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Research Paper

Role of Human Capital Management in the Business Practices

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Abstract
The concepts of human capital and strategic human resource management are very popular in enterprises today. The word "human capital" is regarded as a critical component in increasing an organization's assets since it provides a sustained competitive advantage and boosts staff efficiency. Some organisational theorists utilise human capital theory guidelines to demonstrate the possibility to establish effective rivalry between organisations by developing individual human resources. As a result, after reviewing over 50 publications, the current study investigated the importance of human capital in organisations and the characteristics of human capital. According to the findings, the common index that is relevant at all levels of management in the company is human skill. Those who work in the organization's central core must acquire new capabilities. These individuals must have sufficient knowledge, intelligence, innovation, and creativity to boost customer satisfaction and provide the firm with a competitive advantage.
Keywords*: human capital, the characteristics of human capital, the indices of measuring human capital*

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I. Introduction

Human capital management is a modern approach to managing a company's workforce. Human resources have been studied and practised for over a century, although the term "human capital" did not appear until the age of automation, in the 1960s. Companies shifted their perspective on employees, seeing them as important assets rather than replaceable humans for the sake of getting menial chores done.

Employees are an organization's capital because of the monetary worth they can add if given the proper environment in which to flourish. Employees contribute to economic value through their knowledge, abilities, values, connections, and state of mind, as well as the success of the company as a whole.

Everything from finding and employing the right people to training and managing them so that they can assist the company achieve its goals is part of human capital management. Activities in this category might include anything from developing and effectively disseminating the company's goal, vision, and values to providing ongoing training and education opportunities for employees.

In the last ten years, human resources have emerged as the most critical factor in helping businesses achieve long-term success and a competitive advantage. According to Hendricks (2002), Human capital, which reflects the sum of an organisation's knowledge, technical skills, creativity, and experience, is increasingly valuable in today's information-driven economy, so much so that the workforce is now seen as an investment rather than an expense.

Since human resources are the rarest and most complex resources in a knowledge-based economy, conducting research on them, evaluating them, and keeping them under control may be more challenging than managing the organization's other resources. Most business leaders focus their efforts on visible aspects of the company, such technology and the allocation of resources. Today, this fact cannot create a competitive advantage for organisations on its own due to the characteristics of the global economy, the emergence of

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phenomena like globalisation, and the increasing growth of technology, and the use of modern technologies in producing new and diverse products. (Garavan, Morley, Gunnigle, & Collins, 2001). To stay ahead of the competition and ensure their own continued existence, businesses need to invest in things like human and intellectual capital (Nordhaug, 1993). It was noted in a 1990 book by McKinsey titled "The War for Talent" that the demands of organisations to effectively attract, develop, and preserve skills were receiving a growing amount of attention from senior managers. According to the above phrases, in the modern business world, human capital is more valuable than any other material asset. In this article, we've tried to break down what "human capital" is, why it matters, what it looks like, and how you can measure it.

Human resource management's overarching objective is to build up and better utilise the workforce. The founder or the head of organisation is typically in charge of human resources in startups and other small businesses. Human capital should be invested in not just by company divisions or leaders, but by everyone. Each person must take charge of his or her own education, training, and professional development. Increased marketability and salary potential come from investing in and developing one's human capital.

II. Human Capital

Human capital, in the simplest words, refers to resources other than buildings, machinery, and money. The percentage of physical capital to GDP in developed countries' economies has dropped significantly over the past century, while the percentage of human capital has increased. The concept of a "knowledge economy" emerged in response to the growing importance of human capital to GDP. Human capital is not a simple input because it plays a more sophisticated function in the process of creating commodities or providing services, while other forms of capital have traditionally been regarded inputs that enter the process of production. Human capital have an innate ability to modulate or adapt to new conditions and stimuli. This trait is what keeps the economy moving forward at a rapid clip (Menzies, 2003). Knowledge, education, skill in one's chosen profession, and scores on various psychological tests all constitute human capital (Namasivayam & Denizci, 2006).

Human capital is a term with origins in economics (Becker, 1996). Human capital differs from both material and monetary resources. The knowledge, talent, creativity, and health of the individual are all examples of what is meant by "human capital" (Becker, 2002).

According to Becker, the key distinction between human capital, physical capital, and financial capital is that while one's assets and properties can be removed from them, one's skills, health, and values cannot. Therefore, human capital is the most long-lasting and eco-friendly form of investment. In order to increase productivity, Schultz (1961) argues that formal education and training are important tools. In addition, he thinks that the requirements for educational registration should be investment in human resources. Different definitions of human capital place emphasis on different aspects of this intangible asset.

