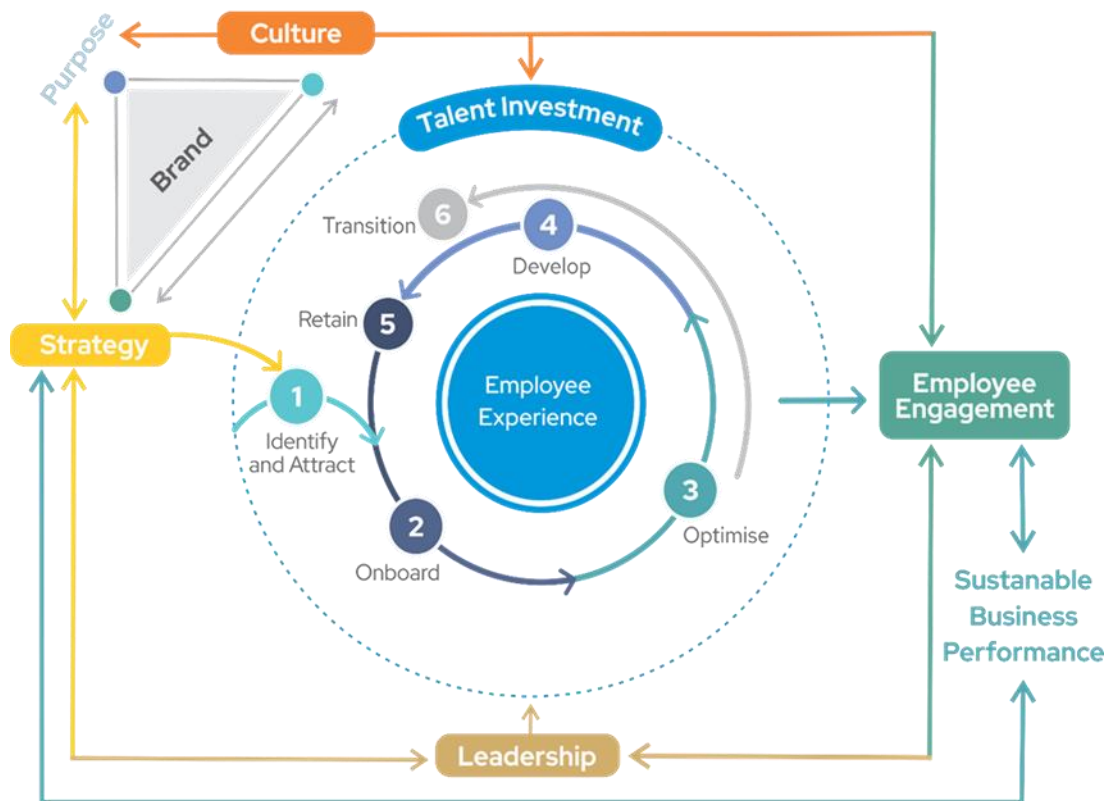
2. **Interconnectedness:** Different human capital elements within an organization are interconnected and interdependent. Changes in one area can have unintended consequences across the entire ecosystem.
3. **Collaborative Synergy:** The belief that synergy and collaboration between various human capital practices and functions yield enhanced outcomes than isolated efforts. Integrating these initiatives can lead to enhanced engagement.
4. **Employee-centric focus:** The understanding that employees are at the heart of the framework. This model assumes that a people-centric approach, addressing their needs and aspirations, fosters better employee engagement and performance.
5. **Organizational Alignment:** Human capital strategies and practices must align with the organizational strategy. This alignment will ensure better organizational performance.
6. **Adaptability:** The recognition that the business environment is dynamic, and the framework is designed in such a manner that it can adjust and evolve in real-time as circumstances shift, new challenges arise, or opportunities emerge.
7. **Continuous improvement:** The belief that a culture of continuous improvement and learning is essential for sustained success. The framework should encourage ongoing evaluation and refinement of practices.
8. **Leadership influence:** The acknowledgment that leadership is pivotal in driving human capital initiatives. Effective leadership can inspire and motivate employees to ensure commitment and performance.
9. **Cultural Impact:** The culture of an organization significantly influences human capital outcomes. The framework is driven by the fact that culture shapes multiple constructs within an ecosystem.

10. Data-Driven Decision Making: The emphasis on using data and analytics to inform strategies and decisions. The framework postulates that data-driven insights lead to more effective human capital investment.

These underlying principles provide the foundation for the Integrative Human Capital Ecosystem Framework. It guided the design, implementation, and impact on multiple stakeholders.

Although there is a significant amount of detail contained in the framework, it is simplistic enough to be applied across industries, geographies, and organizational size. The following represents the simplified version.

Figure 26 A Human Capital Ecosystemic Framework®



The role of Human Capital Professionals

1. Employee Experience is fundamental to business success.

Employees have a need beyond just fair compensation and career opportunities. Employees seek an integrated work-life experience including aligning their personal purpose and values with that of the organization. Employees want to be recognized as making an impact in society beyond just focusing on generating profits for the organization. The role of Human Capital professionals will expand to focus on fluid employer-employee expectations. This asks of Human Capital professionals and leaders to become more human-centric.

