

Investing in Human Capital: Nothing New But Often Unvalued

Adam Smith, widely considered the father of modern economics, defined in the late 1700's four types of fixed capital (which is characterized as that which affords a revenue or profit without circulating or changing masters). The four types were:

- 1) useful machines, instruments of the trade
- 2) buildings as the means of procuring revenue
- 3) improvements of land
- 4) human capital

The first three are relatively straight forward for us in the facilities services industry both for professional and associates, no machines = no productivity, no buildings = no productivity, no land to build on = no productivity. But what about the human capital? Considering that the concept of human capital can be infinitely elastic, including unmeasurable variables such as personal character or connections with insiders (via family or fraternity), where does that fit in the new macro and micro economic paradigm? It's clear that training and education budget cuts are part of the new paradigm but I respectfully submit to you as individuals and to all of the decision makers out there that this is an extremely narrow and a short sighted path to take.

Professional development saves costs in time and effort spent on external searches and additional compensation. It may minimize the perks needed to attract outside talent while protecting the organization's compensation structure, reducing turnover, and providing a morale booster.

In today's new economy the fundamental unit is not the corporation but the individual. Tasks are not assigned and controlled through a stable chain of command but are carried out autonomously so you and your teams must be prepared to make educated and relevant decisions based on immediate needs and for our profession that knowledge base comes through your investment in yourself or your staff through IFMA credentials, both the CFM and FMP.

Something else to ponder is the fact that relevantly trained and designated people in our industry have a larger return on investment than others and here are some supporting facts, they are significant. Property professionals with advanced industry training can earn an average of 22 percent more and manage an average of 14 percent more space than those without such training.

Remember, there was time not too long ago when land was the productive resource, nations battled over it. The same is happening now over talented, relevantly trained and educated people so making perpetual improvement on your skill sets is the single most competitive weapon for the volatile, global economy. Getting your CFM or FMP credential or supporting your current staff in achieving one or both designations will give you a powerful weapon in the Human Capital talent wars.

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