

Human Capital Management for Individual and Organisational Performance: Theoretical Perspective

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Abstract

In today's highly competitive global business landscape, organizations across sectors are trying to gain advantage over their competitors. To secure this edge, companies are increasingly recognizing their workforce, the human capital, as a pivotal asset for achieving success. Human capital encompasses employees' knowledge, skills, and abilities. The term was initially coined in the 1960s by Schultz (1961) and later expanded upon in the 1990s. Human capital is not confined to tangible skills but also encompasses the well-being of individuals within an organization. HCM has been considered as a key element in an organization's overall value, including intellectual resources. The theories of dynamic capabilities and the resource-based view support the argument that human capital is a crucial driver of sustainable competitive advantage. HCM plays a central role in enhancing employee competencies, fostering knowledge-sharing, and stimulating innovation and creativity.

This paper delves into the strategic importance of HCM, exploring how it contributes to gaining a competitive advantage. It also discusses the importance of HCM at the individual level, highlighting the role of education and training in enhancing employee performance and organizational productivity. Further, this study emphasizes that effective HCM is a critical driver for economic growth and competitive advantage. It not only leads to employee satisfaction and improved performance but also enhances overall organizational output and profitability. As organizations navigate the dynamic and competitive landscape, investments in human capital development stand out as a key driver of success and sustainability in the modern business world. HCM is the pivot in the pursuit of competitiveness and long-term viability in today's global marketplace.

Keywords: Human Capital Management, Organisational Success, Individual performance, The Resource-based view theory, Dynamic capabilities theory

1. Introduction

Organizations across the globe have realized the significance of intangible assets such as the knowledge and skill of their employees which is fundamental to creating value in order to survive the cutthroat competition and attain sustainable development. According to Fombrun (1984), employees serve as a critical asset that managers harness to gain a

competitive edge for their organizations. Given that these companies function within a knowledge-based economy, this gives rise to important concerns regarding the generation, cultivation, and dissemination of knowledge among their workforce. Nevertheless, management and measurement of human capital (HC) has become an issue of great strategic importance.

Human capital may be defined as the level of knowledge and skills acquired by a person that empowers them to carry out work so as to produce economic value. It can be said that the people have acquired their own economic worth to their country and economy, in any form of performance either working in their home- country, or as a workforce driving the economy of any foreign country in order to boost their families & home economy (Samad, 2013).

It is obvious that we are moving towards a knowledge-based economy where investments in intangibles assets are seen as vital elements to value creation in business organisations, and the emergence of this approach is changing the entire process treatment to performance in transforming the function of human resources. Yusliza and Hazman (2008) stated that, intellectual capital, with special reference to human capital is desirable to an organization's success, and that's why HR focus has shifted towards new knowledge-based economy era.

Briefly, HC can be referred to the knowledge, skills, capabilities, and traits encapsulated in people that encourage the production of personal, social, and economic well-being. The continually changing business environment expects firms to take a stab at predominant competitive advantages through unique business plans which join creativity and ingenuity. It is fundamentally critical for long haul sustainability. There is no uncertainty in the way that human asset information plays out a significant job in expanding competitiveness of a firm.

We can define HC that it is the intangible asset- intellectual capital which tends to replace industrial machinery as well as industrial capital. Undoubtedly, it is considered as one of the most valuable aspects for wealth creation since it's a source and a final product at the same time. Notably, management of intellectual capitals has therefore gained much importance for the business professionals and experts in present-day society.

2. Concept of Human Capital (HC)

Human Capital or HC is usually represented by the knowledge, skills, abilities, talent, judgment ability and expertise that employees of an organisation possess and implement in the workplace. According to Bontis and Fitz-enz (2002) HC plays a vital role in an organisation because it helps in generating new and innovative ideas. Moreover, HC is the most useful tool for profit generation in the knowledge-driven economy. As is well known, knowledge-driven economy is focused on generation as well as exploitation of knowledge which helps to achieve the ultimate goal of any business i.e., wealth creation.

The concept of HC came into the picture as early as in 1960s, when Schultz (1961) concluded that it comprised important aspects in an employee including knowledge, skills and in an organisation. Although brief, Shultz's concept of HC does not consider the meaning and significance of value and investment. Therefore, later in the year 1981, Schultz redefined HC as the innate or acquired ability of human beings. The human attributes having value and significance for the organisation are the ones which should be invested in are the right HC (Schultz, 1990). Human Capital Management was first coined by Schultz in 1990s, as a way of stating the benefits of placing assets into guidance on a national scale (Afiouni, 2007).

