

# Table of Contents

## Chapter 1 Introduction 1

Human Capital Management and its application in SMEs 2

The goals and structure of this thesis 4

## Chapter 2 Literature review on HCR and SMEs 7

A brief history on Human Capital Reporting 7

Human Capital in related fields of study 9

Personnel controlling and finance 9

Intellectual Capital Reporting 10

Balanced Scorecard 14

Strategic Management 16

Literature on Human Capital Valuation 17

Standards, Committees and Government Guidelines 19

Saarbrücken Formula 21

The ROI on Human Capital 22

Human Capital Club e.V. 25

Werttreibermodell 29

The Human Capital Monitor 34

Literature on Management, HRM and ICR in SMEs 36

Classification of small and medium-sized enterprises 36

General discussion of management in an SME 38

Empirical studies on HRM in SMEs 40

HRM in SME: Not just a deficit 43

Arbeitskreis Wissensbilanzen 45

## **Chapter 3 A new framework for HCR in SMEs 49**

Research methodology used in developing the framework 49

A model for HCR in SMEs 51

Suitable indicators 54

Competence models 57

Satisfaction, motivation and commitment 61

Employee surveys 66

Guidelines for HC reporting and valuation in SMEs 72

## **Chapter 4 Testing and applying the framework 77**

The example report 77

Methodology for evaluating the example report: Expert interviews 79

Results of the expert interviews 81

## **Chapter 5 Summary and conclusions 85**

Summary 85

Conclusion 86

## **References 88**

## **Appendix A Example Human Capital Report 99**

## **Appendix B Employee survey 107**

## **Appendix C Management challenges 119**

## **Appendix D Example metrics of the Werttreibermodell 123**

## **Appendix E Human Capital indicators 131**

## **Appendix F Human Capital models 137**

## **Illustration Index**

- Illustration 1: Overview of approaches to evaluate Knowledge Management 11
- Illustration 2: Saarbrücken Formula with categorization of elements 21
- Illustration 3: The similarity and relation between borrowed capital, equity capital and human capital 26
- Illustration 4: Human Capital Model by HCC 28
- Illustration 5: The personnel added value chain 29
- Illustration 6: The 3-level-principal of personnel valuation 30
- Illustration 7: The Human Capital Monitor 34
- Illustration 8: Two possible presentations of Human Capital Monitor measures 35
- Illustration 9: Determinants of action and HRM 44
- Illustration 10: Process steps and milestones in intellectual capital statements 45
- Illustration 11: Research process 'onion' in reference to Saunders et.al. (2003) 50
- Illustration 12: An example HCR model for SMEs 53
- Illustration 13: Breakdown of 1000 measures into 10 value drivers 56
- Illustration 14: Comparison of different content theories 63
- Illustration 15: Interrelation of satisfaction, motivation and commitment 65
- Illustration 16: Examples of different scales 70
- Illustration 17: Suggested approach to HCR in SMEs 73

## **Index of Tables**

Table 1: Example on calculating an employee's worth	10
Table 2: Example of an Intangible Asset Monitor	14
Table 3: Example HC valuation using the Saarbrücken Formula	22
Table 4: Human Capital Management Scorecard	24
Table 5: The importance of ten value-drivers for selected goals	31
Table 6: The importance of the three kinds of Human Capital	32
Table 7: The mapping of 36 factors to value-drivers and kind of Human Capital	33
Table 8: Summary of results of the "Stuttgarter EMP-Studie"	41
Table 9: HRM strength and weaknesses in SMEs compared to larger companies	43
Table 10: Fitness check on the preparation of an intellectual capital statement	46
Table 11: Competence Map of the Kode®X competence measuring system	58