

# Common Human Capital Strategy Mistakes & How You Can Avoid Them

8 min read



## Key Takeaways

- Failing to Invest in Your People: Society of Human Resource Managers found that businesses with employee recognition programs saw a 63 % increase in employee productivity and a 58% percent return on their profit margins.
- Not Having an Organizational "Org" Chart: You can use these charts strategically to time hires perfectly, optimize your workforce for seasonal demands, or to plan for (or anticipate) worst-case scenarios like multiple employees quitting or retiring at once. [2]
- Not Measuring the Results: Start by gathering data and identifying a few essential key performance indicators that will help you keep a bead on your people and productivity.

If I asked you "How do you boost your bottom line?" - what's the first thing that pops in your head?

If you answered, “more sales!” You’re already in trouble. Because you can't (only) sell your way to profit. Oftentimes, business leaders think this is the answer, but in reality there are operational issues that cause major cash flow problems, wasteful spending, and stress on your people. Operational issues need to be addressed at the source, and increasing sales will likely only exacerbate them.

When you understand the [ROI of a powerful human capital management strategy](#) and investing in your people, however, you'll come to understand the true profit powerhouse that's already a living, breathing part of your business — your people.

This is important because one fact is true: People Drive Profit!

Executing a successful human capital management strategy that will help you create a positive workplace culture and choose the right ways to invest in your people is more easily said than done. In fact, business leaders often make some pretty common mistakes in human capital management.

Here are some of the most prevalent problems with lack of management in your human capital strategy and how to avoid (or correct) them...

## **5 Human Capital Management Strategy Mistakes to Avoid**

### **1. Well... Not Having A Human Capital Strategy.**

Many assume they can step into a leadership role and simply have everything fall into place.

However, this approach won't yield very desirable results. When you decide to just wing it with your human capital strategy, you leave your workplace culture, employee happiness, productivity, and profits to fate — and no business owner can afford to roll the dice with the bottom line.

When you take the time to actually [define and document a human capital management strategy](#) for your business, you'll have a clear pathway to success. And your employees will feel good knowing that you care about them and their success as well.

One of the best ways to start defining your strategy is by building it as part of a broader operating framework for your business (we've listed a few operating frameworks we've seen businesses adopt → [here](#)).

With an operating framework, you can move your strategic planning, operations, execution, and data/intelligence out of separate silos, integrating them into a seamless framework that fuels itself and continuously propels your people toward business (& their career) goals.

A documented operating framework should define your long-term and short-term goals, outline the process and tools needed to achieve them, implement a process for measuring progress, and also maintain a schedule of regular meetings to assess progress and make adjustments as necessary.

This helps everyone stay aligned, and provides regular opportunities to have open, honest communication.

A company's human capital management strategy is a natural component of the overall operating framework, as it encompasses employee training, expectations, investment, goal-setting, rewards, and recognition.

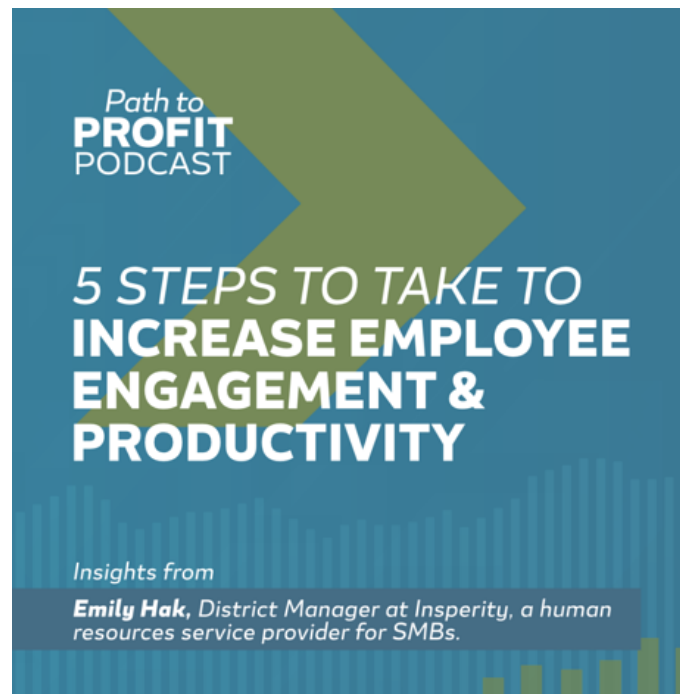
During the process of defining your human capital strategy, don't get hung up on creating the perfect strategy from the start. Your human capital management plan will likely undergo several revisions with each iteration improving upon the previous. As you continue to navigate the process, you'll enjoy better employee retention rates, increased productivity, benchmark success, stronger profits, and more growth opportunities.

## **2. Failing to Invest in Your People**

No human capital management strategy can be complete without a motivational, goal-oriented system of rewards, recognition, and compensation.

In other words, no human capital management strategy will work without investing in your people-.

