

Measuring the Maturity Level of Human Capital Management at Startup XYZ

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Abstract

Startup XYZ, an Indonesian biotechnology start-up, specializes in producing environmentally friendly materials. The company primarily uses a business-to-business (B2B) model to sell its products. However, only one of their products significantly contributes to the company's revenue, indicating an issue regarding innovation performance. Innovation is generated through human capital, and effective human capital management (HCM) is essential for creating value, including innovation. This study aims to assess the level of HCM maturity at Startup XYZ and provide recommendations for its improvement. This study utilizes the HCM maturity framework developed by Bassi and McMurrer, which evaluates 5 drivers together with 23 practices of HCM. This study adopts a quantitative approach, utilizing an online questionnaire to collect data from 36 management employees of Startup XYZ. The findings reveal that Startup XYZ has a marginal level of HCM maturity, with 72.2% of respondents demonstrating an understanding of the company's HCM implementation. However, certain practices within each driver remain at a poor level, and 27.8% of respondents have a poor understanding of the company's HCM implementation. Therefore, the researcher recommends that Startup XYZ undertake rearrangement, investment, and evaluation to enhance HCM maturity. Additionally, improved communication about HCM implementation within the company is recommended to enhance HCM understanding among employees.

Keywords: human capital management; maturity level; Startup

A. INTRODUCTION

The combination of abilities, expertise, and intellect that give the company uniqueness is the definition of human capital (Bontis et al., 1999). Human capital is widely recognized as the basis for value creation (Becker et al., 2001). The utmost value is created value, defined as the capabilities that foster business sustainability, change, and competitive advantage (Ingham, 2007). Referring to (Mayo, 2001), committing to endless development, exploring new approaches, and developing markets with new strategies are parts of innovation. Innovation is described as a value generated by individuals, which is critical to generate future value and accomplishing future goals.

Effective human capital management (HCM) enables a company to achieve its goals through resource optimization (Hutahayan, 2020). Moreover, HCM is the key to encouraging value creation, particularly in innovation (Bozbura et al., 2007). Regarding value creation, HCM contributes in various ways, such as shaping organizational culture, managing change, and conducting performance management (Salsbury, 2013). Since HCM has a crucial role in value creation, an organization must ensure the effectiveness of its HCM implementation through HCM measurement (Ingham, 2007).

One of the instruments that can be utilized as a measurement framework is the HCM maturity measurement tool developed by (Bassi & McMurrer, 2007). It encompasses 5 critical drivers of HCM: leadership practices, employee engagement, knowledge accessibility, workforce optimization, and learning capacity. Each HCM driver consists of five or four practices, totaling 23 HCM practices.

The research is conducted at Startup XYZ, a start-up engaged in the biotechnology field. The company primarily uses a business-to-business (B2B) model to sell its products. The company offers three main products that were introduced to the market in 2021 and 2019.

According to (Shapiro, 2016), the innovation level within a company can be gauged by the extent to which new products contribute to the company's revenue. However, the preliminary study reveals that almost all of the company's revenue is generated from its oldest product. This phenomenon shows an innovation issue that existed in Startup XYZ.

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As mentioned earlier, innovation results from human capital, and HCM plays an essential role in leveraging human capital to create value, including fostering innovation. Thus, given the identified innovation challenge in Startup XYZ, this study aims to assess the maturity level of the company's HCM and offer suggestions for improving HCM.

B. RESEARCH METHOD

The quantitative approach is utilized in this study to assess the HCM maturity level. The primary data is collected using online questionnaires based on the HCM maturity framework by (Bassi & McMurrer, 2007). It assesses 5 HCM drivers, encompassing a total of 23 HCM practices. Three statements define each practice; thus, a questionnaire contains 69 statements. Moreover, the questionnaire applies a 5-point Likert scale, in which 1 means a strong disagreement and 5 means a strong agreement.

In addition, similar to the original instrument, the questionnaire includes a "not sure/do not know" option. Respondents can select this option if unsure about a particular statement while providing the closest prediction score. This measurement helps identify respondents' lack of understanding regarding the implementation of HCM within the company (Bassi & McMurrer, 2005).

Furthermore, the questionnaire is distributed to 36 management employees at Startup XYZ. The selection of this sample size is based on purposive sampling, precisely judgment sampling. According to (Sekaran, 2003), judgment sampling selects people with the appropriate positions or advantages to provide the expected answer. This sampling technique excludes casual daily laborers because they do not receive the full HCM practices, particularly in development. Additionally, the chief executive officer (CEO) is excluded from the sample because this study asks the respondents to assess their leader, while the highest position in the company belongs to CEO. Employees on leave are also excluded from the sample as they are unavailable to participate in the survey and may not be familiar with the current conditions of the company.

Once the data is collected from the sample, the data is processed through a validity test and a reliability test to ensure the quality of the questionnaire. Then, the data is analyzed using descriptive statistics following several steps. The initial step is to compute the mean score of each practice, followed by the mean score of each driver. Then, convert it to become a percentage form. After that, to obtain the final maturity score, sum up the percentage scores of all drivers. Based on the final score, classify the maturity level, referring to the criteria in the table below.

Table 1. Maturity Level Classification

Score	Maturity Level
90-100	Superior
80-89	Adequate
70-79	Marginal
<69	Poor

Sources: Research data, 2023

This study also includes measuring the understanding level of the employees about HCM implementation in the company. It is identified by counting the number of times a respondent selects the "not sure/do not know" option. There are three levels of HCM understanding as follows.

