
**HUMAN CAPITAL IS BIGGEST ASSETS FOR ANY
ORGANISATION- A CASE STUDY ON BIRITISH TELECOM – ROI**

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ABSTRACT

Capital is a type of asset that allows a business to make more money or otherwise further its goals. Human Capital is a measure of the skills, education, talents, experience, intelligence, training, judgement, capacity and attributes of labor which influence their productive capacity and earning potential. Employees leaving an organization might be replaced physically; however, their skill-sets and knowledge cannot be exactly replaced by the person replacing them, as each individual possesses a different skill-set and experience. It is well known by the business decision-makers that the skill of employees, account for 85% of a company's assets. Employee efficiency and talent determines the pace and growth of the organizations. Good feature of human capital are creativity & innovation, knowledgeable & skilled, can add value to the company, major contributors to profits and increasing customer's satisfaction from the Organization. This study are advantage of Human capital in Organization, how human capital help in growth of company and reducing manpower on account of cost reduction is thoughtful process by organization . I identified is companies are talking about retrenchment and lays off to curve their cost, as in this competitive market its very difficult to increase their revenue, so most of the companies are focusing on reducing their cost by reducing their manpower. So through this study I have tried to find out how much human capital is advantages in organization, how they contribute in growth of the company and is actually reducing human capital help them to increase their Revenue or not. For this research paper , I have studied British Telecom ROI (BT ROI), it's a subsidiary of big telecom giant British Telecom. As its name suggest BT-ROI is located in Republic of Ireland (Southern Ireland). British Telecom has its presence in 185 countries. In Ireland it caters local customer demand and its peers. I have studied its trend of workforce strength in last 5 years. What is the strength of human capital? What are up and downs during FY 1314 to 1718? How it had impacted positively BT ROI? Is its recent decision of employee lay off will affect it? I referred Human capital strength up and down in last 5 years, detailed analysis of P&L of last 5 years and correlation between Human Capital Strength, Revenue, Cost and Profit margin.

Keywords:- Workforce strength, Training & Development, Human Capital, Revenue, Cost and profit Margin.

INTRODUCTION

Capital is a type of asset that allows a business to make more money or otherwise further its goals.

Human Capital is a measure of the skills, education, talents, experience, intelligence, training, judgement, capacity and attributes of labor which influence their productive capacity and earning potential. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof.

ACCORDING TO THE OECD, HUMAN CAPITAL IS DEFINED AS:

“The knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances”.

- Individual human capital – the skills and abilities of individual workers
- Human capital of the economy – The aggregate human capital of an economy, which will be determined by national educational standards.

Human Capital will become more important as we move deeper and deeper into a knowledge based economy that depends on information, knowledge and high-level skills. We need human resource management in acquiring, cultivating and retaining human capital.

“The most valuable assets of a 20th-century company were its production equipment” said management guru Peter Drucker in 1999. “The most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge workers and their productivity.” In fact, investment advisory firm Ocean Tomo estimates that in 1975, the value in the S&P 500 firms consisted of more than 80% of tangible assets – like land, plant and machinery. In 2010, approximately 80% of the S&P500 market value is allocated to the intangible assets. However, there still lies a gap in today’s accounting systems and financial reporting, as they are using 20th century definitions.

The Harvard Business Review in 2004 noted that the skills and talents of a company’s workforce constitute an intangible asset — and that such assets “are worth far more to many companies than their tangible assets.”

IMPORTANCE OF HUMAN CAPITAL

There is no doubt about the fact that the human asset is the key intangible asset for any organization. In today’s dynamic and continuously changing business world, it is the human assets and not the fixed or tangible assets that differentiate an organization from its competitors. Today’s knowledge economy distinguishes one organization from another with the single most important and powerful factor that is the Human Resources (HR) or Human Assets.

Employees leaving an organization might be replaced physically; however, their skill-sets and knowledge cannot be exactly replaced by the person replacing them, as each individual possesses a different skill-set and experience. It is well known by the business decision-makers that the skill of employees, account for 85% of a company’s assets. Employee efficiency and talent determines the pace and growth of the organizations.

