

# SME Human Capital Stability™

User Guide



# Version 1.0

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## OVERVIEW

The SME Human Capital Stability Model (HCSM) is a structured diagnostic tool designed to assess, quantify, and stress-test the human capital risks within a small to medium-sized enterprise.

Unlike traditional HR reviews, this model converts qualitative factors such as leadership reliability, workforce stability, and execution capability into measurable outputs that support informed decision-making.

## 2. Model Structure

The model is organized into five key components:

### a. Inputs

User-defined data relating to workforce, leadership, and organizational structure

### b. Scoring Engine

Calculates standardized scores across all human capital dimensions

### c. Stress Test

Simulates disruption scenarios to assess resilience

### d. Dashboard

Presents results in a clear, visual format

### e. Overview

Summarizes key findings and interpretation

## 3. How to Use the Model

### Step 1: Complete the Inputs Tab

Enter data into all blue cells only. These represent required inputs.

The inputs are grouped into the following sections:

- Workforce Composition
- Leadership Stability
- Skill Concentration
- Culture & Execution
- HR Infrastructure

Ensure all entries are realistic and reflective of current conditions.

#### Step 2: Review the Scoring Engine

The Scoring Engine automatically calculates:

- Category scores
- Human Capital Stability Score (HCSS)
- Key risk indicators

No manual input is required in this section.

#### Step 3: Analyze the Dashboard

The Dashboard provides a visual summary of:

- Overall Human Capital Stability Score
- Sub scores across key categories
- Risk indicators and thresholds

This is the primary interface for interpretation and decision-making.

#### Step 4: Run the Stress Test

Navigate to the Stress Test tab to evaluate how the business performs under disruption.

Scenarios include:

- Mild stress (increased turnover, minor disruption)
- Moderate stress (loss of key roles, reduced engagement)
- Severe stress (leadership disruption, major workforce impact)

Review how each scenario affects:

- Operational capacity
- Organizational stability
- Risk exposure

#### 4. Key Metrics Explained

Human Capital Stability Score (HCSS)

A composite score (0–100) representing overall workforce and leadership stability.

Key Person Risk Index (KPRI)

Measures dependency on critical individuals within the organization.

Higher values indicate greater vulnerability.

Operational Fragility Score (OFS)

Identifies the proportion of critical roles without backup coverage.

Turnover Stress Indicator (TSI)

Combines turnover levels with engagement to assess instability risk.

Execution Reliability Score (ERS)

Measures the organization's ability to execute strategy effectively.

#### 5. Interpreting Results

Score Ranges

- 80–100 (Strong)  
Stable structure with low dependency risk
- 60–79 (Moderate)  
Functional but with identifiable vulnerabilities
- Below 60 (At Risk)  
Structural weaknesses that may impact performance

What to Look For

- High dependency on key individuals
- Low redundancy in critical roles
- Weak engagement or accountability
- Lack of formal HR systems
- Inconsistent execution capability

## 6. Best Practices

- Use realistic, unbiased inputs
- Reassess periodically (quarterly recommended)
- Combine with financial and operational models for full analysis
- Use results as a basis for discussion — not conclusion

## 7. Limitations

This model is a diagnostic tool and should not be used in isolation.

It does not replace:

- Professional judgement
- Legal or HR advisory
- Organizational due diligence

## 8. Intended Use

The model is designed for:

- Business consultants
- Advisors and accountants
- SME owners and operators
- Leadership teams

## 9. Final Note

Human capital is often the most significant — and least measured — risk within an SME.

This model provides the structure required to identify those risks early and act before they impact performance.

The strength of a business is not only in its numbers — but in the people responsible for delivering them.

### Version Information

System: SME Human Capital Stability Model™

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