C-TEN Executive Summary
Meeting Title: Reframing Human Capital as a Strategic Asset Class in an Era of Volatility
Meeting Date: August 2026

Overview

This C-TEN discussion explored a fundamental shift in how organizations should view their workforce: **human capital is not simply an operating expense, but a strategic asset that can compound in value when intentionally aligned with business strategy.**

Dr. Cynthia Bentzen-Mercer introduced her concept of the **"law of drift"**—the idea that individuals, teams, and organizations naturally move away from alignment with what matters most unless there is intentional direction. Drift can occur through inertia, accumulated decisions, and a tendency to gravitate toward what has worked in the past or feels least risky.

The discussion connected this concept to a practical **six-step Human Capital Investment Strategy**, modeled on financial portfolio management: establish a pro forma, assess the portfolio, stratify risk, rebalance, expand options, and forecast and adjust. The framework gives CHROs a way to connect workforce decisions directly to business strategy and communicate human capital investment and risk in terms that resonate with CEOs and boards.

Key Insights

1. Human Capital Must Be Treated as a Strategic Asset

- Organizations have a portfolio of human capital made up of skills, knowledge, experience, talent, and potential.
- Unlike financial or physical assets, people have agency and can choose where they apply their capabilities.
- The opportunity for HR is to demonstrate how the right human capital investment can become a **force multiplier** rather than viewing the workforce primarily as an expense.
- Human capital strategy should therefore be managed intentionally and linked directly to the organization's strategic priorities.

2. Organizational Drift Is Natural—but Can Be Managed

- Organizations rarely recognize that their strategy has stopped working all at once; more often, they gradually drift into a different place through many small decisions.
- Drift is driven by **inertia, accumulation, and gravity**—continuing what is familiar, allowing incremental decisions to compound, and gravitating toward what has worked or feels safest.
- Drift can affect culture, financial performance, relationships, organizational potential, and connection to mission and purpose.
- The answer is not to eliminate drift entirely, but to continually identify **signals, recognize patterns, and make intentional choices** about direction.

3. Strategy and Human Capital Must Be Connected From the Start

- Business strategies cannot be effectively executed without understanding the workforce capabilities required to deliver them.
- Members highlighted situations where organizations develop ambitious growth strategies without adequately considering whether the necessary skills, leadership capacity, or workforce infrastructure exist.
- HR needs to be part of strategy development—not brought in afterward to execute decisions that have already been made.
- A key question for CHROs is: **What talent and capabilities will this strategy require, and where does the risk sit today?**

4. Succession and Leadership Capacity Require Continuous Attention

- Succession planning can become a process rather than a meaningful capability-building exercise when organizations stop actively developing identified successors.
- Members discussed the importance of continually reassessing critical roles, readiness, development needs, and whether internal talent can realistically fill future gaps.
- Organizations are also placing increasing demands on leaders and employees while simultaneously constraining workforce investment.
- Leadership capacity should be assessed against the organization's **future strategy**, not simply today's requirements.

5. Intentional Pivoting Is Different From Drift

- In a volatile environment, organizations must adapt and change direction quickly. Change itself is not evidence of drift.
- An **intentional pivot** is supported by clear strategy, direction, capability requirements, and deliberate choices.
- Drift occurs when an organization loses alignment without recognizing it.
- CHROs can help distinguish between the two by identifying the signals and patterns that indicate whether the organization remains aligned with its strategy.
- Leaders should define in advance what would signal that an intentional pivot is beginning to become unintended drift.

6. AI and Workforce Pressure Require Balance

- Members discussed increasing pressure to control hiring and workforce costs based on expectations surrounding AI and technology.
- The conversation raised concerns about organizations over-indexing on technology and financial efficiency while underinvesting in workforce capability, leadership capacity, culture, and productivity.
- Both aggressive technology investment without workforce preparation and a “wait and see” approach can create risk.
- The key question is not simply how to adopt AI, but **how technology changes the capabilities, roles, behaviors, and human capital investments required to execute the strategy.**

7. Change Management and Organizational Readiness Are Critical

- Human capital investments cannot succeed without leadership commitment, stakeholder readiness, clear communication, and an understanding of why change is occurring.
- Members noted that change can produce a “freeze” response as employees focus on protecting their roles rather than adapting to new expectations.

