Human Capital: A Powerful Investment for Organizational Growth and Success

Sujata Shahi
IILM Institute for Business & Management, Gurgaon
(sujata.shahi@iilminstitute.ac.in)

In contemporary business scenario, human capital and business growth need to be represented as two sides of the same coin. Nowadays increasing number of organizations has recognized the importance of investing in their employees. Companies in general understand that to stay on top in global competition they need to place more and more emphasis on developing and retaining their employees. Organizations that appreciate the financial impact of their employees often refer to them as human capital. This paper investigates and finds out that steady investment by organizations on human capital leads them to a higher performance trajectory

Keywords: Economic, Development, Human Capital, Performance, Productivity, Training

1. Introduction

1.1 Conceptualizing Human Capital – Significance of the Study

The significance of human capital in charting out organizational growth and success has now been universally recognized as businesses are constantly trying to maneuver their strategic initiatives for their own existence. The symbiotic relationship between organizations, as employers, and employees is increasingly in prime focus for business decision making process. Increasing number of organizations, especially who are competing in global dimensions, are investing significantly to harness the core competency of their employees. This paper positions itself in the paradigm of multiple organizational endeavors in building an effective employee force that can optimally utilize limited economic resources and thereby enhance organizational performance level. By definition human capital is the economic value that an employee provides to an employer. The assessment of this value is related to the body of skill, knowledge, and experience that the employee possesses. Factors such as formal education and participation in ongoing training & development related to the workplace dynamic also help to enhance the economic value that the employee has. The paper focuses on the constantly changing dynamics of how organizations adapt to new practices so as to inculcate a sense of belongingness for their employees in the organizational success story.

In today’s business scenario, especially in emerging economies such as India, China, and Brazil, there is a high attrition rate among employees. Because these economies are growing very fast and greater number of global corporations has entered such markets, expectations of both the employers and employees have risen. Also there is severe disconnect between organizational goals and employees’ personal aspirations. Employees do not feel a sense of well being in many instances and consequently change organizations rapidly. In this context organizations’ efforts in making investment for nurturing and retaining existing work force have become absolute imperative for charting out a higher organizational growth trajectory. The paper examines the various aspects of human resource practices that employees are initiating towards employee training and skill development. The economic implications of organizational investment in developing competent, empowered, and satisfied work force have been analyzed in detail in this paper. In order to make an intersection between theoretical framework and practical implementation, latest evolving practices across various industries in Indian scenario have been studied in order to ascertain with accuracy the economic implications of human capital investment on organizational growth syndrome.

1.2 Human Capital and Indian Marketplace

Organizational success in India is deeply rooted in its history and culture. The Indian value system is rich with respect for elders, joint family system, and futuristic saving. At the same time the knowledge of English language has given competitive advantages to our industries as well. The impact is visible in the shaping of the Indian workplace. The country’s wealth is built upon hard work, dignity for labour, and promoting shared responsibility and these factors are considered key ingredients towards the success of Indian firms even today. Moreover, the role of democratic governance framework enabled policy makers and financial institutions to set the stage for India’s success.

India today is identified as among the leading ‘emerging economies’ in the world sharing space with other large countries (both in terms of size and scope) like Russia, China and Brazil. India continues to climb the curve of success even after 68 years of independence, with symbiotic trade relations with almost every other country in the world.

In global arena, India is being looked as low cost, technically competent young work force. Indian corporate sector is emerging as a base for committed, intelligent and a very knowledgeable workforce. This has been achieved by the help of a strong foundation provided by the Indian education system at the primary, secondary and higher education level. Simultaneously the increasing emphasis towards technical education at professional level and skill development has its own positive consequence in corporate sector boom in the country. Indian organizations are unique. The cultural impact on the hiring practices, compensation standards, employee benefits, statutory regulations, performance linked incentives/rewards and
payouts, and the general day to day management practices, even though in tune with international HRM practices, has retained its own flavour.

2. Literature Review

Economist Theodore Schultz invented the term in the 1960s to reflect the value of our human capacities. He believed human capital was like any other type of capital and it could be invested in through education, training and enhanced benefits that will lead to an improvement in the quality and level of production.