An updated definition of human capital includes things like "life experience," "knowledge," "originality," and "energy" (Weatherly, 2003).

Investing money into people is called "human capital," and it can help boost productivity. The money spent on this investment is set aside for a specific purpose. Since people are precious human capital with varying attributes, the learning organisation opts to invest in them (Burund & Tumolo, 2004).
Education, expertise, and culture are all examples of intangible assets that contribute to an organization's success and are considered part of its "organisational capital" (Namasivayam & Denizci, 2006).

III. Human capital management (HCM) as a strategy

Human resource management (HRM) and human capital management share many commonalities. Human resource management (HRM) is concerned with an organization's personnel services. Organisational processes in commercial settings are often carried out by this single entity. Both of these phrases serve purposes connected to matters like: Recruitment, Training, induction, orientation, payroll, and performance evaluation.

Both concepts serve multiple different tasks that involve people cooperating with one another. Group employees are valuable assets, so the HR department must make concerted efforts to ensure everyone feels appreciated and that the team produces excellent results. Human Capital Management (HCM) software is the backbone of every HRM system. The definitions of HCM and HRM are dissimilar. Human capital management (HCM) yields a vague response and is linked to concepts like human resource management (HRM), individual management, and organisational management. HCM is associated with operational goals and the strategy of workforce growth. Human capital management (HCM) is a strategic method that features fundamental procedures, tools, and processes. Many companies probably utilise it to oversee their growth and asset management.

IV. The Economic and Social Importance of Human Capital

Knowledge and human capital are assets that can directly improve productivity. In developed nations, when GDP development has accelerated, higher levels of employee training have directly resulted in longer working lifetimes. Long-term economic growth is influenced by the majority of societal benefits accrued by the accumulation of human capital (Carmeli & Schaubroeck, 2005). These benefits include improved health, higher rates of urban employment, lower crime rates, and higher levels of social correlation.

In addition, a nation's social capital improves the well-being of its citizens and influences the productivity of its commodities and services. As an illustration, confidence in society helps businesses save money on transactions (Rastogi, 2002). The firms place a premium on their human resources because they believe that these factors contribute more to their market value than do their physical assets. It is a condition of this agreement that the company attract and retain the most talented workers possible. As stated by Stiles and Kulvisaechana (2003), organisations need to foster an environment where knowledge creation, sharing, and application is encouraged and learning is ingrained in the culture.

V. The Charateristics of Human Capital

5.1. Creativity and innovation

Organisational success depends on the capacity to recover and restart. Rebuilding entails adjusting objectives in light of current conditions and developing more effective strategies for achieving them. Therefore, businesses should foster an innovative and creative culture, as non-creative businesses will eventually fail or adapt (Daft, 1998).

5.2. Knowledge Management

Adam Smith talked about the importance of employees' expertise to the success of a business (Smith, 1910). Furthermore, according to Smith, training is an investment in human capital that benefits from having highly competent employees. Employee motivation and openness to organisational change can be improved by offering workers more autonomy and decision-making authority (Thomas et al., 1996). Human capital, organisational growth, management shifts, IT, management credit, performance evaluation, and value setting are just a few of the aspects that contribute to the success of the subject of knowledge management (Bukowitz & Williams, 1999). According to Nonaka and Reinmoeller (2000), "knowledge management" is the practise of employing business acumen to foster creative thinking. Management scholars such as Drucker (1993) have recently proposed that scientific work be the key resource of a developed economy and employees be the central work force, despite the fact that there is an established association between economic progress and knowledge (Teece, 2000). Knowledge and its management, the authors argued, are perpetually relevant; knowledge is the bedrock upon which economic growth is constructed; and intellectual capital is crucial to the innovation. As a result, there is a need for more research into the perception, description, and evaluation of economic and product knowledge (Bontis, 1998).

5.3. Value added

Human resources can aid a business in gaining a competitive edge, increasing its value to customers, and implementing thorough quality assurance strategies. Predictions can be made at varying levels of the organisation, values, missions, and goals can be defined, strategic plans can be developed, and those plans can be put into action in accordance with the organization's core values. Employees' motivation and education can help them contribute more value to their work (Armstrong, 2008).

