“Chasing Venus: Why CFO’s Should Care About People Metrics”
By John Boudreau
Appeared in CFO Magazine, June 2012

In June, 2012, there is an event that won’t happen again for over 100 years. A “transit of Venus” occurs when Venus passes directly between the Sun and the Earth, seen as a small disc passing along the Sun’s image. Transits occur in pairs, 8 years apart. The prior transits were in 1874 and 1882. The next transits will be in 2117 and 2125.

This summer will also see the comment period for the first round of a proposed investor reporting standard for human capital, from the Society for Human Resource Management (SHRM). What does the transit of Venus have to do with human capital investor reporting? Both require unusual levels of collaboration for success. The transits of the 1700’s contain lessons about scientific collaboration, told in two intriguing books out this summer: *Searching for the Sun*, and *Chasing Venus*.

Astronomers realized that precise measurement of the transit would allow observers armed with a clock and telescope the data needed to calculate how far Earth is from the Sun. The catch was that it would require multiple measurements from specific locations all over the world. At the time, it took three months for a letter posted in Philadelphia to reach London, and even the measure of one mile was different across European countries. England, France, Prussia, Australia and Russia were at war, they collaborated on this endeavor. Observers encountered being stranded in frozen Siberian rivers, or traversing frozen waves on the iced-over Gulf of Bothnia. Charles Mason and Jeremiah Dixon (of Mason-Dixon line fame) were drafted to go to Bencoolen in Sumatra, but only got as far as Cape Town. If they reached their destination, clouds and fog often obscured the event.

What about the human capital investor standards? Dave McCann reported on May 1 at CFO.com, that the latest version of the proposed standard is “not a big hit with CROs and is getting mixed reviews from analysts.”

Supportive analysts noted the need for better measurement standards, considering the importance of human capital to building sustainable and ethical organizations, and achieving necessary returns on invested capital. Less-supportive ones said it would be impossible to agree on common factors (consider how many different definitions exist for employee turnover or full-time-equivalent employees), and that mandated standards would prove irrelevant across industries, add to the already burdensome level of information overload, and go so far “into the weeds” to be a waste of time and effort.

The analyst comments were striking because whether they were in favor or opposed, they often took a “not my job” perspective. Their position seemed to be that “if the HR profession wants to pursue a standard, I will wait until it is developed.” This is a missed opportunity. The majority of the SHRM task force has backgrounds in human capital. Engaging influential and thoughtful CFO’s and investment professionals will be essential to success.

I hope it won’t be 100 years before such a standard emerges. In previous editions of this column I have shown value of cross-discipline collaboration in applying standard business frameworks such as segmentation, supply-chain and portfolio risk in order to “retool” how we measure and make decisions about people.

“Crossing the ocean” that separates HR from Finance may seem difficult, but considering the impact of human capital decisions on organization performance, it makes sense for CFO’s to engage and comment on the developing standards. In the 1700’s, measuring the transit of Venus contributed to more precise timekeeping and the use of sextants for reliable calculations of longitude. There may be such potential in human capital reporting too. At least this collaboration doesn’t require traversing the four corners of the Earth.

###