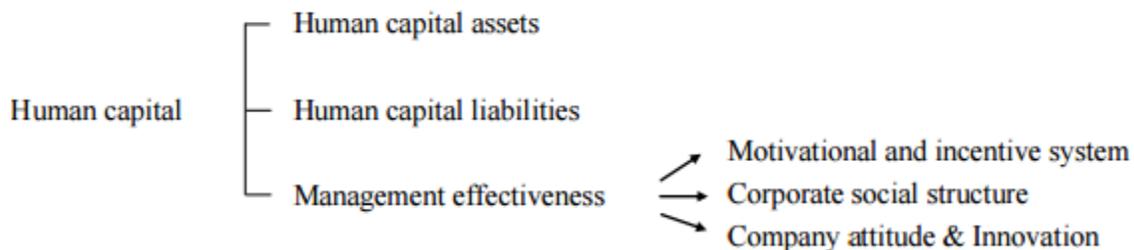
FEATURES OF HUMAN CAPITAL

1. Creativity and Innovation: The survival of organizations depends upon their power of rebuilding. Human Capital with their creative and innovative ideas helps in rebuilding an organization. Therefore, organizations must encourage their creativity and innovation.
2. Knowledge and Skills: Human Capital with the help of their knowledge and skills can take an organization on the top of the pyramid. Their skills include training and development programs, experience in specific fields, and an understanding of various companies’ cultures, systems, and work procedures.
3. Value Added: Human Capital can help the company with having competitive advantage and value added as they can create predictions at different levels of organization, define the values, goals, design strategic plans and implement those plans according to the values. Value added can be reinforced by motivating and training the employees.

4. Major contributors to profits: Human Capital are the most valuable assets that cannot be given any monetary value because of their irreplaceable efforts that they put in, which further results in excellent customer reviews and creating brand loyalty from customer.
5. Increasing Customers Satisfaction from the Organization: Employees are the first customer to any organization. Its their satisfaction level that matters, as if an employee is not happy and spreads the negative word about the organization then it may lead to the unsatisfied customers.

INCREASE HUMAN CAPITAL SKILL SET

1. Specialization and division of Labor: If we divide the labor as per their specializations then it will allow them to concentrate on specific task and increase specialization of skills.
2. Education: If we provide basic education it will improve the literacy and numeracy which further has an important implication for a basis of human capital.
3. Vocational Training: A skilled profession requires a particular vocational training for skills related jobs like electrician, plumbing, nursing, teaching, etc.
4. Infrastructure: Good transport, good and clean sitting place, facilities like providing mobile phones, internet are very important for the development of human capital in developing economies.



HUMAN CAPITAL IS AN ASSET TO ORGANISATION

Human Capital is undoubtedly the most invaluable and intangible assets for any organization. It takes an organization forward by keeping a dynamic and learning environment to cope up with the continuously changing industry may it be in any field. It's the employees who actually run an organization with their efforts that cannot be priced no matter what. Employees are termed intangible because of their skill-set, expertise, knowledge, and experience that cannot be measured in terms of money. The salaries are not the skills of an employee but to their position. An employee is far more than the salary provided to her/him, which is why the concept of performance-based incentives was introduced, so that the employees can be given somewhere close to what they deserved based on the efforts they put in for the organization.

The human capital of an organization put in their heart and soul in their work in the form of their knowledge, skills, know-how, creativity, ideas, adaptability, word-of mouth, etc. It is their contribution that makes them highly invaluable and of course intangible as these efforts and dedication cannot be measured in monetary terms. The organizations should practice to keep their not only best but all employees happy and motivated as they are directly proportional to the endless commitment and dedication put in by them. People power is the most important of all the assets an organization possesses, as this contributes majorly in the profits, market value, sales figures, and consequently the books of accounts. The goodwill section in the balance sheet can be taken as the value for the former employees, as it was their efforts and contribution that has brought the organization to this position today. However, the current workforce will be considered as the invaluable and intangible assets. "People want to know they matter and they want to be treated as people. That's the new talent contract." – Pamela Stroko in Tanveer Naseer's blog post "How Leaders are Creating Engagement in Today's Workplaces"

The major responsibility of an organization is to keep their employees happy and satisfied. Salaries alone cannot do that and an organization should consider other factors, which further help in motivating and retaining them as they are the most invaluable assets to an organization.

