

## DEMONSTRATE POSITIVE BENEFIT BETWEEN THE HUMAN CAPITAL DEVELOPMENT AND ORGANIZATIONAL PERFORMANCE

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Dr. Md Umar Rayees\*

### ABSTRACT

*There is a large and growing body of evidence that shows positive benefit between the human capital development and organizational performance. Market value depends lesser on tangible resources taking and emphasis human capital in organization. Selecting and retaining the best employee is one of the parts of equation. The organization should encourage individual and organizational learning by creating a supportive environment. Where in the knowledge can be created, shared and applied accordingly. We need to access the context where human capital is being discussed identification of key element of also required. We need to examine they are making an impact on performance of the human capital and also exploring mechanisms for identifying and measuring present human capital. Taking the evidence of this review, there is a close link found between to present human capital and performance of organizational and the same is very convincing. Empirical work has become more sophisticated. We need to move from single measures of HR to embrace combinations of HR practices and the findings are powerful.*

**KEYWORDS:** *Human Capital, Organizational Performance and Complementary form of Capital.*

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### Introduction

#### Meaning of Human Capital

Human capital is the stock of knowledge, social and personality attributes, habits, including ability to perform, ability to create in order to produce economic value. Alternatively, we can say stock of traits is human capital all the talents, knowledge, abilities, skills, intelligence, experience, judgment, training, management qualities and wisdom by individuals in a population. A form of wealth which can be more to fulfill the goals of the nation is the total capacity of current human capital resources. It is total economic view of people working as human capital within economics which is an initiative an effort to capture cultural social complexity as they interact with each other in explicit transactions. There are many theories which connect and shows the investment in human capital development and the human capital role in its development growth productivity there all have frequently been pointed as a justification for government subsidiary for education and job skill training.

#### Importance of Human Capital

In labour surplus countries concept of human capital has a more important role. As these countries are equipped with abundance of labour due to having high birth rate in a given climate condition more than the capital resource. These human surplus resources are available with effect and proper education, health and moral value the surplus labour can be turned into human capital. The tangible financial capital is very effective tool for promoting the economic growth in the nation. On the other is the key of prompting the development of the nation. Comprehensive nature as human capital is directly related to human development. This is an importance of human capital in the changed approach of united nation towards evaluating economic development of different nation in the World economy.

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\* University Department of Commerce & Business Management, Ranchi University, Ranchi, Jharkhand, India.

### **Human Capital in India**

The rate of human capital formation has gradually increased after Independence due to improvement in quality produce and inputted during first century the major portion of Indian population is the workforce of India. There is most superior human resource of our nation. Service sector of our country and develop with export of financial services, tourism services, software services, and has gradually improve the India Balance of payments. India is a growing economy and in the improvement of some sector are the evidence and the growth of Human Capital in India.

### **Human Capital and Complementary Capitals**

Human capital and complementary capitals are understood to consist of the individual's capabilities, knowledge, skills and experience of the employee working in the company as managers their sector with adequate knowledge, skills, and experience by countries individual learning process.

There must be strong will by the individual who are willing to learn and used their talent and skill for the organization and contribute their proportion every individual must commit to engage with the organization with its human capital resource.

### **Intellectual Capital**

Intellectual capital is one of the as the economic value of two categories on intangible assets of a company – organizational and human capital. Intellectual capital is a factor that includes human capital, social capital and organizational capital. Intellectual capital is also referred as capability of social knowledge collectively in professional practice. If collective advantage is to be achieved integrated among social and organizational human capital is required.

### **Social Capital**

Social capital is the central proposition that networks of relationships constitute a valuable resource for social affair of this capital within networks of mutual acquaintance. Social relationships as an important influence on the development of both human and intellectual capital. The individual level with better social capital stronger contact network may earn higher rates of return on their human capital resource. Social capital facilitates the development of intellectual capital by affecting the conditions necessary for exchange and combination to occur.

### **Organisational Capital**

The principal role of organizational capital is to link the resources of the organisation together into process that creates value for customers and sustainable competitive advantage for the firm. This will include organizational and reporting structures, operating systems, processes, procedures and task designs, information and communication infrastructure, resource acquisition, development and allocation systems, decision processes and information flows, performance measurement systems, controls and incentives, values, organizational culture, and leadership.

### **Knowledge**

The connections between social capital, human capital and organizational capital will produce intellectual capital. This, in turn, will affect the knowledge management within the organization. Knowledge recognized as a valuable resource by economists and has been a focus of significant attention in the human capital literature, in particular the issues of knowledge generation, leverage, transfer and integration. Knowledge and characterized in a number of ways in the literature but a major point of commonality has been the difference between tacit knowledge (or know-how) characterized by its incommunicability, and explicit knowledge. It becomes crucial that the employees as the source of knowledge are managed well. This requires that firms 'define knowledge, identify existing knowledge bases, and provide mechanisms to promote the creation, protection and transfer of knowledge.