The notion of Human Capital (HC) can be attributed to the research carried out by Hamel Prahalad (1990), who concluded that a firm or organization's competitiveness stems from its possession of core competencies. They concluded that for surviving in the competitive market, the organisations should consider several cogent factors, wherein, HC being the most significant one. Furthermore, Cappelli and Singh (1992) put forward the idea that employees' competencies play a crucial role in establishing a sustainable competitive advantage for the success of any organization. These competitive skills are typically unique to each firm and pose challenges for other companies attempting to replicate them.

Concomitantly, Becker (1985) proposed that HC is not only knowledge, information, ideas, skills but also the health of individuals in an organisation. The concept of HC by Becker includes a new attribute of health of individuals in an

organization. Health and well-being of individuals is undoubtedly a critical attribute that may have impact on the organisational performance and therefore would be useful for understanding the concept of HC in a business enterprise. According to Bontis and Fitz-enz (2002) HC can be factors related to individuals of the organisations and is built by combining intelligence, skills, and expertise of these individuals to give a distinctive fabric to the organisation. These factors of the organisation are innate abilities of the individuals that can be learnt, changed, or created giving an innovative thrust to organisational sustenance in the competitive environment. They reported the importance of innovation, creativity and change in HC along with emphasising on the role of motivation in order to leverage on these core competencies. It also encompasses the distinctive character of the organisation and its long-term sustainability. According to Chemmanur et al. (2013) HC can be expressed in terms of people management along with their potential to perform in the workplace to their fullest capacity.

Guest, (2017) conceptualizes well-being-oriented HRM practices as intended to advance employees (training, development, and learning), arrangement of work structure (employments with suitable workload, role clarity and employee control, and information sharing), a positive social and physical environment (employment security and groups), employee voice (broad two-way correspondence among the board and employees), and organizational support (participative and strong administration).

According to Armstrong and Taylor (2020) human capital is described as the stock of collective KSAs along with the work experience, creativity and other significant factors leading to creating knowledge. Human capital is spine of intangible resources and is considered as a vital element in organizations' value (Chen et al., 2011). It includes all intellectual resources of organizations like employees' knowledge and ability which enables them to solve organizational problems and state customers issues (Ditillo, 1998). HC includes employees' knowledge, capabilities, skills, and abilities (Bontis et al., 2000). This forms the basis for intellectual capital. In another study by Cornachione (2010), it has been illustrated, how organizations can effectively identify optimal solutions by focusing on harnessing the knowledge held by their employees. Human capital represents the reservoir of knowledge possessed by employees and is a crucial wellspring of innovation, as highlighted by Bontis and Fitz-enz, (2002). Therefore, it can be deduced that HC can be termed as an intellectual and innovative resource for the success of any organization (Chaddha et.al, 2020).

HC now-a-days is considered as an important support for economic growth and sustainability and serves the base for accomplishing living standards for life for any nation. According to Becker (2007), analysis of HC begins assuming the fact that employees in an organisation take decisions pertaining to their education, health, training and development, medical care etc. that adds to their existing knowledge keeping in mind the cost and benefit of the programmes.

As per the model propounded by Ployhart and Moliterno's (2011) there lies a positive relationship between average individual HC and overall HC of an organisation and concluded that if the individual level HC is high, so will be the HC at organisational level. It was concluded that if the individual level HC is higher the result will be the higher level of organisational HC.

According to the view of Whitaker and Wilson (2007), in today's world the existence of HC in organisations is believed to become more focalised towards controlling intangible assets while senior management is concerned regarding bottom line results. Furthermore, Santos-Rodrigues et al., (2010) argues that knowledge plays a crucial role in providing competitive edge to the organisations; thereby creating and managing intangible assets like HC that add to the organisational profit margins.

Briefly, HC can be considered a warehouse of knowledge, social and personality abilities, innovation, excellent perform, economic value in an organisation. The collection of HC resources is utilised to achieve the economic goals of the country with the fulfilment of organisational long-term strategic goals.