- Perks and incentives
- Bonuses
- Healthy work environment
- Coerciveness and Positivity in the workplace
- Other fringe benefits
- Flexible work culture
- Internet Facility
- Mobile phones to the field employees
- Transportation
- Meals

RESEARCH METHODOLOGY

For the purpose of this research, secondary data has been used . Researcher took help from published annual reports of companies, journals , thesis , websites etc.

OBJECTIVES OF THE STUDY

1. To find advantage of Human capital in Organization
2. To know how human capital help in growth of company
3. To know how to reducing manpower on account of cost reduction is thoughtful process by organization

Problem Statement

Problem area I identified is companies are talking about retrenchment and lays off to curve their cost, as in this competitive market its very difficult to increase their revenue, so most of the companies are focusing on reducing their cost by reducing their manpower. So through this study I have tried to find out how much human capital is advantages in organization, how they contribute in growth of the company and is actually reducing human capital help them to increase their Revenue or not.

Study Area

I have studied British Telecom ROI (BT ROI), it's a subsidiary of big telecom giant British Telecom. As its name suggest BT-ROI is located in Republic of Ireland (Southern Ireland). British Telecom have its presence in 185 countries. In Ireland it caters local customer demand and its peers.

1. I have studied its trend of workforce strength in last 5 years.
2. What is the strength of human capital? What are up and downs during FY 1314 to 1718?
3. How it had impacted positively BT ROI?
4. Is its recent decision of employee lay off will affect it?

HYPOTHESIS

1. Human capital strength up and down in last 5 years
2. Detailed analysis of P&L of last 5 years
3. Correlation between Human Capital Strength, Revenue, Cost and Profit margin

BRITISH TELECOM – REPUBLIC OF IRELAND

BT is one of the world's leading providers of communications services and solutions, serving customers in 180 countries. In Ireland, BT operate globally and deliver locally, serving multinational corporations, indigenous exporters and public sector organizations in every segment of the Irish economy, as well as other major communications providers through our wholesale site. BT portfolio is a powerful combination of cloud services, global networking, IT integration, carrier voice and data services, contact center solutions and professional security expertise, enabling customers to solve complex business communications requirements on a global scale. BT network and integrated solutions enable our customers (and in turn, their customers) to communicate, collaborate and connect easily and securely to the applications and data they need, no matter when they need them, and where they're based.

Employees Strength in last 5 years

In last 5 years average workforce of BT ROI is 581.83 thousand employees and actual last 5 years strength is as follows:



During last 5 years workforce reduced four years' straight years from FY 1314 to FY 1617, except in last year. In first 4 years company was in cost reduction mode and in FY 1718 company changed its focus from cost reduction to customer experience, due to which company increased their work force.

