

Retooling Mental Models of Human Capital Risk

Retooling Human Capital Risk Using Management Frameworks

Traditional HR Risk Framing	Management Framework Applied to HR	Retooled Approach to HR Risk
“Minimize the risk of talent being unprepared for the future by developing generic competencies that will apply across the board.”	Portfolio analysis balances the risks of several uncertain future scenarios against their returns, combining resource investments that fit several future possibilities.	“Balance risk in talent planning, by investing in talent for several future scenarios according to their relative likelihood and risk.”

Retooling Mental Models of Human Capital Risk

Retooling Human Capital Risk Using Management Frameworks

Traditional HR Risk Framing	Management Framework Applied to HR	Retooled Approach to HR Risk
“Top performers in every position, to minimize the risk of bad performance”	Performance- tolerance analysis optimizes performance improvement against risks, costs, and benefits.	“Minimize risk in risk-averse performance situations, embrace it in risk-loving performance situations, by focusing on return on improved performance (ROIP)”

Retooling Mental Models of Human Capital Risk

Retooling Human Capital Risk Using Management Frameworks

Traditional HR Risk Framing	Management Framework Applied to HR	Retooled Approach to HR Risk
“Minimize the risk of employee dissatisfaction by agreeing to customized deals, or minimize the risk of inequity by doing the same thing for everyone”	Customer segmentation optimizes product and service features to customize against market segments, according to their value and cost.	“Balance the risk of dissatisfaction or inequity against the return by customizing where it achieves the greatest return and standardizing where it does not.”

Retooling Mental Models of Human Capital Risk

Retooling Human Capital Risk Using Management Frameworks

Traditional HR Risk Framing	Management Framework Applied to HR	Retooled Approach to HR Risk
“Minimize the risk of employee shortages by filling all requisitions as quickly as possible and keeping turnover to a minimum.”	Inventory management optimizes holding costs, ordering costs, and shortage costs by planning for shortages or surpluses.	“Turnover levels and time-to-fill are optimized to create the level of employee shortages or surpluses that best balances risks of surpluses and shortages against costs.”

Retooling Mental Models of Human Capital Risk

Retooling Human Capital Risk Using Management Frameworks

Traditional HR Risk Framing	Management Framework Applied to HR	Retooled Approach to HR Risk
“Minimize risk by having successors for every position, who have all completed the career-development path requirements”	Logistics management optimizes transport patterns to balance the risk of unavailability against the costs and returns to following various pathways.	“Optimize the risk and return to succession by balancing the costs, benefits and timing of different career paths.”