2. Flexibility in workplace practices.

During the pandemic, the concept of remote working and post that hybrid working has become the norm. Personalization of workplace practices to suit individual needs will become the challenge for both line leaders and Human Capital professionals. The dynamic mix between employees wanting to come into the office and employees wanting a hybrid or totally remote option will become more prevalent. This is not only about personalization based on each employee it's about the understanding of team dynamics and valuing the diversity within it.

3. Organizational Flexibility

Before the pandemic, Human Capital professionals largely focused on known factors and the transactional components associated with the role. A limited number of Human Capital professionals were prepared for speed, adaptability, and agility. However, the world of work was altered dramatically during the pandemic and post that. Organizations that were already geared toward agility benefited the most from this rapidly changing environment. The focus will remain on fluidity, resilience, and agility. The demand on Human Capital professionals will be to lead the organization through hierarchical

changes and alliances across the ecosystem. Agility will enable Human Capital professionals to make intelligent choices more rapidly and boost their company's performance. Innovation is required to be truly agile and adaptable.

4. People Analytics at the core

Leveraging people analytics to ensure proactive and data driven decision across the Human Capital will become the norm. This will impact constructs across the employee ecosystem and imply better decision making and proactive risk management. This will require new skills for Human Capital professionals to derive data driven insights. When considering the hybrid working conditions, the dynamics within teams and the implication for talent this is only possible with effective technology being in place.

5. Human Capital Automation

Traditionally Human Capital professionals are seen as administratively orientated and focused on routine tasks. The consequence is being trapped in activities that do not contribute to the transformation of the organization and the delivery of the strategy. This is part of the reason why organizations struggle to find the business benefit in investing in Human Capital technologies. As a result, most organizations still use different Human Capital systems that are not integrated. This hampers productivity, innovation, and agility. It hinders the Human Capital function to become more transformational and add to the strategy of the business.

6. Diversity, Equity, Inclusion, and Belonging

Diversity, equity, inclusion and belonging (DEIB) is more than just creating an equitable working environment. Advancing in this space ensures that the organization is attractive for future employees, and it is an essential retention mechanism for talent. The focus for organizations is to ensure that sustainability is built by adopting a diverse, equitable and inclusive workspace where

belonging is regarded as part of the culture. The challenge for Human Capital professionals will be to create a psychologically safe environment despite the organizational dynamics and constant changes in the environment. When employees feel safe, they operate from a place of trust and behavior and interactions become authentic. This creates loyalty and commitment to an organization.

Adjacent to the changing world of work, and the changes in the demands and needs of employees, Human Resources professionals have realized that their roles have become more central to the success of an organization. Creating meaningful and purpose driven work is largely in the space of Human Capital creating the framework that supports this.

Conclusion

In conclusion, the research has delved into the current global challenges, critically reviewing existing Human Capital Models and their limitations in the rapidly evolving world of work. Traditional models often siloed and lacking a comprehensive ecosystem perspective, have proven inadequate in capturing the intricate interplay of factors crucial for organizational success.

Recognizing that any Human Capital Model or framework should start by understanding the external environment and the organization's strategy is key. Fundamental to this is the acknowledgment that culture should align to these elements and cannot be separated from the organization's strategy and purpose. It is the glue that binds everything together and ensures authenticity in the ecosystem. This dissertation focused on the fundamental role of leadership and the impact that mindsets can have. It bridged the gap between theory and practice when considering measurable outcomes, such as the direct correlation between employee engagement and business success. This framework transcends traditional boundaries, offering an

integrated manner to view human capital primed for the complexities of modern organizations.

This framework, designed with a holistic ecosystem view, acknowledges human capital's dynamic and interconnected nature. Considering the elements that are encapsulated in the culture, the investment in talent, and change in effective leadership, these elements, in unison, pave the way for a more agile and adaptable human capital approach. Moreover, integrating measurable outcomes establishes a data-driven decision-making foundation to ensure strategic effectiveness and quantifiable results.

By introducing this new framework, it revolutionizes the perception of human capital in organizations. Embracing the synergistic nature of interconnected elements, the model empowers organizations to thrive amidst changing the global landscape and seize opportunities for sustainable growth.

As one looks to the future, this research is a pivotal step in shaping a transformative paradigm for Human Capital Management within business. By fostering a holistic understanding of people practices, one can unlock the full potential of employees, enable impactful leadership, and realize long-term business success. The vision is a world where organizations can adapt, evolve, and flourish by leveraging Human Capital to create a sustainable impact for employees, stakeholders, and the community.

Future Considerations

The framework represents significant constructs that are interconnected. The explanation of the constructs and the alignment is contained in detail in the dissertation. The dissertation further provides information relating to employee engagement as a measure of commitment and motivation and detailed

research has been included to indicate the correlation between engagement and business performance.

From a future consideration perspective, it will be value-adding to design a measurement tool for leadership mindsets that speaks to the elements highlighted in the dissertation. This, combined with traditional competency and skills assessments, will provide a rich and holistic view of a leader. This was not the focus of this dissertation, and current research on this topic is limited and not yet fully explored.

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