

The study of the nature of human capital management and its strategic role in achieving of competitive advantage for the organization.

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Abstract- Human capital is just one of an organization's intangible assets. It is basically all of the competencies and commitment of the people within an organization i.e. their skills, experience, potential and capacity. Human capital management is a reciprocal relationship between supply and demand: employees, contractors and consultants invest their own human capital into business enterprises and the business enterprises need to manage the supplier. Any organization interested in its performance will naturally ask how well they are managing this asset to ensure maximum return on their investment. In the same way, all employees, contractors, consultants and providers of human capital want to ensure they are getting the appropriate return for their own human capital investing through salary, bonuses, benefits, and so on. The aim of this paper is to study of nature of human capital management and its strategic role in achieving of competitive advantage for the organization and it is a review paper. The results of this study show the strategic importance of human capital and managing them in organizations.

Index Terms- human capital, human capital management, competitive advantage, human resource architecture

I. INTRODUCTION

The concept of human capital is not a particularly new one: the term was first coined in the 1960s by the economist Theodore Schultz and was centered on the division of labor and how one could compartmentalize employees into specific categories of seniority. Employees were primarily seen as being a cost, rather than a form of capital and contributor of value to the organization's financial and non-financial performance. The 1980s saw a rise in the 'human resources' function within business, which recognized the importance of employee management in improving operational efficiencies via training and development and job satisfaction. Fast forward to the 2000s, and people are officially recognized as adding value to the business from more than just an efficiency perspective – they constitute an intangible asset in terms of reputation, intellectual capital, expertise and knowledge and innovation, as well as contributing to strategy achievement. Business strategy should be directly aligned with the management of human capital, and this alignment should be clearly stated within company reporting.

The advantages of doing so are numerous. It demonstrates externally that the organization takes HCM seriously, and could therefore help attract new talent to the business. It responds to any stakeholder concerns there may be on employee issues. The data collection and internal engagement involved in preparing a report can assist in identifying risks that may have otherwise been left unaddressed.

It can increase the trust of existing employees, who may not be aware of how their organization perceives human capital and how it is managed. It can improve internal management systems through data and information collection, trend analysis and target setting. It provides investors, especially sustainable and responsible investment (SRI) analysts, with the information they require to make their decisions. (A piece of CIPD research found that investors currently take little notice of workplace metrics because of low comparability and consistency in the way they are presented). At this point with review of the types of intangible assets, including human capital, the concept of human capital management as a basic of human resources architecture is explained. Human resources management authorities (Kordestani 2008; Nelson, 2004, Hietala, 2006, Baron and Armstrong, 2008), divide types of invisible assets into four categories:

Social capital
Organizational capital
Human capital
Intellectual capital

II. RESEARCH THEORETICAL FRAMEWORK

The concept of human capital deals with added value which individuals provide for organizations. This is well expressed regarding that it is human capital that distinguishes between organizations and it is considered as a real competitive advantage. Human capital resources that are intangible but critical of the organization that put employees to the organizations. (Baron and Armstrong, 2008). Bantis et al believe that human capital is the human agent of the organization which contains a combination of intelligence, skill and Specializations that individuals are totally unique put available to the organization. Organization human elements are elements that are able to learning, changing, and innovations and providing the driving engine of creativity, which if appropriate to motivating, it can guarantee the long term survival of the organization. Human

capital is not under ownership of organizations, but can be guaranteed through the employment relationships. Individuals bring the human capital to the organization and then develop it through experience and education. (Baron and Armstrong, 2008). According to Hietala (2006) the human capital is accumulated knowledge, skills and abilities which can potentially help to increasing productivity and performance at work and also in life. Based on this definition, the human capital can be an aim for the individuals well being and a fundamental tool for achieving the goals of the organization and the individual simultaneously. From Hietala perspective (2006) the concept of the human capital is divided into two parts: the stock human capital and the flow of the human capital. Moreover, the human capital has different content at the organizational and individual level. At the individual level, the flow of the human capital includes conscious investments in the human capital in the form of training and education, which creates a common learning.

The Conscious part, frequently, but not always, work strongly at the initiative and innovation. On the other hand, the automatic increasing of human capital, will dominate on experiential learning and receiving tacit knowledge of the other components. Human capital is said to anything other than the physical capital (property, equipment, financial capital) that has an innate talent and it can also change itself and other production inputs or is modified (. Menzies, 2003). Human capital is the only product agent that has the ability to create new products and to improve the production processes. Human capital in economic aspect is the base of innovation, that leads to economic growth widely and from social aspect is the cornerstone of the knowledge society. From Kordestani opinion (2008) Human capital is the knowledge, skills, competencies and the attributes that can be collected in individuals and makes it easy to achieve personal, economic and social success. Human Capital in new Looking is beyond the knowledge and skills of individuals. The current and dominant attitude about the human capital is that to what extent it can help the innovation of the organization. Innovation, doing new activities horizontally to all over the organization and doing new activities vertically at all levels of the organization.