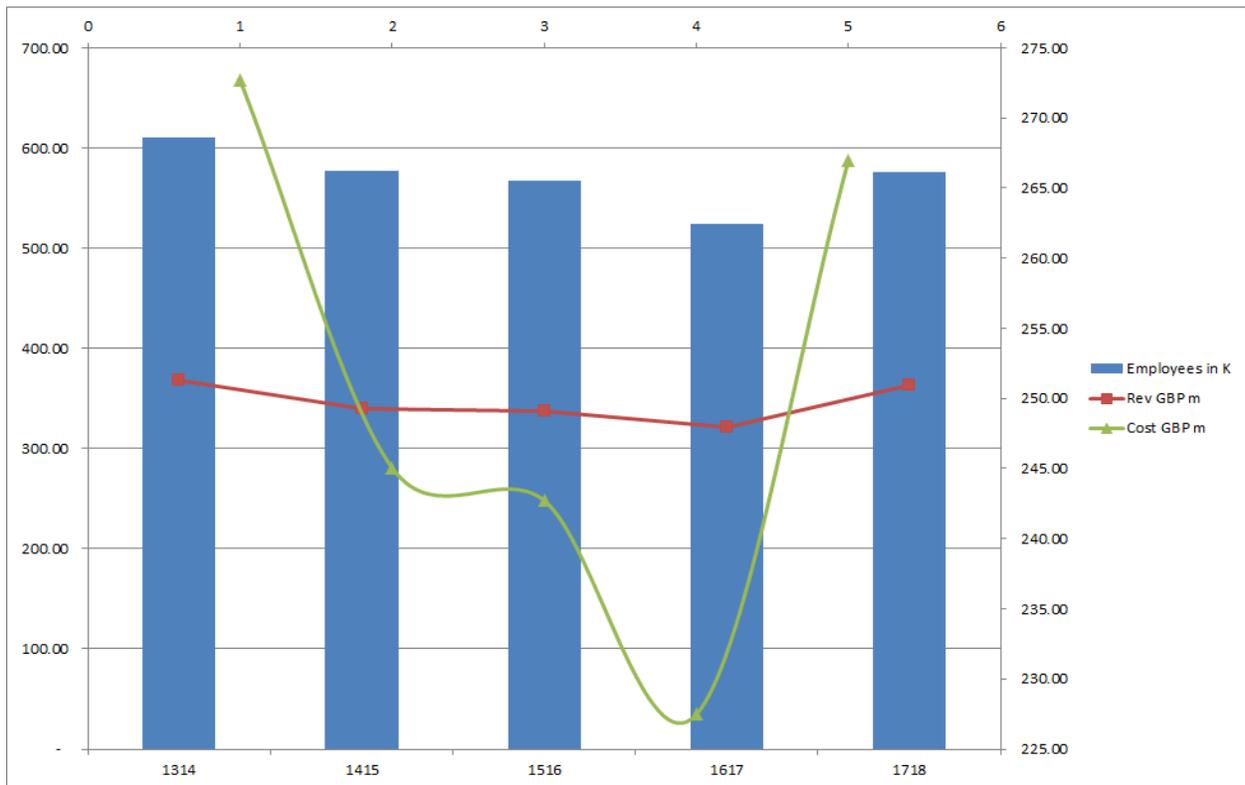
CORRELATION BETWEEN HUMAN CAPITAL, REVENUE, COST AND PROFIT MARGIN

FY	Employees in K	Rev GBP m	Cost GBP m	Margin GBP m
1314	610.32	368.38	272.70	95.68
1415	577.70	340.21	245.04	95.16
1516	566.95	337.31	242.72	94.60
1617	523.85	321.21	227.48	93.73
1718	576.23	363.80	267.00	96.80

As per following graph and figures mentioned in table above, shows direct relation between human capital and revenue. Company was not able to increase their revenue due to competitive market. So they took some hard decision to reduce cost by reducing their workforce.

Yes it company was able to reduce cost with reduction in workforce but in same way it impacted revenue and company shown decrease in revenue as well But profit margin didn't decreased as it lead decrease in revenue. Reason was cost also decrease significantly.

In FY 1718 when company changed its focus from cost reduction to customer experience, company had to spend more on its workforce, which gave them a positive result in last financial year.



Above Graph shows direct relation between Revenue, Cost and Human Capital strength.

CONCLUSION & RECOMMENDATION

1. Increase and decrease in workforce strength has direct relation with cost incurred by company. Means more workforces mean more cost to company and vice versa. Cost includes salary and wages, training and development cost, more facilities, transportation, meals etc.
2. In continuation of earlier point workforce strength has direct impact on revenue as well. More workforce mean they can target more customers, can cater need of more customers, issues can be resolved more quickly, can improve customer service and other way other reduction in workforce left with less option to work on customer services and may lead to decrease in revenue.
3. When company start cutting down on its cost it doesn't give negative impact on profit margin at first instance as it shows on revenue. But in long run it any organization continuous with cost reduction policy, then it may impact it significantly.
4. Workforce reduction is never a good option for any organization if they want to expand in this competitive market, unless and until they have hired more than requirement. Organization should always look for other areas for cost reduction. If they want to sustain in long run.

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