When you're busy trying to cut costs in your company, it's best to avoid cutting your people costs – even though this is often one of the largest expense categories for most businesses. Instead of cutting people-related costs, start thinking of them as targeted investments and focus on spending these resources more effectively to maximize the profitability of your people.



[🎧 Listen to the Full Path To Profit Podcast Episode!](#)

**Where do you start?** Here are some things to keep in mind when it comes to setting up a recognition and reward system for employees: [1]

1. **Sufficient Resources:** A crucial component to a successful recognition + reward system leadership's commitment to resources. Before you do anything, make sure your management team has the necessary resources (and time) to follow through.
2. **Align With Company Goals:** The most successful reward systems are aligned with the company's missions and values. This keeps the entire company on track to success.

3. **Regularly Assessed:** Are objectives being met? To ensure the programs are effective and remain relevant, make a habit of measuring the program's value.
4. **Keep It Simple:** The program should require the least amount of administrative effort.

Deciding to invest in your people is the perfect place to start bolstering your bottom line by maximizing your ROI in employees. [The numbers don't lie](#): Society of Human Resource Managers found that businesses with employee recognition programs saw a 63% increase in employee productivity and a 58% percent return on their profit margins.

### 3. Not Having an Organizational "Org" Chart

An organizational chart – [or an org chart for short](#) – is a diagram of a company's human capital structure. An org chart looks a bit like a family tree and should make it easy to see, at a glance, all the positions in your organization, their hierarchy (relationships and ranks), who fills the positions, and additional information on each employee and role.

You can use these charts strategically to time hires perfectly, optimize your workforce for seasonal demands, or to plan for (or anticipate) worst-case scenarios like multiple employees quitting or retiring at once. Additionally, an org chart can be used to view your employee's resources, talents, and capabilities to more easily see which roles will be best filled by which employees.

In days past, organizational charts were hand-written documents or sometimes composed of more easily interchangeable sticky notes on a whiteboard or wall. Today, org charts have been digitized, and the right org chart software will pull data in from your existing human resources software to automatically populate and update an electronic org chart. So, you can update your chart with a click rather than spending hours manually producing a new org chart every time you hire a new employee, create a new position, or make changes to your payroll.

Speaking of technology...

## 4. Not Investing in Human Resources Technology and/or Choosing the Wrong Technology

With the right human capital management and human resources technology in place, you can track and measure the data on just about any aspect of your business, people, and productivity. Additionally, you can leverage this technology to automatically collect data, translate it into meaningful numbers, and comb through it to find the most important information. This includes time tracking and [measuring the people-related metrics](#) that will help you perfect your human capital management strategy.

Our number one advice: Automate everything and anything you can. Luckily, there are [integrations](#) your business can use to automate time tracking and benefits accrual/usage. One of our favorites is [TSheets](#). This is particularly vital for services businesses that are making money on people's time.

Automating HR back-office processes will free up the minds in your human resource department to work on strategic, profit-generating tasks. In turn, this will help you maximize profitability in your people, increase employee retention, perfect your hiring process, accurately track and allocate time, streamline your operations, and more.

Bottom Line: If you fail to invest in powerful technology tools or if you attempt to operate with a piecemealed system of disconnected software that doesn't easily integrate, you'll waste time manually interpreting data and miss out on invaluable information about your people, operations, productivity, and strategy.

## 5. Not Measuring the Results

When you take the time to define a human capital management strategy for your business, go the extra mile by also outlining a plan and acquiring the tools needed to measure the success of your strategy.

Start by gathering data and identifying a few essential [key performance indicators](#) that will help you keep a bead on your people and productivity.

However, it's also important to establish a plan and tools for measuring the impact of your investment and calculating ROI.

To effectively calculate ROI, you need to know how much you spend on employees and how much time they spend on the individual tasks for which they're responsible.

The best way to gather the necessary data, track it, and use it to improve your people's productivity and profitability is with [job costing](#) made possible with accurate time tracking and cost categorization. Time-driven, activity-based job costing will enable you to look at the ROI on your people at a granular level.

Follow through by continuing to track these metrics every month. Finally, observe how the management changes you make affect your numbers and adjust your strategy accordingly.

## **Take Control of Your Human Capital Management Strategy With a Better Back Office**

The idea of a fail-proof human capital management strategy sounds appealing, but none of it is really possible without a high-performing back office and the technology tools needed to gather, track, and measure essential data. So, before you can effectively invest in your people and actively cultivate a positive workplace culture designed to attract top talent, increase employee retention, and maximize productivity, you must first invest in your back office.

Thankfully, outsourcing has transformed a robust back-office from a top-dollar expense to a highly affordable investment that's available to even small and medium-sized businesses. A team of outsourced management accounting professionals can help you get started with the right streamlined software to automate your processes, regular management reports, KPIs, and the financial know-how to help you start perfecting your human capital management strategy.

[1]

<https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/employeerecognitionprograms.aspx>