

# The Human Capital Advantage

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Education and job training in the United States must evolve to meet the demands of today's workforce. Successful businesses know the importance of their workforce and place human capital management at the forefront of their strategic priorities. Key challenges facing the education system include rising college dropout rates, mounting student debt, and unfulfilled positions due to skill and job location mismatches. Like healthcare, which we profiled last quarter, this structural dysfunction combined with the advent of new technologies creates opportunities for innovators to address the shortcomings of the current system.

In the context of higher education, online degrees endured a turbulent start to become widely accepted and often indistinguishable from traditional degrees with the same levels of academic rigor. Consequently, instruction can now be successfully delivered in a virtual setting. By offering high-quality, relevant degrees and embracing online education, Grand Canyon University emerged from near bankruptcy in 2004 with only 1,000 students, to a thriving institution in 2019 with over 90,000 students, including 20,000 who attend class at a revitalized 275-acre campus in Phoenix. Traditional universities such as Georgetown, Syracuse, and Northwestern are embracing online delivery methods by utilizing services from online program management companies like 2U to award degrees. These programs help to alleviate some of the student debt and graduation pressures by reducing cost and allowing students a more flexible, convenient schedule to receive instruction.

The education provided at the university level provides a foundation, but job training and skill development never ends. In today's fast-paced world requiring ever-evolving skillsets, human capital has emerged as a strategic imperative for employers of all sizes and in all industries. No longer simply an HR issue, recruiting, training, and retaining employees is now a priority for the entire executive suite. To thrive and adapt, companies must have a talent strategy and wisely invest in their human capital just as they would capital assets.

Pluralsight, a platform for IT professionals, and HealthStream, a platform for healthcare workers, are two companies focused on developing content and effectively delivering it to large numbers of employees in an on-demand, personalized manner. Virtual training and education allows individuals to customize their professional development at a pace that accommodates their life circumstances and schedules.

Corporate customers of Pluralsight and HealthStream receive a compelling value proposition serving to foster the career development of their employees while simultaneously adding new skills and competencies to the workforce.

Employers who see their human capital as a competitive advantage think more broadly about the management of their workforce. Verisk, an information services company, is launching larger internship programs, expanding rotational programs, and collaborating with leading institutions on training programs related to in-demand skillsets of data science and analytics. In addition, employee retention is now a component of executive compensation as they recognize both the cost of replacing employees and the advantage of retaining valuable employees.

To better track, understand, and make decisions about human capital, employers of all sizes have made investments into human capital management (HCM) systems from companies such as Paylocity and Paycom. These HCM systems have transformed from simple payroll systems accessed infrequently into dynamic employee engagement tools used daily. Here, performance reviews, learning opportunities and career development pathways can be accessed anytime, anywhere by an employee. A decade ago, these software systems would have only been deployed to the largest corporations, but today, with cloud technology and straightforward user-interfaces and workflows, employers of all sizes can build engaging toolsets for all their employees to better navigate their career path and realize their potential.

**Companies who prioritize their human capital distinguish themselves from those who do not. A competent workforce who self-selects to remain with an employer, desires to continuously learn new skills, and adapts to new environments increases the likelihood that a company will produce superior financial returns.**

At Riverbridge, we invest in those companies which choose a long-term approach to human capital management and invest meaningfully in their employees, even at the expense of short-term profits. Looking forward, Riverbridge foresees continued innovation both within formal education and how companies look to expand their human capital into a strategic advantage.

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