Table 2. Understanding Level Classification

Number of Times "Not sure/Do not Know Option Selected"	Understanding Level
0-1	Good
2-3	Adequate
>4	Poor

Sources: Research data, 2023

C. RESULTS AND DISCUSSION

The validity and reliability test result shows that all items within the online questionnaire are considered valid and reliable. Then, the descriptive analysis is performed, generating a result as follows.

Table 3. HCM Maturity Analysis

HCM Driver	HCM Practice	Mean Score of Practice	Percentage Score of Practice	Maturity Level of Practice	Percentage Score of Driver	Maturity Level of Driver
Leadership practices	Communication	4.08	81.67	Adequate	78.52	Marginal
	Inclusiveness	4.37	87.41	Adequate		
	Supervisory skills	4.18	83.52	Adequate		
	Executive skills	3.83	76.67	Marginal		
Employee engagement	System	3.17	63.33	Poor	74.86	Marginal
	Job design	4.17	83.33	Adequate		
	Commitment	3.69	73.70	Marginal		
	Time	3.76	75.19	Marginal		
Knowledge accessibility	Systems	3.36	67.22	Poor	72.27	Marginal
	Availability	3.66	73.15	Marginal		
	Collaboration	3.82	76.48	Marginal		
	Information sharing	3.28	65.56	Poor		
Workforce optimization	Systems	3.69	73.89	Marginal	73.22	Marginal
	Processes	3.57	71.48	Marginal		
	Conditions	3.83	76.67	Marginal		
	Accountability	3.53	70.56	Marginal		
Learning capacity	Hiring	3.70	74.07	Marginal	71.11	Marginal
	Systems	3.67	73.33	Marginal		
	Innovation	4.03	80.56	Adequate		
	Training	3.63	72.59	Marginal		
	Development	3.32	66.48	Poor		
	Value and support	3.61	72.22	Marginal		
	Systems	3.19	63.70	Poor		
Final Maturity Score					74.00	Marginal

Sources: Research data, 2023

The data analysis reveals that Startup XYZ's overall HCM maturity level is marginal, with a final score 74.00. This is primarily because all HCM drivers are at a marginal level concurrently. Based on drivers, the greatest score of 78.52 belongs to leadership practices. On the other hand, the smallest score of 71.11 belongs to learning capacity. Despite all drivers falling into the marginal level, specific practices are still considered poor or have obtained the smallest scores in their drivers. These practices include leadership practices systems, employee engagement systems, information sharing, accountability, and learning capacity systems.

Furthermore, the finding that the learning capacity driver has obtained the lowest score compared to other drivers is consistent with the results of a preliminary interview conducted with the company's Human Resource Manager. According to the preliminary study, the company focuses on meeting workforce requirements rather than enhancing skills and competencies. In other words, Startup XYZ prioritizes recruitment over learning and development. As the analysis proves, the value and support practice is at the marginal level, indicating that leaders within Startup XYZ do not consistently demonstrate a strong commitment to value learning. Among all practices in the learning capacity driver, training and systems are the two practices that need a significant budget. Based on the preliminary study, Startup XYZ does not provide an adequate budget for learning, as it is not the company's primary focus.

Consequently, it is understandable that the training is categorized as marginal, and the learning capacity systems are categorized as poor. Moreover, since the company was established, the C-level positions only belong to the co-founders themselves. Thus, it is unpromising that employees in lower positions, especially managers

and supervisors, will be promoted. Hence, it is also reasonable that the development, specifically the career development plan, falls into the poor maturity level.

After analyzing the HCM maturity level, the HCM understanding level is analyzed. According to the table below, 26 out of 36 respondents (72.2%) demonstrate a good–adequate level, meaning they know how the company operates the HCM. Nevertheless, 10 out of 36 respondents (27.8%) still demonstrate a poor level in terms of HCM understanding.

Table 5. HCM Understanding Analysis

HCM Understanding Level	Number of Times "Not Sure/Do not Know" Ticked in Questionnaire	Respondent of Each Level	Respondent Percentage of Each Level
Good	0-1	18	50%
Adequate	2-3	8	22.2%
Poor	>4	10	27.8%
Total		36	100%

Sources: Research data, 2023

D. CONCLUSION

Based on the analysis results, it can be concluded that Startup XYZ's HCM maturity level is classified as marginal. Additionally, all HCM drivers within the company fall into the marginal level. Among all drivers, leadership practices receive the greatest score. Meanwhile, learning capacity obtains the smallest score. Regarding HCM understanding, most respondents (72.2%) already know how the company applies the HCM.

As a suggestion to raise the HCM maturity, Startup XYZ should first focus the improvement effort on the practices at the poor level or with low scores. Regarding those practices, it is recommended that the company rearrange the HCM system, allocate a sufficient budget for learning, and conduct regular evaluations on the HCM implementation inside the company. Besides, to enhance HCM understanding, it is recommended that the company effectively communicates all aspects of HCM implemented within the organization. This can be achieved through methods such as coaching, the provision of an employee handbook, and a socialization event.

Moreover, future researchers should involve more HCM aspects in the assessment framework to provide deeper knowledge. Besides, future researchers are also suggested to do longitudinal research to examine the HCM maturity level of Startup XYZ from time to time; or compare research with other companies in other industries.

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