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The Impact of Human Capital Management Practices on Productivity and Corporate Performance

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Abstract: Society and Economics are two of the factors that influence techniques used in Human Capital Management in today's world. The rapid growth of e-commerce, global commerce and e-technology are all part of managing skilled workers providing services. The study comprehensively evaluates the link between human capital management (HCM) decisions on productivity and corporate performance. Under the light of this research, it was found that overall Human Capital Management had significant positive impact on employee outcome and short and long term corporate performance is in part contingent. The key unresolved questions for future study and suggestions intended to help researchers studying these questions build a more cumulative body of knowledge that will have key implications for both theory and practice.

Keywords – HCM, Corporate performance, productivity.

I. INTRODUCTION

The developments of the last two to three decades have changed the face and practice of business. These changes have confronted managers with many opportunities and challenges, and nowhere are these opportunities and challenges more pronounced than in the area of HCM. Human Capital Management is a set of practices related to people resource management. These practices are focused on organisational need to provide specific competencies and are implanted in three categories namely workforce acquisition, workforce management and workforce optimisation. Corporate performance is now considered to involve not only in financial considerations but also other factors including social responsibility and reputation, innovation, employee's morale and productivity.

By adopting the concept of Human Capital Management, managers can ensure that the large workforce on whom they depend, remain motivated and productive. But this can only be achieved by facilitating closer collaboration between operations, HR and IT professionals within the organisation. Introduction of Information Technology is a paradigm shift for management of workforce and application in corporate performance. The workforce management software integrates with finance and payroll system, providing a comprehensive and data rich picture of Human resources. A cross discipline approach creates a perfect opportunity for forward thinking managers to utilise their expertise and capabilities of the new technology, to support the growth and profitability of the organisation. The first step is to achieve the most efficient and economic deployment of people described as work force management. The key is to have a cross functional team working.

Corporate financial performance support for predictions that impact of high performance work practices on firm performance is in part contingent on their inter relationships and links with competitive strategies was limited. There is a growing body of evidence supporting and association between what are termed high performance or high commitment human resource management (HRM) practices and various measures of organisational performance. However, it is not clear why this association exists. This study argues that to provide a convincing explanation of this association we need to improve our theoretical and analytic framework in key areas. These are the nature of HRM and especially the rationale for the specific lists of HR Practices; the nature of organisational performance and the linkage between HRM and performance. A model is presented within which to explore these linkages. The existing literature on HRM and performance is reviewed in the light of this analysis to identify key gaps in knowledge and help to focus further the research priorities.

II. IMPORTANCE

Ultimately an organization's goal is to generate profit. Companies that utilize the Human Capital initiatives out perform their peers. Research from Business management consulting firm Mc Kinsey & Co. indicates that ethically divers organizations out perform their peers by 35%. To meet the challenges and competitive atmosphere of today's business environments, managers must recognise the potential of human resources and then acquire develop and retain these resources. This forms the basis of Human Capital Management. It is the management of various activities that are designed to enhance the effectiveness of the man power in an organisation in the achievement of organisational goals. Acquiring skilled, talented competent

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and motivated employees is an important part of human capital management. It is an on-going function that aims to keep the organisation supplied with right people in the right position when they are needed.

Japanese organizations are considered to be the most productive in the world. Since available time, labour and other resources cannot be increased beyond a certain level, hence organization has to increase its output and profitability by utilizing its available resources efficiently. Motivating people towards higher productivity and better performance is an important step to identity what they want out of their jobs. People look for a variety of things when they work. To fulfil their demands and expectations various motivational techniques are applied by the HRM.

“Human Capital” is the qualification of the economic value of workers skills set. This measure builds on the basic production input of labour measure where all labour is thought to be equal. The concept of Human Capital recognizes that not all labour is equal and that the quality of employees can be improved by investing in them, the education, the experience and abilities of employees have economic value for employers and the economy as a whole. Human Capital Economist Theodore Schultz invented the term Human Capital in 1960’s to reflect the values of Human Capacities. Human capital (or people) management is a process of directing, investing in, and developing an organisation’s workforce. An organisation must take the time to manage human capital so that it aligns with their goals HCM is an approach to employee staffing that perceives people as assets (human capital) whose current value can be enhanced through investment.