### **Human Capital and Performance**

The positive benefit between human capital and organizational performance is based on two theories. The first, as we have seen is the resource-based angle view of the firm. The second is the expectancy theory of motivation which is composed of three elements: the valence or value attached to rewards, the instrumentality, the employee will receive the reward upon reaching a certain level of performance, and the expectancy, the employee can actually achieve the performance level required. HRM practices that motivate high skills and abilities - e.g. careful employee selection and proper training - can be specified to make the positive benefit between human capital management and performance.

H. capital has been central in explaining individual earnings differences. Employees who invest in education and training will raise their skill level and be more productive than those less skilled, and so can justify higher earnings as an output of their investment in human capital. The

### **Bundles of Human Resources**

Bartel (1994) established positive benefit between the acquisition programmes of training and growth of productivity. The acquisition programmes of training have also been linked to financial execution identifies the links between incentive compensation schemes and productivity. Performance assessment on the connection to compensation schemes has also contributed to an increase in the firm's profitability.

HR practices for human capital developing and organizational performance.

The high performance management, or high performance work practices, has become an important field. High commitment management aims to go beyond high performance management to include an ideological component - the identification of the employee with the goals and values of the firm, so inducing commitment. Identified a no of similar features of high value management:

- The emphasis is on trainability and commitment and also development of career ladders.
- A good level of functional flexibility alongwith job descriptions.
- The reduction of hierarchies and the ending of status differentials.
- A heavy reliability on team structure for structuring work and problem solving.
- Exemplary job design to promote intrinsic satisfaction.
- A policy of no compulsory lay-offs or redundancies.
- New forms of assessment and payment systems.
- A high involvement of employees in the management of quality.

There is a strong link between HRM and performance, but that this link is indirect, through the apparent impact on employee commitment, quality and flexibility. A positive benefit between employee attitudes, organizational culture, HRM and company performance, and conclude that employee commitment and a satisfied workforce are essential to improving performance. Two highly significant areas of HR practices are seen as:

- The acquisition and development of employee skills (recruitment, selection, induction and performance appraisals).
- Job design (skill flexibility, job responsibility, team-working).

### **Difficulties with the linkage between human capital development and organizational performance**

There are a number of problems with asserting positive benefit between human capital development and human resource initiatives and organizational performance. We can identify the following:

- **Reverse Causation:** Do human capital processes lead to increased performance, or is the alternative explanation equally as likely: that higher performing firms will have more resources to invest in better human capital management? If the casual link is to be established, there is a need to specify the intervening variables between human capital management and performance.
- A good deal of work has emphasized the alignment of human resources to organizational strategies But the firm- specific contexts and contingencies surrounding the organization will make HR alignment much more complex and idiosyncratic, and render generalizations about HR and human capital problematic.
- If human capital is, in a real sense, best practice, why is it that some organizations lack human capital processes and yet are successful in their businesses? Or, in other words, why doesn't everyone adopt human capital principles? These are some empirical questions to be investigated. A simple answer would be that such firms may be successful now, but the possibility of sustaining their success is perhaps reduced by the degree of their failure to implement the human capital concepts.

### **Measuring Human Capital**

There is compelling evidence for a linkage between strong people management and performance. But how is human capital to be measured? Measurement is obviously important to gauge

the impact of human capital interventions and address areas for improvement, but in this field, measurement is a problematic issue. It is then essential to measure these practices in terms of outcomes. These outcomes differ along a number of, by now, familiar categories:

- Financial measures
- Measures of output or goods and services - units produced, customers served, number of errors, customer satisfaction)
- Measures of time - lateness, absence etc.

### Conclusions

We feel that a greater understanding as to how these two approaches come together will enhance our knowledge of how human capital management, thereby leading to improved competitiveness. There are several lists for high performance work practices, or 'best HR practices,' each of which is varied with the specific contents and different ways of operationalising the individual HR activities. Yet, at their heart, most studies emphasise enhancing the skill base of employees through comprehensive training, selective staffing and broad developmental activity, as well as encouraging employees through empowerment, participative problem solving and teamwork and group based incentives.

Both as labour and as a business function have traditionally been viewed as a cost to be minimized. At best, human resources are viewed as contributing to the efficiency of the organization, but not explicitly as a source of value creation. The rise of human capital management, alongside its relatives the resource-based view and strategic human resource management, has seen this view change dramatically. If human capital really is at the centre of competitive advantage, investors may wish to see rather more disclosure in the future.

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