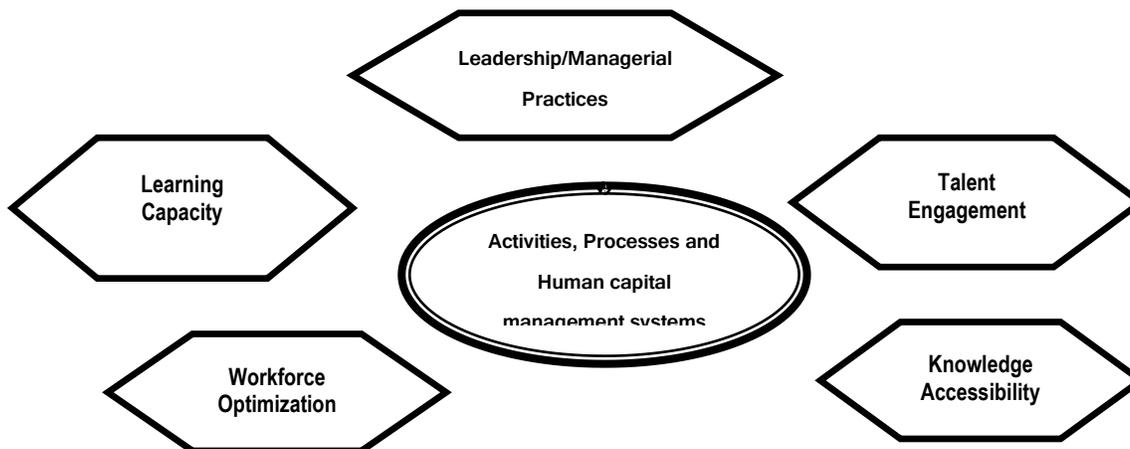
III. DISCUSSION AND CONCLUSION

Now the definition of human capital management as one of the basis of human resource architecture is discussed. Kearns

believes that the human capital management is full development of human potential abilities, which is manifested as an organizational value. He believes that the human capital management is relevant with creating of the value through people, and what can be led to value creation is the philosophy of human development not just development process. Matthewman also believes that human capital management gives us opportunities for the analysis based on the fact. And establishing and operating policies in order to help us (Baron and Armstrong, 2008). According to the explanations were offered, human capital management can be defined as follows:

Human Capital Management includes the processes, practices and systems that were used by staff to enable access to knowledge (Bassi & McMurrer, 2006). According to Mayo (2001), the fundamental difference between human capital management and human resources management is that human capital management looks at human as assets and human resources management looks at human as the costs.

Kearns (2005) believes that in human capital management, individuals create value added and they are not taken account overheads. While in the human resources management, human beings are considered as a significant cost that must be managed in accordance with these costs. This issue which in human resources management, personnel are considered as the costs, has not been confirmed in terms of human resources management studies by American authors such as Beer et al. They emphasized the need for a longer-term perspective in managing the people and considering them as potential assets compared with the changing costs. Both human resources management and human capital management in its appropriate concept can consider human beings as property. These two types in an appropriate concept can be considered the same which can provide us the basis for the realization of advantages related to human capital through a resource-based strategy, (Armstrong, 2010). According to Baron and Armstrong (2008), today individuals in the organization along with a set of skills, abilities and experience in addition their ability to apply them for the benefit of the employer organization are identified as important role makers and helpers in achieving of organizational success and important source makers of competitive advantage. According to Bassi (2006), activities, processes and human capital management systems can be divided into five major categories as illustrated in follow figure as shown.