HUMAN CAPITAL EXAMPLE –In reviewing the present scenario the ONLINE Shopping companies does not have the infrastructure to answer the customer queries after the sale of their product. Therefore they outsource this process to another company. These Call Centre companies are specialised in handling the customer’s queries. Hence these call centre employees are regarded as the biggest asset for online shopping companies and management spends a lot of time in reviewing, adjusting, preserving and maintaining their employees – Human Capital.

III. CHARACTERISTICS

Human Performance Management (HPM) vs. Corporate Performance Management(CPM)

Sometimes in corporate management, it is not apparent what strategic managers mean when they refer to performance management. A worst-case scenario is confusion between human performance management (HPM) and corporate performance management. However, there are distinctions between the two.In HPM, performance management refers to a subset of human resource about employee turnovers. It pertains to the employees’ productivity, their level of satisfaction, or their operational capabilities. On the contrary, CPM doesn’t even outline or refer to employees anywhere. In fact, it is all about how to communicate, align, and deliver actionable strategies through strategic frameworks, as discussed earlier. Therefore, it’s important to clarify the context of performance management in the discussion.

Corporate performance management (CPM) is the area of business intelligence (BI) involved with monitoring and managing an organization's performance, according to key performance indicators (KPIs) such as revenue, return on investment (ROI), overhead, and operational costs. CPM is also known as business performance management (BPM) or enterprise performance management (EPM).Historically used within finance departments, CPM software is now designed to be used enterprise-wide, often as a complement to business intelligence systems. CPM software includes forecasting, budgeting and planning functions, as well as graphical scorecards and dashboards to display and deliver corporate information. A CPM interface usually displays figures for key performance indicators so that employees can track individual and project performance relative to corporate goals and strategies. Some companies use established management methodologies with their CPM systems, such as balanced scorecard. As the organisation grows, it injects capital back into its companies. Typically, when someone thinks about capital, they think of money being spent into equipment, buildings, research and development. However presently many organisations now invest in their Human capital and work on strategies to reinforce this asset. Below are a few ways the organisations invest in their Human Capital –Training, Higher Wages, Health and Exercise Programs, Reimbursement for Educational Expenses, Family support through healthcare and counselling services, Profit Sharing.

Hence the on-going development and investing in human capital has become an integral part of HUMAN RESOURCE DEPARTMENT and for the accomplishment of organisational goals. Now Human resource(HR) is being looked upon to evaluate every area of the workforce to maximise the organisation’s return on human capital. A great HR Department should match the roles, skills and people into right positions within the organisation.

Case Study – Hare Krishna Exports company owned by Savji Dholakia, one of the leading polishing companies in India’s Diamond hub Surat and exports diamond to some 70 countries. The diamond firm, has spent Rs51 crores on Diwali bonus where 1,716 employees were named as the company’s best performers. Accordingly rewards were given in recognition of the outstanding performance and dedication shown by employees in the last five years. Human Capitals are regarded as assets and investment and profit sharing in the form of rewards and gifts, are means to gain commitment and long term association of competent employees and enhanced corporate performance.

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IV. METHODOLOGY

Research work is Interpretative group method which is focused on understanding phenomenon in comprehensive, holistic way. Interpretive method focus on subjective knowledge with analytically disclosing the meaning making practices of Human Capital Management, while showing how those practices are applicable and can be used to generate observable outcomes under investigation. Research is based on qualitative method as well as archival research for analysing existing data. Although research problems and the methods for investigating them require more explanation and rationale then widely accepted rules governing the natural and physical sciences. The credible sources for gathering the relevant information about the research work are Google Scholar, Books Digital media, Websites and Academic journals.