Past studies and research have pointed that human capital is one of the keys for successful organisations. It can be presumed that the successful businesses are organizing and managing their human capital systematically or if not, they should try to manage it in required manner. There are two aspects of human capital management. Firstly, it can be applied through the use of competency mapping or competence management; secondly, and it can be brought into practice through

knowledge management. There are several studies on competency and knowledge management, but the focus is ambiguous (Hannula et al., 2003). Also, according to Selvarajan et al. (2017) taking human capital and social capital together leads to innovative capacities of the organisations.

In the current global market, the key factor for developing business in the innovative direction is through exploitation of Human Capital Management. Without knowing the required level of people with optimum talent needs, the performance of organization suffers. It is argued by many researchers that organizations with well-defined workforce management system have higher operating income. Thus, the success of business organizations heavily relies on effective and efficient human capital management system; this HCM is comprised of leadership qualities, employee engagement, knowledge management, workforce optimization, competency mapping and learning ability in employees.

As is well known it is the HR management of any organisation that plays key role in acquiring talented workforce to boost the business sector along with the overall economy. Often, HC is used synonymously with HR; however, HC is viewed more narrowly than HR that encompasses knowledge, skills and talents of individuals leading to economic growth and development. Similarly, there are other synonyms of HC like workforce, talent, labour, personnel, etc.

According to Telatar and Terzi (2010), not only labour and capital, but HC plays a significant role in organic growth of business that effects the overall economic growth of the nation. Additionally, they suggest that the HC theory takes into consideration the individual employee not only as a factor of production but also as a versatile unit in order to accomplish sustainable economic development.

Concomitantly, Romer (1990) argues that HC led to better economic progress and efficiency. According to OECD (Organisation for Economic Co-operation and Development), HC is the contribution of KSA of an individual employee to the nation's economy that leads to not only social but economic development. Therefore, the firms invest in HC as they find it significantly contributing to economic competition among countries. In fact, the factors responsible for making a country more prominent than others in terms of economy include labour as the critical factor of production; since a country with a specialised workforce labour integrates advanced technology with the experience and gain competitive advantage. Hence, it can lead to increase in HC efficiencies which are a significant contributor to a country's economy.

3. Significance of Human capital Management (HCM)

Human Capital is an important and modern concept which scientists and researchers in the field of administration have started discussing broadly over the last few decades (Van Der Heijden, 2002). Human capital comprises the attributes that an individual brings to an organization, including their educational background, prior job-related training, age, and professional experience. These competencies collectively contribute to the concept of the organization's workforce, known as Human Capital (HC). The presence of these attributes in each individual is expected to result in a beneficial influence on the organization's management

In the view of Han et al. (2014) HC portrays a critical factor in creating and developing innovative techniques, knowledge, and information; moreover, it helps in building social capital, promotes exchange of these techniques and ideas through internal resources of the organisations. Further, Mahoney and Kor (2015) argue that HC encompasses structural and innovative capital of the organisation, which helps create innovative and novice knowledge building and out of the box ideas.

The idea of HC in being a bedrock for the long-term economic development of the country cannot be ignored as it is a norm that macroeconomic approaches of many countries rely heavily on towards development of HR thereby leading to financial and economic gains for the nation. It is a fact well accepted across the nations that HCM lays the foundation for HR development and financial development in the long-range interest.

Even Mahroum (2007) proposed that HCM revolves around three main factors namely, a) creating talent b) sending talent c) and drawing talent from somewhere else. Additionally, organizations having talented workforce in the form of HC beat organizations lacking in HC management (Crook et.al, 2011). Ingham (2007) stressed that human capital reflects the cumulative attitudes and experience, knowledge and creativity, and energy and enthusiasm shown by people to invest

in their business. Hence, it can be concluded that in order to acquire and retain talented workforce HC management is crucial for any organisation. Also, the organisations, apart from talent management, also has to focus on the KSAs of its employees by promoting learning at individual and organisational level along with building a conducive environment and work culture where the knowledge can be created as well as shared.

The establishment of the human capital theory lies in the way that individuals and organisations put resources into human capital set up together. Garavan et al. (2001) conveyed that human capital spotlights on two chief segments which are people and affiliation. He further argues that the human capital comprises four factors namely, flexibility and adaptability, individual aptitudes, the development of organizational limits and individual employability. Moreover, Ukenna et al. (2010) stressed that human capital is positively linked to the performance of the organization and its profits. It goes without saying that human capital is a crucial factor for the input and output of modern organizations.