Dynamic changes in international business during recent times have generated fresh inquisitiveness about the implications of human capital in shaping the performance trajectory of organizations. Researchers have indulged themselves in assessing the various dimensions of human capital that can contribute in determining organizational growth and success.

Theory of Human Capital was originally developed to estimate employees' income distribution from their investments in employers (Unger, Rauch, & Frese, 2011 cited, Becker, 1964 and Mincer, 1958). A company’s human capital asset is the collective sum of the attributes, motivation, life experience, knowledge, skills, inventiveness, energy, and enthusiasm that its people choose to invest in their work. (Weatherly et al, 2003). In similar lines as the above definition, most of the researches define human capital as attributes relevant to education, knowledge, experience, and skills (e.g., Florin et al., 2003; Sexton and Upton, 1985). Moreover, researchers’ interested in human capital have undertaken numerous studies that have applied the concept of entrepreneurship, which also reflects tenets of human capital (e.g., Chandler and Hanks, 1998; Davidsson and Honig, 2003; Rauch et al., 2005).

In a highly dynamic and competitive labor market scenario, investment by employer firm on upgrading firm specific employee skills generally improves not only the value of human capital among employees but also long-term productivity and efficiency of the organization (Molloy and Barney, 2015). From financial performance standpoint return on investment (ROI) in human capital is positively correlated to work flexibility, return on sales performance, and profitability (Bhattacharya, Gibson, and Doty, 2005). In current competitive global business scenario, investment in human capital has increasingly become absolutely imperative in achieving cost effectiveness and organizational performance (Marimuth, Arokiasney and Ismail, 2009). Firm’s engagement in developing and retaining satisfied employees has bolstered internal human capital asset formation that in turn has resulted in improving organizational effectiveness, capitalization on opportunities, and neutralizing business threats (Lepak and Snell 1999). Empirical evidence shows that there is a measurable positive relationship between human capital management and its impact on economic and business returns on investment (Bontis and Fitzenz, 2002).

Studies have shown that there integrating human capital planning with organizational strategic planning is significant for cost-effective performance of organizations (Dodaro, 2012). Empirical investigation from Taiwan (Chen, Cheng, and Hwang, 2005) and South Africa (Firer and Williams, 2003) shows that organization’s investment on human capital comprising employees’ technical skills, commitment, motivation, loyalty, etc. is one of primary factors that lead to organizational financial growth and profitability. Higher involvement of human capital has a cascading effect on enhancing firm specific human capital base thereby leading to higher efficiency and functional creativity (Emmanuel, Oluwayemisi, Abosede, 2015). Thus there is a positive linkage between investment on human capital and employee motivational factors which act as intervening variables toward a higher organizational growth trajectory.

3. Investment on Human Capital for Business Growth

The investment in company is generally for space, machinery and technologies. Over and above, company also consists of human capital on which there is a steady flow of investment going on as per contemporary business practices. In other words, business growth and human capital are inexplicably blended and represent two sides of the same coin.

Even though organizations quite often take care of recruitment and succession planning needs, they do not focus on employee skill development and growth. The most successful companies use talent management as a tool to drive strategic change, promote innovation, undertake effective merger and integration, and develop long-term organizational health. In fact human capital is so essential for any organizational success because it resembles the its stock of capabilities, competencies, knowledge, skill, social and personality attributes, including creativity and innovation. These are the ability to produce economic value. Human capital is an intangible asset - it is not owned by the firm that employs it and is generally not fungible. The quantity and quality of human capital is essential to the operation whether public or private enterprise. Employing individuals who have the necessary expertise, skills, judgment, and ability to function within their assigned roles allows the business to operate at optimum efficiency. This, in turn, promotes organizational growth of business potential & organization and increases the potential of earning a profit, and remaining successful for many years. A failure to identify individuals with the necessary combination of skills, experience, and education can undermine the organizational developmental efforts of even the most well-known companies.

4. The Power of Human Relationship

While organizations can buy machines, space, technology, they can’t buy human talent. Employees are hired for specific job as per their knowledge, expertise, and skills. Each employee is unique in his/her way, has a different background, and in turn different way of thinking. Hence, the approach to the job and responsibility sharing attitude varies vastly. In that context human capital is a very delicate asset and requires to be handled very carefully. Else, they will not remain efficient and
effective work force. Employees need to be nurtured properly and provided with a conducive environment so that they may deliver their output optimally.