V. DISCUSSION

The question that has been addressed here are application of Human Capital Management on Productivity and Corporate Performance which is framed as follows – How can be the productivity of X can be increased? Here X might be individual, group or organisations. To this end, research hasexamined a variety of sample companies and previous research work where some significant association were found to exist although there was reduction in level of their association over time. While generalisation of these results require further research.

VI. CONCLUSION

The ability of nations, and organisations within nations, to enhance the standard of living of the world's growing population depends on the continued increases in the productivity of the systems that provide good and services. In the increasingly competitive global economy, productivity growth is also essential for maintaining or advancing economic opportunities for individuals and societies. The introduction of new techniques may not contribute to productivity at proposed level because systems are not implemented accordingly to the plan. Changing a single aspect of an organisation almost never results in a substantial change in corporate performance. Organisations are too complex, and their performance is multi-determined. There are three main factors that might account for productivity paradox-Structural Characteristics of the Organisational- Includes slake in the process, the degree of centrality of the task to the process, and the degree of interdependence of the work unit, Intervention Side effects - Changing the focus of effort, inappropriately from one unit of analysis to another, or resistance to change, Faulty description of Communication pattern – Results of the input does not commensurate with the investments.

CPM is an umbrella term that describes the methodologies, metrics, processes and systems used to monitor and manage the business performance of an enterprise. Applications that enable CPM translate strategically focused information to operational plans and send aggregated results. These applications are also integrated into many elements of the planning and control cycle, or they address customer relationship optimization needs. CPM must be supported by a suite of analytical applications that provide the functionality to support these processes, methodologies and metrics.

The prevalence of data and analytics capabilities, including artificial intelligence, requires creators and consumers to "speak data" as a common language. Data and analytics leaders must champion workforce data literacy as an enabler of digital business and treat information as a second language. It is prudent to caution that corporate performance management is not a strategy by itself. Instead, it is a constituent of intelligent business tools to measure the performance of a company. Therefore, companies should put in place viable frameworks to ensure there is actual performance management.

The attempt to integrate people, Technology and methods to improve the performance of the system with emphasis on quality and quantity of productivity by improving the capabilities of individuals performing the work or through interventions of group and organisations, their approaches have included matching individuals to job task, training individuals in job skills and knowledge, changing the structure of the group, and motivating individuals and groups towards job objectives. The effects of these efforts should be measured in terms of facilities with which tasks are learned, self- reports of job satisfaction, rating by others of job performance, indicators of group output and other behavioural indices presumed to be related with organisational effectiveness. The principal assumption underlying these efforts to increase in individual and group productivity will ultimately contribute to increase in productivity of the enterprise. Two main approaches to human capital management (HRM)are identified: one focusing on the organisational concern for the relationship between productivity and performance, the other mounting a critique of HRM. It is argued that both pay lip service to, but largely neglect worker reactions to HRM. The case is made for building the worker into the analysis of HCM, on the one hand, by incorporating worker attitudes and behaviour in the study of the HCM–performance relationship, and on the other, by paying serious attention to the association between HRM and worker–related outcomes suggest that worker attitudes and behaviour mediate the HCM–performance relationship and that certain HR practices are associated with higher work and life satisfaction. These practices include job design, direct participation and information provision that are associated with higher performance; but work satisfaction is also

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associated with equal opportunities, family–friendly and anti–harassment practices. It is suggested that a more worker–friendly HCM can best be applied in the context of a partnership or mutual gains framework. Those executives that are taking up the challenge should be more involved in human capital management to carve out a role in integration of HR policy and corporate strategy, and in the development of new metrics.

The executives are grappling with the challenge of measuring the return on investments on employees' investments and understanding in greater detail how the human capital generates value for the business. For many companies, human capital represents a neglected area of opportunity. If it is indeed an essential factor in an organization's ability to innovate and grow profitably, then human capital is something executives can no longer afford to take for granted. Although it is not yet clear what approaches will yield the greatest return. At least, they may discover how dependent their companies are on this intangible source of value for success. That is how Human Capital will be treated as strategic business partner and adds value to sustainable competitive advantage.

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