

The People Paradox

BY **SHAI GANU**, SID Council Member

Companies may say that “people are our greatest asset”. Yet, human capital still sits on the expense line, not the balance sheet. As Singapore aspires to stay a global business hub, boards must urgently rethink governance: from compliance-focused oversight to people-centric stewardship that treats human capital as the strategic driver of value creation.

Here’s a pop quiz: Where does human capital appear on the balance sheet?

The unfortunate reality is that human capital does not appear on the balance sheet. It appears in the profit-and-loss statement, and at best, it shows up as an expense line represented as a sum of compensation and benefits costs plus the costs of training programmes. However, seasoned board members and business leaders know that human capital is indeed an asset – accounting standards notwithstanding.

In fact, 90 per cent of the company valuation of S&P 500 companies is attributable to intangible assets, which cover intellectual capital, brand and social capital – and human capital. Yet, boards don’t spend nearly enough time focusing on their most important asset: their people.

As stewards of their companies, boards have a critical role in monitoring, protecting, and enhancing the value of human capital. The challenge lies not just in recognising this responsibility, but in developing the capabilities to execute it effectively.

Human capital as an asset

The conversation around human capital governance has evolved dramatically over the past decade. Where boards once viewed human resources as a cost centre

focused primarily on compliance and administrative functions, forward-thinking organisations now recognise people as their primary source of competitive advantage and value creation.

Digital transformation, changing workforce expectations, the rise of remote work and the increasing importance of environmental, social, and governance (ESG) factors have heightened the strategic importance of human capital. Companies that excel in areas such as employee engagement, diversity and inclusion, skills development, and organisational agility consistently outperform their peers in both financial and non-financial metrics.

The transition from past to future requires boards to move beyond traditional metrics like headcount and compensation ratios toward measures that capture the true value and potential of their human assets.

This includes understanding employee engagement scores, retention rates of high performers, internal mobility and development success rates, and the correlation between people investments and business outcomes.

Global best practices

WTW research into board practices shows boards report spending most of their time on compliance-

related activities and financial oversight. When asked where they would like to reallocate their time, progressive board members around the world consistently identified core human capital aspects as top priorities: succession planning, talent management, organisational development, culture transformation, and employee morale and wellbeing.

There is growing recognition in some sectors that boards are the custodians of corporate culture, responsible for appointing the right leaders in the right jobs, driving the right behaviours through incentives and key performance indicators, and actively monitoring employee experience and wellbeing.

A recent WTW study demonstrated strong correlation and causality between leading wellbeing indicators and company financial performance, including revenue growth, profitability and market valuation. See box, “High Wellbeing Scores are Linked to Better Financial Outcomes”.

The data shows clear correlations between board human capital development and company performance across multiple dimensions. Organisations with boards that prioritise human capital governance demonstrate higher employee engagement scores, lower employee turnover, faster transformation implementation and stronger financial performance over multi-year periods.

Furthermore, the research reveals that boards with stronger human capital governance capabilities are better positioned to navigate disruption, drive transformation initiatives and maintain organisational resilience during challenging periods. These boards don’t just react to people-related crises; they proactively shape organisational capabilities to create sustainable competitive advantages.

While boards based in North America and Europe show increasing sophistication in this area, boards in Asia, including those in Singapore, lag in both awareness and capability development.

High Wellbeing Scores are Linked to Better Financial Outcomes

Financial Outcomes	Wellbeing Summary Score		Financial Impact	
	Low	High	Amount Change	Percentage Change
Revenue per employee <i>(Productivity)</i>	\$400k	\$500k	▲ \$100k	▲ 25%
Market value to book value <i>(Tobin's Q)</i>	2.0	2.5	▲ 0.5	▲ 25%
Return on Equity <i>(Net income to shareholder equity)</i>	12.5%	17.0%	▲ 4.5%	▲ 36%
Return on Assets <i>(Net income to total assets)</i>	4.2%	5.0%	▲ 0.8%	▲ 19%
US healthcare cost trend <i>(Healthcare cost trends after plan changes)</i>	7.3%	5.1%	▼ 2.2%	▼ -30%

Methodology: Results reflect predicted values from various multivariate regression models that correlate key financial metrics with WTW's overall wellbeing diagnostic summary score, while controlling for company size, industry, country. WTW linked results from the Wellbeing Diagnostic Survey with publicly available financial information using data from Capital IQ and WTW's Best Practices in Healthcare Survey (cost trends). Low reflects overall wellbeing diagnostic scores at the 25th percentile and High reflects scores at the 90th percentile. Wellbeing diagnostic scores take a value between 0 and 100 and indicate the extent companies have adopted the 44 best practices around the areas of physical, emotional, financial and social wellbeing and employee experience. A change from low to high reflects nearly a 50-point increase in the overall wellbeing score. The analysis is based on global results except healthcare, cost trends, which are US only.