For instance, suppose in a family, husband is going on job in the morning just after hot talks with his wife. He returns back in the evening and wife doesn’t talk to him but offers a cup of tea. He takes the tea calmly. The other situation is when husband goes for job just after a sweat talk and memories from home. In the evening when he returns back, he has been offered a cup of tea and his wife sits beside him with another cup of tea. They are discussing and planning for shopping and movie. In these two situations, tea and tea makers are the same, the same cup is offered, but the taste of tea has to be very different. Undoubtedly in the second instance the tea must taste more delicious and refreshing.

Similarly, companies/employers and employees are like husband and wife of the family. In Indian values the separation of husband and wife is not viewed as good happening. On the other hand, the separation of employee from the company is also bad. With Indian values both husband and wife compromise for maintaining their relationship for their social and financial dignity. It may be required for their kids or the support required to each other. Company and employee also require supporting each other in a symbiotic manner for their mutual long-term growth.

Over the years unfortunately, business values are fast deteriorating and there is an apparent disconnect between organizations and employees. Companies are increasingly focused only on profit maximization while employees are looking for more money for the work they do. This apparent disconnect in principal and agent relationship has transpired into high attrition rate particularly in fast moving developing countries like India, China, and Brazil. This is a serious problem and requires focussed approach to revamp the relationship between the organization and the employees. Organized sector must take lead role in this direction and extend hands for support. It will certainly lead to increase in comfort level of the employees and attrition rate will come down accordingly. The employees are always looking for comfort, which they think that it can be purchased with money. To some extent it may be correct but not in always.

4.1 Significance of Human Capital
Employees are the backbone of any organization. Employees are increasingly the true source of sustainable competitive advantage. As company can hire an employee from the market, the employees have also more choices about where and whether to work and in what capacity. The challenge is to hire, keep and support these highly motivated people for maintaining the organizational effectiveness. Organizational responsibility is to infuse energy and increase their effort, motivation and ultimately productivity. “The more you give away, the more you get back” is an old rule that works here too.

In an integrated global market scenario, companies are composed of competitors, regardless of industry. To develop a competitive advantage, it is important that firms truly leverage on the workforce as a competitive strength. A strategy for improving workforce productivity to drive higher value for the firms has become the biggest challenge. Firms seek to optimize their workforce through comprehensive human capital development programmes not only to achieve business goals but also and most importantly for a long term survival and sustainability. To accomplish this objective, firms will need to invest resources to ensure that employees have the requisite knowledge, right kind of skills and competencies so that they can work effectively in a rapidly changing and complex environment. In response to the changes, most firms have embraced the notion of human capital as an element of competitive advantage that will enhance higher organizational performance. For providing a competitive advantage in global market paradigm, organizations should adopt a strategic planning endeavour to adopt and retain the right mix of people in terms of knowledge and expertise, and also organizing and managing them in the right way (Lawler III). Training and skill development aspect of human capital becomes a part of an overall effort to achieve cost-effectiveness in firm’s performance. The sustained growth of the organization is achieved through competency development of its human capital. The period for Return on Investment (ROI) is comparatively very low compared to other investment. Hence, successful firms generally understand the value of human capital development that would enhance employee satisfaction and improve performance. Large multinational organizations attempt to have a wide diversity in their workforce in order to harness specific skills from a multidisciplinary human capital base. Right kind of talent acquisition and retention are absolute imperatives for organizational growth and competency on a sustainable basis. Although there is a broad assumption that human capital has positive effects on firms’ performance, the notion of performance of human capital remains largely untested. Hence, it is important to look into the connection between human capital and firm’s performance in the context of development economics. The concept of human capital stems from the economic model of human-resource capitalism, which emphasizes the relationship between improved productivity or performance and the need for continuous and long-term investments in the development of human resources.