- Organizational readiness should therefore be assessed before major workforce, technology, or transformation initiatives move forward.

Human Capital Investment Strategy: Six Steps

Dr. Bentzen-Mercer presented a framework modeled on financial portfolio management:

1. Establish the Pro Forma
Connect human capital strategy directly to business strategy and define the workforce capabilities required to execute it.

2. Assess the Portfolio
Evaluate existing human capital based on skills, knowledge, performance, talent, and potential.

3. Stratify Risk
Identify capability and workforce risks and determine where attention and investment are most needed.

4. Rebalance
Adjust human capital investments based on strategic priorities, capability gaps, risk, and expected returns.

5. Expand Options
Broaden how the organization sources, develops, and deploys talent rather than relying on traditional or narrow approaches.

6. Forecast and Adjust
Continuously monitor the portfolio, identify emerging signals, and adjust as strategy and organizational conditions change.

The framework can be used both **prospectively** for major initiatives and **retrospectively** to examine whether existing talent investments produced the expected results.

Solutions & Best Practices Highlighted

Make Human Capital Part of the Strategy Conversation

- Identify workforce capabilities and gaps before major strategic decisions are finalized.
- Connect human capital implications to financial and operational planning.

Establish Signals for Drift

- Look beyond traditional measures such as headcount and attrition.
- Monitor succession readiness, leadership capacity, capability development, engagement, talent sourcing, and emerging organizational risks.

Quantify Risk and Return

- Translate workforce decisions into business impact wherever possible.
- Demonstrate the cost of capability gaps and the potential force-multiplier effect of targeted investment.

Audit Existing Investments

- Apply the six-step framework to current and past talent investments.
- Study both failures and successes to understand what caused an investment to break down—or compound.

Build Organizational Readiness

- Ensure leaders and stakeholders understand the strategy, the required capabilities, and the reasons for change.
- Use readiness assessments to identify specific areas requiring attention.

Begin With the End in Mind

- Define what success should look like before making a major human capital investment.
- Establish the signals that should appear six months or a year later if the investment is working.

Member Reflections

- Succession planning can become stale when organizations maintain lists of successors without actively building readiness.
- Human capital implications need to be part of strategy discussions from the beginning.
- Organizations can find themselves playing catch-up when strategic priorities evolve faster than workforce and leadership capabilities.
- Boards and CEOs may intentionally constrain workforce investment while simultaneously expecting greater productivity.
- AI is creating uncertainty around workforce capacity, productivity, hiring, and future capabilities.
- A financial framework can make human capital investment more tangible and relevant to CEOs, CFOs, and boards.
- The distinction between **intentional adaptation and unintended drift** is particularly important in today's volatile environment.
- Successes deserve as much analysis as failures; understanding why an investment compounded can help organizations replicate those conditions.

Next Steps / Takeaways

- **Reframe human capital as a strategic, compounding asset—not simply an organizational expense.**
- Connect major business strategies to the human capital capabilities required to execute them.
- Use the six-step framework to audit both current and planned workforce investments.
- Identify signals and patterns that could indicate organizational drift before they become significant risks.
- Strengthen succession planning through active capability development rather than static successor lists.
- Quantify workforce risk and the potential return from targeted human capital investments.
- Assess organizational readiness before major workforce, technology, or transformation initiatives.
- Establish regular CEO, executive team, and board conversations around human capital investment and organizational capability.
- Use both **post-mortems and success reviews** to understand where human capital strategies broke down—and where investments successfully compounded.

- I encourage you to spend 15 minutes completing the Organizational Readiness Assessment before today's session. Your results will provide valuable context and help us focus our conversation on the areas creating the greatest risk, opportunity, and strategic tension across organizations today.
- Organizational Readiness Assessment: https://www.dr-cynthia.com/resources#capital