However, HC, possess a critical issue, that is, unlike intellectual property that the organisations possess like copyrights, patents etc. HC cannot be stopped to leave the organisation (Coff and Raffie, 2015). It would be therefore insightful to understand why the top management considers measuring of HC as vital for sustainable development and bears strategic importance (Ployhart et al., 2014). The above discussion lays focus on importance of HC in organisational performance and the concept in a broader sense

4. Theoretical Aspects of HCM

The human capital reflects the view that market value depends on intangible assets, particularly human assets and the past research has shown that there is an association between the development of human capital and organisational performance. Talented employees have the core value in gaining competitive advantage and this association also needs to capitalise on the KSAs of its employees by empowering them and creating knowledge at organisational level. Bassi and Mc Murrer (2007) developed a system for studying HCM, anticipating institutional performance, and controlling affiliations interests in people. The definite research drove by them has revealed a middle game plan of HCM drivers that anticipate performance over a wide bunch of affiliations and activities.

From the individual level, Collis, and Montgomery (1995) point out that the significance of human capital relies upon how much it adds to the creation of an upper hand. Hence, as the uniqueness of human capital builds, firm have motivations to put resources into its administration and the plan to diminish hazard and capitalize on beneficial potentials.

There two most important theories relating HC development that can help build competitive advantage and can be categorised as under:

1. The Resource-based view theory
2. Dynamic capabilities theory

4.1 The Resource-Based View (RBV) theory

Penrose (1959) introduced the concept of RBV theory which concludes that in order to create sustainable competitive advantage, the organisations have to manage and deploy internal resources efficiently and effectively. Later, Barney (1991) moves forward with the view of RBV theory and examined that every firm consist of a bundle of unique and innovative resources with enormous capabilities and competencies and this bundle leads to sustainable competitive advantage. Therefore, it can be deduced from the above that in order to achieve competitive advantage and sustainable development growth of the firms, application of internal resources, both tangible as well as intangible is necessary. Moreover, the theory concludes that in times of volatility and uncertainty it is important for the firms to create and exploit specific investments to attain long-term success.

As per Barney (1991) the internal resources as per the RBV theory consists of all the assets, capabilities, attributes, information, knowledge etc. that helps the firms to formulate and implement strategic decision making in order to

enhance the efficiency and effectiveness in the long run. These resources can be categorised as, physical capital resources, HC resources and organisational capital resources.

The RBV theory has been conceptualised by the scholars and researchers extensively applying the concept of HC at the organisation level. For example, Brymer et al. (2014) examined that it is the talent pipelines that helps in effective utilisation of HC resources; when firms deploy talent pipelines, they tend to acquire talent from the same sources of recruitment, like a certain university or employment consultancy.

Likewise, Brymer et al. (2014) opines that acquisition of talent from same sources can lead to homogeneity of knowledge that builds and develops path dependencies and unique organisational routines; often this leads to better financial performance and firm differentiation thereby gaining competitive advantage. However, heavy reliance on repeated inter-organisational acquisition of talent can build inertia and resistance to change. Therefore, they highlighted the concept of emergence, which means that individual-level capacities of the workers can lead to unit-level outcomes of the departments in an organisation. In order to measure the talent pipelines that were linked to competitive advantage, firms could record the number of talented workforces on board from a specific pipeline or source and determine the kind of pipeline or source that facilitate the high-quality recruits. Moreover, firms can look into the promotion records and productivity levels of the talented workforce to measure the outcome; often by selecting the best available pipelines that is aligned with corporate strategy, organisations can enhance performance and differentiate themselves, hence gaining competitive advantage.

In another study by Shaw et al. (2013) losses in HC like attrition can impact the organisational performance adversely; however, the performance of employees is negatively related to HR investments, since the severity of performance decreases when HRM investments in training, compensation etc. increases. The reason being that HRM investments help build HC specific to organisations, and as these resources are minimised due to employee turnover, the path dependencies, routines, and social complexities arise. Later in his study Campbell et al. (2012) argued that those employees with high earning capacity or better compensation plans are less likely to leave the organisation compared with others; however, these employees are even less likely to join another firm rather build their own venture.