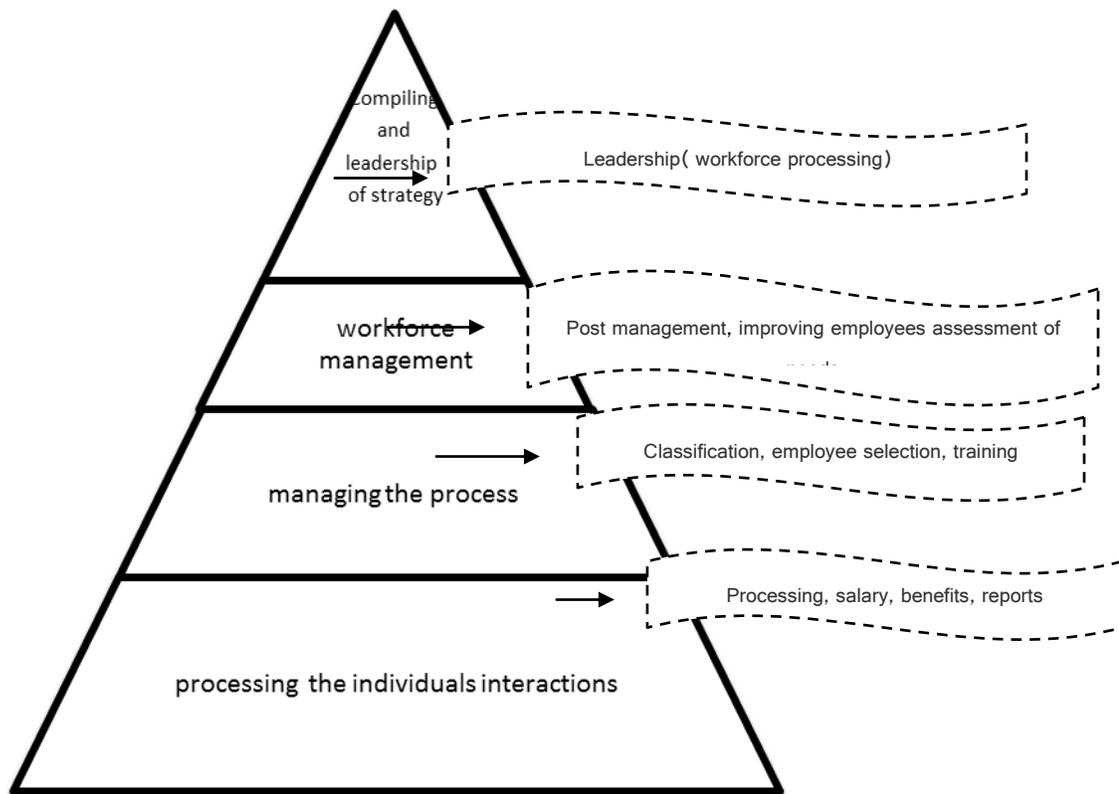
Components of activities, processes and human capital management systems (Bassi, 2006.)

Leadership, managerial practices, learning capacity, workforce optimization, knowledge accessibility, talent engagement, are among the human capital management activities that they are doing to growth and excellence of the organization and individuals. One of the most important tasks of human capital management is determining the human capital standards. These standards specify the path of organization success. Nelson (2004) mentioned six types of standards for human capital:

Strategic Coordination, planning and workforce development, leadership and knowledge management, performance culture, Talent Identification (skills, knowledge and competencies), and responsiveness. Therefore human capital

management provides an appropriate context for creating knowledge-based human resources management, to form the actual view of human resources architecture. Strategic value and unique knowledge and also scarcity of human resources, all of them are considered as Infrastructures of human resources architecture. Moreover Nelson (2004) introduces human capital management duties and activities in this way:

Compiling and leadership of human resources strategy in line with organization strategy, workforce management, managing the process such as employee selection, training and development, selection, human resource planning and processing the individuals interactions with organization as illustrated in follow figure



Human capital management practices (Nelson.2004).

Human capital management process

Human capital management process includes a six-step process (Lyer,2004) that they are Planning, employee selection, embedding, providing service, maintaining, pension. Each of human capital management sub-processes has outcomes and impacts on the organization and individuals.

First. Planning.

Product of planning is strategic sourcing. This output, internal and external employees seeking of talented individuals dictates based on roles and responsibilities. So it is the part of the organizational strategy that has supporting to adequate budget allocation for internal and external employees seeking of talented people with him.

Second. Employees seeking

The output of employees seeking is talent Staff. This output is not focused upon just one job, but it focuses on the talents life cycle and the life value of an individual.

Third. The placements.

With embedding the talents, the organization accesses the nature based on role. The role-based organization provides the roles that implemented for a strategic and integrated plan in the organization and it is conducted through the contextualized intelligence.

Quarter. Service delivery.

The output of this stage is employee satisfaction. This output trains the staff that they live in customer orientation culture and they ensure that this culture penetrate in internal and external customers.

Fifth. Maintaining.

Reward, recognition and appreciations are the result of this step. This output creates motivation and courage of ownership and entrepreneurship in people and creates accountability between them and the organization for strategic outcomes.

Sixth . Retirement.

At the end of human capital management cycle, there is a sense of loyalty in employees and customers. Pensioners as the individuals who have grow in organization are the ambassadors of the trademark in organization and they feel a strong sense of loyalty to their organization and they consider themselves accountable and responsible to institutionalizing of the success inside and outside the organization .

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