EXERCISE
SCORE YOUR HUMAN CAPITAL

Take out a sheet of paper and write down six (6) value factors that would define the strength of your human capital. Now rate each value factor on the scale of 1 to 6 with 6 being perfect and 1 being the worst. Score each of them by starting in the middle. Ask yourself, would I consider the strength of this human capital value factor below average (3) or above average (4)? Remember, you can't be average. Forcing yourself to go above or below the midpoint will help you consider its strength more deeply. If you are not sure, go with the lower number.

Next, ask yourself, why did I rate this above or below average, and can I prove it? Do you have documentation and metrics to prove it's above or below average? If you do not have proof, the maximum you can score a value factor is 2. Scoring a 3 means you have proof, but it's just not that good—or you cannot prove it's above average. If you feel this value factor is best-in-class, meaning you are in the top 10% to 20% in your market, give yourself a 5. Total up your scores and divide the total by 36, the maximum total score of all six value factors.

This will result in a percentage. For example, if you gave each value factor a 3, your total would be 18 (3x6). 18 divided by 36 equals 50%. You have now scored the strength of your human capital.

If your score is above 58%, you have above-average human capital. 67% is your target score (the Green Zone). 72% or above is best-in-class. Below 58% is below average. 50% or below is a red flag.

Any value factor that you scored 3 or below is a Value Acceleration opportunity. This is where you should focus. Improving those factors will have a direct impact on improving your human capital and thus will have a direct impact on the multiple assigned to your business, your earnings, and, ultimately, the value of your business.

The Common Sense Scoring System

6	You are perfect. This value factor cannot be improved.
5	Your best in class meaning you are in the top 10-20% in your marketplace.
4	You are better than average and can prove it.
3	You have something; you can prove it. But it's below average.
2	You have thought about it and maybe even do it, but it is not documented. You do not have proof.
1	Not even on your radar.