RBV theory has been critiqued on various grounds by many researchers. According to Priem and Butler 2001, the RBV theory has a limitation that it fails to explain how the resources can be developed over a period of time in order to build the organisational capabilities or competencies. Moreover Makadok (2001) challenges the RBV theory on the ground that the organisation is primarily focused on deciding upon the strategic resources like physical, human, or organisational in order to get value from them, while the capacity building of the firm should be through exploiting these resources.

RBV theory was deemed to be static theory that does not address the creation of valuable resources of future; it also does not consider the current availability of resources which are valuable, rare, imperfectly substitutable, or imitable, and subject to changes with changing environment; hence dynamic capability theory was created (Ambrosini and Bowman, 2009).

4.2 Dynamic capability theory (DCT) and change management

Reportedly, the organisations thrive to exist in the ever-changing business environment due to changes in internal and external environment of these organisations. The changes can be in the form of economic instability, political scenario, technological innovation, globalisation, cutthroat competition etc. (Schreyögg and Sydow 2010). Therefore, organisations have to equip themselves to meet these challenges in order to survive in the competitive environment and need to develop dynamic capability (DC) and manage change with innovation and creativity.

DC helps in playing various roles for example, dynamic resource allocation or knowledge creation or transfer or even decision making for strategy building (Easterby-Smith et al., 2009). According to Teece (2007) there are three kinds of capabilities, namely, to identify opportunities and threats, secondly, to capture opportunities, and lastly, to gain competitiveness by utilising the intangible and tangible assets of the organisations.

According to Rothaermel and Hess (2007), dynamic capabilities can be created not only at individual level but also at firm and network level as well. It is clear from the past studies that development of DCs laid emphasis on functions of HRM practices like job rotation, experience, capacity, learning, innovative capabilities, marketing capabilities, managerial vision, and transformational leadership etc.

Past literature depicts that there is a relationship between organisational efficiency and organisational flexibility. Nevertheless, that may not be the case always, for example, an organisation having highly structured, specific routines embedded between its human and social capital may lead to better efficiencies and cost effectiveness (Chaddha et.al, 2020).

Let us focus our attention on the role of social capital in knowledge organisations. As is derived from the past studies, for the better performance and overall development of firm-specific HC, the interaction between HC and social capital is a basic necessity; it further helps in complex social situations, organisational knowledge, innovation, and creativity. Tortoriello (2015) concluded in his research that social networks of an organisation can be utilised to improve the absorptive capacity of its employees. The study also highlighted that there lies a relationship between the external knowledge and innovation creation. Similarly, organisations with “integrators and connectors” which are the relational factors of the social network have advantage over knowledge advantage in relation to the innovative outputs (Grigoriou and Rothaermel, 2014).

However, there lies a criticism of dynamic capability concept since it is difficult to measure empirically as the fundamental operational processes along with relationship between DC and organisational performance (Easterby-Smith et al., 2009). Another drawback that faces the DC is that although HR qualifies to be a dynamic capability, it is not covered explicitly under its domain.

5. HCM and Individual Performance

Ployhart et al. (2014) explained individual level HC or unit level HC capacities which comprise individual KSAs that can be utilised for purposes related to unit. HC resource is aligned with economic parity as well as best practice outcomes. For example, a talented employee who is important to perform a critical task for a department is crucial for unit level performance. Therefore, it can be concluded that HC as a resource at the unit level plays a vital role for implementation of best practices that influence workforce engagement as well as business outcomes like customer satisfaction, high level of productivity, low rate of employee turnover and lower incidents of accidents etc. (Harter et al. 2002).

The connection between human capital and performance depends on two hypothetical perspectives. To begin with, the asset-based perspective on the firm and the second is the expectancy theory of motivation. The asset-based perspective on the firm learns the essentialness of structure an important arrangement of assets and pack them together in a one-of-a-kind and dynamic path for the success of an association (Stiles and Kulvisaechna, 2003). Human capital is the most significant asset of an association, in a genuine sense it is an imperceptible asset.

Next is the Victor Vroom's proposed theory of motivation known as the expectancy theory. As indicated by Holdford and Lovelace-Elmore (2001), Vroom attests that intensity of work effort relies upon the observation that a person's effort will bring about an ideal outcome. Vroom recommends that for an individual to be inspired, effort, performance and motivation must be linked. As per Vroom's, expectancy, instrumentality, and inclinations are the three factors that direct the force of effort set forth by a person. So as to improve the effort-performance relationship, supervisors may take part in preparing to improve their abilities and conviction, that is, additional effort will prompt better performance (Montana and Charnov, 2008).