5.4. Competitive edge

To gain an edge in the market, a business needs hire people who are more skilled and talented than their rivals so that their products stand out from the competitors. The skills of its workers are crucial to the development of a competitive advantage for the company (Armstrong, 2008). These skills include high performance, adaptability, inventiveness, and the provision of direct services to customers. Intellectual capital, sometimes known as intangible assets, is becoming increasingly significant to businesses. There is a direct link between these capitals' importance to the economy and their impact on market competition (Groves, 2002).

5.5. Increasing the customer's satisfaction from the organization

The staff that are directly involved with the customer are crucial to a service organization's success in retaining that customer. Higher quality services, according to Zeithmal, Berry, and Parasuraman (1996), lead to more favourable consumer behaviour intentions and brand loyalty, which in turn boosts a business' bottom line. As a result, the way an organization's staff treats its customers is a major factor in whether or not those customers will remain loyal to the business. In fact, service providers should actively promote such conduct. Investing time and energy into cultivating a connection with a customer increases the likelihood that they will remain a loyal patron of the business (Yoon & Suh, 2003). Employees' actions towards customers will shape the future of the service relationship because customer satisfaction is directly tied to the employees' level of competence, attitude, experience, and skill (Gonzalez & Garazo, 2006).

VI. A modern approach to the theory of human capital

Human capital is not like other things you own. For example, land can be sold to make money. People do not sell their skills and abilities, on the other hand. They make a deal with a company to use their skills and get paid for it. This is how Karl Marx, a German philosopher, described his idea of "human capital." He also said that it's not enough to have human wealth. To make this kind of money, people have to work and use their skills.

Today, human capital might include cultural, social, and intellectual capital. Let's explore each one:

Cultural capital

The mix of knowledge, emotional intelligence, and intellectual abilities a person has is known as cultural capital.

Individuals and businesses can increase their cultural capital by spending money on higher education or professional growth. The more they spend, the better they'll work and make money.

Social capital

Social capital is a society's network of relationships between people who live and work there. This includes how they get along with each other and how they work.

In a workplace, this can look like:

- Team-building
- Collaboration
- Shared values

Companies with strong social capital have higher employee retention and a culture of trust.

Intellectual capital

The worth of an organization's intellectual capital is equal to the sum of its employees' accumulated wisdom, expertise, and originality.

VII. Investment in human capital

Just like any other capital resource, human capital is mobile. People can move to any company that values their skills and capabilities.

So how can you invest in your existing human capital and increase your retention rates.

i. Invest in employee development

Traditionally, a human capital investment would include training. Employees are given the skills and confidence they need to achieve organisational goals through training. Investing in employee upskilling boosts both retention and their ability to create value. This is due to the fact that individuals respect possibilities for growth and development.

ii. Provide educational bonuses

Investing in your employees' continual education is a solid method to increase your human capital. Incentives such as educational bonuses are one way to assist employees in furthering their education.

These bonuses make it easier for employees to advance in their careers, particularly if they cannot afford to do so on their own.

Learning opportunities also aid in preventing your human capital from defecting. According to LinkedIn, over 90% of employees would stay with a firm for a longer period of time if it invested in their education.

iii. Provide family assistance programs

Investing in human capital entails assisting employees in balancing family responsibilities.Employee assistance programmes, such as child care and eldercare aid, promote work-life balance and employee wellness.

A healthy work-life balance reduces stress while increasing productivity and effectiveness in the office. According to Gautam, Indu & Jain, Sameeksha. (2018), employee-driven solutions for balancing work and life will assist organisations in developing and implementing work-life balance policies. It will assist to minimise stress and responsibilities at work while increasing flexibility, family and leisure time at home. Organisations must take the WLB issue seriously since it affects both their professional success and personal well-being. Organisations should prioritise the well-being and contentment of their personnel.

VIII. Conclusion

Human capital is a relatively new field of study within human resources, and studies show that its strategic importance and prevalence inside businesses is on the rise. Human capital is crucial to organisation's progress because it helps them earn more, expands their horizons and their economies, and lessens the prevalence of loss. Human forces are more crucial than ever before due to the ongoing global movements against capitalism. Recent shifts suggest that in the future, researchers will focus on two aspects of human capital: evaluating the gaps within human capital and learning how human capital leads to greater efficiency and income. Human capital is an investment that pays off for workers and individuals in the form of pay, benefits, job satisfaction, advancement chances, and more learning experiences. Human capital (the education and training of the labour force) is an important factor in any organisation's economic success and productivity.

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