Source: Financial metrics: Standard and Poor's Capital IQ database. US Healthcare Cost Trend: WTW's Best Practices in Healthcare Survey. Wellbeing summary score WTW's 2024 Wellbeing Diagnostic Survey.

Developing board competencies

Singapore Institute of Directors (SID) launched its accreditation programme in May 2024. Its assessment results provide sobering insights into local board capabilities. Consistently, directors score lowest on human capital aspects of governance, revealing a significant capability gap that demands urgent attention. See box, “SID Accreditation Examination Performance – By Competencies”.

This finding is particularly concerning given Singapore’s aspirations to remain a global business hub in an increasingly competitive landscape. As jobs change for a changing world, directors need to keep ahead, update their game, continue learning and remain open and adaptable.

The assessment results reflect broader patterns observed across Asian markets, where traditional governance models emphasise financial and operational oversight while treating human capital as a secondary consideration. However, Singapore’s unique position as a global talent hub and its government’s emphasis on workforce transformation create both urgency and opportunity for board capability development.

Singapore directors need to up their game and treat human capital governance as a specialist skill

requiring dedicated development, ongoing education and active practice. This isn’t about adding another checklist item to board responsibilities; it’s about fundamentally reimagining how boards approach their oversight role in a people-centric business environment.

This challenge extends beyond just the remuneration committee and nominations committee. Having adequate human capital expertise enhances the quality of discussions across all board committees, improves implementation considerations and accelerates the pace of change by putting people at the heart of critical decision-making processes.

Some boards are even renaming their remuneration committees as People and Culture Committees, Organisation Development and Compensation Committees, or People and Sustainability Committees.

More than a public relations exercise, this reflects a fundamental shift in how boards are evolving. Rather than focusing narrowly on compensation benchmarking and compliance, these new committees take holistic responsibility for organisational health, culture development and strategic workforce planning.

SID Accreditation Examination Performance – By Competencies

I. Human Capital has consistently been the lowest performing Competency Area across all 3 examination windows

II. Risk has consistently been the highest performing Competency Area across all 3 examination windows

Average score by Competency Areas	
Competency:	Average Score (%; using total attempts):
Governance	80.4
Duties and Practices	76.1
Digital	72.6
Financial	76.3
Human Capital	69.4
Risk	85.5
Strategy	74.5
Sustainability	78.0

Source: Singapore Institute of Directors

Transforming boards

While traditional board skills in accounting, legal, and financial oversight remain important, they are insufficient for addressing the challenges of modern business leadership. The emphasis on conformance over performance reflects outdated governance models that prioritise risk avoidance over value creation.

Future-focused boards require different skillsets that go beyond traditional disciplines and emphasise the importance of cognitive diversity. This includes board composition that covers directors with specialist transformation, organisational development and human capital governance expertise.

The most effective boards combine traditional governance capabilities with deep understanding of organisational psychology, change management, talent development and cultural transformation.

The shift from conformance to performance requires boards to become more comfortable with ambiguity, more willing to engage in strategic conversations, and more proactive in shaping organisational capabilities rather than simply monitoring outcomes. Culture, engagement and leadership pipeline strength are difficult to quantify but critical for long-term success.

In boards of the future, multidisciplinary and cross-functional skills will be key, and human capital governance should be a core competency. This requires directors with deep understanding of organisational transformation and the psychology of persuasion to enhance employee wellbeing and productivity.

The professionalisation of human capital governance demands the same rigour and expertise that boards apply to financial oversight, risk management and strategic planning. This means moving beyond intuition and personal experience toward evidence-based approaches grounded in organisational science, behavioural economics and data analytics.

The transformation also requires boards to become more comfortable with different types

of data and different modes of decision-making.

While financial metrics provide clear quantitative frameworks, human capital governance often requires interpretation of qualitative insights, assessment of cultural dynamics, and evaluation of long-term capability development. This demands both analytical sophistication and emotional intelligence from board members.

Progressive boards are already making this transition. They recruit directors with backgrounds in organisational psychology, change management and talent development. They invest in ongoing education for existing directors to build human capital literacy. They establish regular touchpoints with employees beyond traditional surveys. They use sophisticated analytics to understand the drivers of organisational performance and the return on people investments.

The people paradox

To remain competitive in attracting international business and maintaining their reputation for governance excellence, boards in Singapore must accelerate their development of human capital capabilities. This requires both individual director skills development and systematic changes to board composition, committee structures and governance processes.

As we look toward the future of corporate governance, it is clear that boards without strong human capital capabilities will struggle to fulfill their fiduciary duties effectively. The interconnection between people, performance and value creation is too strong to ignore and leave to chance.

In an era where talent drives transformation, culture shapes competitive advantage, and employee experience determines customer experience. Boards that fail to master human capital governance will find themselves governing organisations that struggle to create sustainable value. The companies that get this right will be the ones that thrive in the decades ahead. ●