It is obvious that job performance along with individual's KSAs and other characteristics (KSAOs) can help in improving the capabilities at the organisational level. Reportedly, there is a link between organisational-level capabilities and micro-level HC (Aryee et al., 2016, Eldor and Harpaz, 2016).

According to Chiavenato (2001), workforce is the main driver of the activities and knowledge and their main assistance

to the organization lies in intellectual and talents. The past research concludes that effective management of HC is crucial for the success of any business (Barney and Wright, 1998; and Akhtar et al., 2008). Carmeli (2004) in his research emphasised that behavioural approach is important for the measurement of HC specific to a particular organisation and studies the influence of HC on the financial performance of government authorities in Israel. Undoubtedly, HR is the backbone for the success of any organisation and if the employees undergo proper training can help improve the bottom line of the business. Bailey et.al (2018) extended his view that HR is often not utilised adequately since employees are perceived to perform below their potential and capabilities that may hinder organizational performance.

Let us focus our attention to HC Theory that is a part of individual level HC. According to HC theory those individuals who invest in their education and training will have better skill set than their counterparts and these skills obtained through right training and education will tend to increase their productivity, hence they will have better earning capacity. Becker (2009) in his research study suggested that right schooling in accordance with the requirement of the job profile increases the earning capacity and productivity of an individual by imparting right KSAs for analysing the problems and challenges at workplace. Hence, Human Capital theory propounds the idea that employees' KSAs can be developed by investing in education and training (Grant, 1996; Hatch and Dyer, 2004).

Becker (2009) in his study on employee development dealt with the training part where he argues that although investments in education and training enhances productivity, but the type of training method administered determines whether the training cost will be borne by the employee or the employer. Earlier in his study Pigou (1912) concluded that organisations are reluctant in parting with the funds for training programme on the perception that employees who are well trained tend to leave the organisation for better prospects. Becker (1975) disapproved this assertion and suggested that rather organisations are willing to bear the cost firm-specific training as the trainees' firm appreciates it only and not by other firms. Therefore, employees or other employers from other firms will not benefit from change in jobs. He also concluded that organisations are not willing to bear the cost for generic skills for a training programme as firms will not be able to recover their cost from these skills in a competitive market where workers receive marginal products. Moreover, general skills will make the employees vulnerable to job change especially for those skills which are not firm-specific, making the firms lose their investment in training. Rather, employees themselves invest in upgrading their skills in generic skills due to competitive market since they are the ones who would receive the incentive for upgrading their skills from investing in training (Acemoglu and Pischke 1999). Estevez-Abe et al. (2001) carried forward framework of Becker and identified difference between general, industry- and firm-specific skills. They concluded that industry-specific training increases the productivity of all the firms in the industry.

Becker's study on HC theory has however many limitations. He does not take into consideration the work experience of employees in their research on education and earnings; it does not measure experience, despite it being significant to the organisation at the time of selection (de Oliveira, and Da Costa, 2014).

Oliveira and Holland (2007) challenge the Becker's theory on the ground that it does not give regard to training or education that is informal or free from investment, in other words, the theory lays emphasis on investment in formal training only. However, Barron and Armstrong (2007) opine in their book that informal training and learning is important at the beginning of career of an employee and the employees can also learn by doing or experimenting at workplace. Moreover, training is just one of the aspects of how employees learn and develop in their tenure in an organisation. In the study conducted by Machado and Davim (2014) employees are surrounded by many opportunities and avenues for acquiring new skills or knowledge through various methods like mentoring, coaching, self-directed learning, e-learning etc.

Becker's theory has also been criticised on the ground that it ignores the non-cognitive abilities of an individual which are particularly important for raising the productivity (Heckman and Rubinstein, 2001; West et al., 2006). The skills that come under the non-cognitive category are employees' behaviours and mindsets, their attitudes and learning strategies along with the social skills which are necessary to perform a job in an effective manner and impact the learning ability. Another criticism of the theory is that skills can not only be divided into specific and generic terms, rather can be industry specific (Acemoglu and Pischke, 1999).

