

Human Capital vs. Organizational Outcomes

Dr. K. Kalaiselvi

Assistant Professor of Management, Gobi Arts & Science College, Gobichettipalayam, India

Abstract: *The relationship between human capital and organizational performance measures are task related and consist of human capital investments. It has been theoretically tested and reviewed by various researchers. This study mainly focuses on how far human capital directly or indirectly connected with organizational performances. Again the debate for knowledge and skills provides higher for outcomes than for education and experience, whether it is high task-relatedness or low task-relatedness for any kind of business. There are three dimensions of human resource systems such as skill, motivation and opportunity enhancing on proximal organizational outcomes and distal organizational outcomes. It leads to voluntary turnover, operational outcomes and financial outcomes. This paper clearly explains the relationship between the organizational performance and human capital.*

Keywords: Human Capital, Organizational performance, human capital investment

1. Introduction

The organizations are needed to satisfy their needs and demands. In order to achieve this, it can be organization should focus on domestic, national and global needs. Simultaneously, to develop a competitive advantage. The organizations who can win the competitors are called competitive advantage. The objective of organization is to maximize the profit and sustain the business. Even though, employer must taken care of their workforce's tenure in the organization, organization need to check their human capital investment. It helps them to develop for a long term survival and sustainability. To accomplish this, firms will need to invest quality resources to ensure the employees knowledge, skill and competencies. It becomes a part of an overall effort to achieve cost-effective and organizational performance.

Human capital investment begins from human resources process. The recruitment process is guided by proper policies and it will encourage the employee retention in the long term. It gives the brand image to the organization. The effective recruitment process is to attract the skilled employee and retain them within the organization.

2. Review of Literature

Becker, B, and Barry, G. (1996) argues that individual workers have a set of skills or abilities which they can improve or accumulate through training and education.

Christopher J, Collins, Jeff Ericksen (2005), explained that the human resource practices leads to employee outcomes. It shows that skills of employees, involvement in the company, employee participation increases the organizational performance and increases its outcomes.

Barney (1995) stated that human resource input plays a significant role in enhancing firms' competitiveness.

Agarwala (2003), clearly explained in his research article, substantial studies were carried out on human capital and their results on firm performance were covered and human capital enhancement will result in greater competitiveness and performance.

Burund & Tumolo (2004), defined the human capital is the investment in human resources in order to increase their efficiency and its investment will be provided in further also. Therefore, the learning organization chooses the investment for human capital with different qualities.

Zahid Ali Channar, Sareeta Talreja, Manisha Bai (2015), mentioned that the effect of human capital is improving the knowledge and skills of an employees to achieve the organizational objectives. Human capital development has a positive correlation between the employee satisfaction and customer satisfaction as well. It leads to organizational performances and knowingly or unknowingly the organization is performing very well.

3. Objective of the Study

To study the relationship between human capital and organizational outcome.

4. Methodology

This study aims only to study the relationship between human capital and organizational performances. There is no need for empirical analysis. The relationship is identified through conceptual manner only. It may be called as conceptual framework of the study.

Research Implications

This literature based paper begins by defining the concepts of human capital and firm performance. It explores human capital theory and connection between human capital and firm performance. It may help as a pillar in future analysis of organizational performance.

The human capital focuses two main components which are individual and organization. Further, it has been described by four key attributes as follows, such as flexibility and adaptability, enhancement of individual competencies and the development of organizational competencies and individual employability.

The literature clearly explained that there are findings that tell human capital with higher performance and competitive advantage, organizational commitment and enhanced

organizational retention focuses on organizational performance.

The human capital theory also stated that the development of its own height. The greater attention has to pay to human resource practices such as recruitment, selection, training, development, compensation, retention and finally relations. It is added with human capital investment which means any activity improves the quality of the worker.

Even training affects the competitiveness of an organization. An employee can paid more incentives and allowances for his performance, he may satisfy and give more input to the organization or else his productivity may be decreased and it affects the organizational performances. In turn, a greater human capital is more related with higher productivity and it leads to better outcomes. Human capital is a source not only to motivate workers and increase their engagement; it would also create expenditure in research and development. With these, we came to know that the investment is needed so as to increase performances as well as outcomes.

5. Conclusion

This paper dealt with the literature on human capital and its impact on organizational performances. The literature says that the human capital is closely linked with the basics of economics and its firm's performances. Human capital is not only increasing the organizational performances instead it is adding more values to increase its performances. It is rather transforming the whole workforce as the most branded in order to the organization's achievements through innovativeness and creativity. Human resource practices must be strengthened while going for investment plan. Hence, it is concluded that the human capital plays an important role in individual as well as organizational development. Here, the role of human capital in the organization and its characteristics has been studies and it shows that human skill is needed at all levels of management. A workforce requires enough knowledge, information, innovation and creativity to increase the competitive advantage of the organization.

References

- [1] Burund, S., & Tumolo, S. (2004). Leveraging the new human capital: Adaptive strategies, results achieved, and stories of transformation. Boston, USA: Nicolas Brealey America.
- [2] Becker, B., & Barry, G. (1996). The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal*, 39(4), 779–801.
- [3] Christopher J. Collins, Jeff Ericksen, Mathew Allen (2005) Employee Outcomes: Human Resource Management Practices and Firm Performance in Small Businesses, <http://digitalcommons.ilr.cornell.edu/cahrswp/485>, PP:1-10
- [4] Barney, J. B. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, 9(4), 49–61.

- [5] Agarwala, T. (2003). Innovative human resource practices and organizational commitment: An empirical investigation. *International Journal of Human Resource Management*, 14(2), 175–197.
- [6] Zahid Ali Channar, Sareeta Talreja, Manisha Bai (2015), Impact of Human Capital Variables on the Effectiveness of the Organizations, *Pakistan Journal of Commerce and Social Sciences*, Vol. 9 (1), PP: 228-240
- [7] Rafiya Banu S., Chandran M. (2019), Impact of Human Capital Management on Organizational Performance – A Study with reference to Private Sector Banks, *International Journal of Innovative Technology and Exploring Engineering*, Vol.8, Issue- 7C2.
- [8] Maran Marimuthu, Lawrence Arokiasamy, Manimuan Ismail (2009), Human Capital development and its impact on firm performance: Evidence from developmental economics, *The Journal of International Social Research*, Vol. No:2, Issue:8. Pp: 265-272.