Schultz (1961) and Nelson and Phelps (1966) who conclude that HC of the employees in an organisation is a crucial factor for adoption of innovative and productive technologies. Moreover, organisations are realising that in order to sustain eventually employee are a source of innovation and latest ideas. Therefore, a firm's HC can play a leading role in adapting to volatile and changing business environments. It is also important to note that individual-level HC like employee empowerment, training and learning helps in bringing overall organisational change.

6. HCM and Organisational performance

Due to globalisation and interconnectivity of countries of the world there is a growth in competitive forces which exert pressure on the firms to perform and grow rapidly and meet the ever-growing demands of the customers. This is even accelerated the pace of advancement for these firms with the advent of technological forces and quest for innovation and creativity. This has led to reshaping and redesigning of the existing organisational structure and work styles through integration of world markets.

In order to meet these challenges, the organisations are realising that strategic planning at all levels of departments is necessary for accomplishment of long-term goals. The realisation of strategic goals is made possible by the existing employees of the organisation and therefore the role of HR management is very crucial for the performance, growth, and customer satisfaction. Successful firms owe to their human capital for better profit margins, higher rate of productivity and satisfied customers in the long run.

Most of the organisations in India are competitive and aspire to lead the global market in their quality of products and service delivery. In order to meet these challenges of dynamic environment in which the organisations operate there is a dire necessity to deliver value to its customer base at minimal costs, innovation in products and services to achieve global benchmarks. Therefore, exploitation of human resources i.e., leveraging through human capital by the employees KSAs is as important, as necessary.

In the present global scenario, organisations are faced with tough competition in all the sectors. In this scenario, workforce becomes an important weapon and hence, the organisations are focusing to optimise the productivity of the workforce through human capital development programmes. Also, the organizations are realizing that work life is an important aspect in developing healthy organization and employee relationships. The important criterion in improving work life balance is the work itself because meaningful, constructive, and innovative work processes and tasks for employees would give them a feeling of trust and belongingness (Chaddha et al.)

Management of an organization plays a key role in designing HR policies for their effective execution. Often, this attitude reflects the ability of the top-level management to handle effectively its people or employees that builds the organisation. Human Resource Development (HRD) has assumed considerable importance in the recent years. For any firm, the development of human resources is necessary for its efficient and effective working. Due to the rapid changes in the market environment, there is a need of developing human resources to meet new and developing challenges of raising the quality of life of the employees (Chaddha et.al, 2020).

7. Conclusion

Literature confirmed the strategic importance of organization-specific human capital (Barney, 1991; and Peteraf, 1993). Various studies have also identified a positive association between strategic human resources of an organization and its performance (Pfeiffer, 2003; Delaney and Huselid, 1996). Undeniably, HR input plays an important part in enhancing organizations' competitiveness. The fact that HR forms the backbone of success for any organisation is unquestionable; however, the role of HR in organisations is seen as an administrative function rather than strategic once. Therefore, there is a need to understand the HC as an HR function which will help understand the functions of HC carried out by these organisations and also the challenges pertaining to it.

Typically, a significant research work has been carried out on HC and its effectiveness on organizational performance that covered HC being a source of competitiveness and performance for the firms (Chaddha et.al, 2020). Subsequently, Farjoun (1994), in his study, concluded that organizations achieve superior returns when they match their human capital

profile with physical capital skills. In particular, he termed that leveraging human resources is a profit-generating strategy. It goes without saying that HC influences the intellectual capital of a firm that leads to better financial performance for each employee.

The literature survey confirms that HC that includes education and training plays a vital role in not only the employees' performance but also the organisational performance as a whole (Becker, 1985; Mincer, 1974; Schultz, 1961). Most of the existing literature on training and development show a positive relationship with both individual and firm-level performance (Hatch and Dyer, 2004; Vidal-Salazar et al., 2012; Georgiadis and Pitelis, 2016). The literature confirms that there lies a relationship between the HC and organisational performance.

Human capital is considered as one of the main drivers of economic growth in developed as well as developing countries. Nowadays, it is a well-accepted thought that investment in human capital brings in innovation and technological advancements, leading to increased levels of productivity. Investment in human capital development is observed as the most important ingredient for growth in progressively competitive economic environment. The development of HC in the right direction helps in achieving economies of scale and enhanced performance of the firms. Therefore, organisations need to analyse human capital that would build satisfied workforce and better performance.

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