In an era of global interdependence in which economic integration has increasingly become a phenomenon leading to high competitiveness, the most important asset for business corporations is human capital. Hiring right kind of talent and managing the workforce in a scientific manner have become crucial for organizational success. Human capital brings with it the required skill, entrepreneurial spirit, innovation, and unlimited potential to remain globally competitive on a sustainable basis. Changing workforce dimensions, global competition, and technological advancement have made the world of business realize that the right mix of human capital in a multicultural set up is the key to organizational profitability and survival. Also the effectiveness of an organization to successfully compete in global marketplace depends on its ability to address issues related to human capital management, knowledge management through adequate training and skill development so that employees can unfold talent and optimally utilize their acquired skill-sets. In fact satisfied and well trained employees significantly
enhance the human capital base of an organization and that has a positive cascading effect on organizational growth and productivity.

4.2 Economic Implications of Human Capital on Organizational Growth

In an era of global economic integration in which human capital has been moving on a transcontinental basis, its economic implications on organizational growth and productivity are profound. Essentially for large organizational set up human capital has a symbiotic relationship that is mutually beneficial for employees and employers. Organizational practices all over the world are fast moving toward an integrated nature of employee-employer relationship because the two are inexplicably blended with each others’ pursuits and long-term goals. Investment on human capital, in recent times, is tantamount to building assets that are expected to lead an organization on a high growth trajectory. There are instances in which the organization acts a motivator for employees by devising employee-friendly policies with adequate provisions for training & development. In India the Tata Group is a success story for over a century. It is regarded as a glaring example in employee retention and in turn employees themselves work for not only building career but also organizational growth.

In contemporary business practices, because of a strong positive linkage between human capital and technological changes in global business paradigm, organizations tend to exhibit higher levels of productivity and profitability on a sustainable basis. This in turn has a spill-over effect on encouraging employee participation in stock sharing, employee empowerment, and employee satisfaction. As a result there is equilibrium between employee-employer relationship and economic variables that determine future growth prospects on a mutually sustainable basis. The fact of the matter is that optimum level of human capital investment as an ongoing process empowers the employees, make them better skilled and foster entrepreneurial behavior while discharging their responsibilities in the organizations. Such qualitative attributes acting as intervening variables enhance the quantitative metrics of organizational performance levels to a high growth trajectory. Here it is important to make a distinction between financial and non-financial performance of firms. Financial performance is measured in terms of productivity, market share, and profitability. Non-financial performance encompasses implications on customer satisfaction (which is positively correlated to employee satisfaction), research & development, skill development, and workplace improvement. Conceptually and empirically it has been ascertained that higher levels of human capital investment have positive impact, quite often in proportionately greater dimension, on the overall performance (financial and non-financial) of organizations. The analysis can be represented by a flow diagram in order to appreciate the consequences at each stage of intervention as exhibited in Figure 1. This is a cyclical intervention model where investment in human capital is a continuous process that reinforces in conformity to business cycle fluctuation. Figure 1 depicts that investment by an organization in planning and managing its most important resource i.e. human capital through proper training leads to development of firm specific skills. This in turn motivates and empowers the employees to participate meaningfully in the production process. Figure 1 also narrates that high involvement of empowered human capital has high potential for optimum utilization of scarce resources available. The whole process of cyclical intervention ultimately leads to higher trajectory of organizational growth and performance.

Cyclical Intervention Model

![Cyclical Intervention Model Diagram](image)

In addition to investment in human capital, constant up-gradation of human resource practices of firms can also lead to higher employee motivation and productivity enhancement. Human resource practices should promote incentives (monetary as well as non-monetary) for skilled employees in such a manner that they have freedom in the work process, feel empowered in the decision process, and identify themselves with organizational growth prospects (Huselid, 1995). Google is an outstanding example of such HRM practices as employees enjoy freedom and empowerment in their work process and feel empowered, which in turn increase employee satisfaction exponentially. A recent study shows that there is a positive linkage between human capital management, innovative practices, motivational traits, and financial performance of mining industry in Nigeria (Jegede, Ilori, Olorunfemi, Oluwale. 2016). In the context of fast moving emerging economies such as India there is an urgent need to invest on human capital in the form training & development, work place improvement, skill development, employee engagement, and positive learning opportunity in order to raise organizational performance financially as well as non-financially (Gupta and UdayBhaskar. 2016).

Multicultural issues and cross cultural dimensions in India can be critical factors on which human capital management has to emphasize in order to result in optimum output generation in an organization. In this context the endeavors of National Skill Development Corporation under the Ministry of Skill Development, Government of India is expected to play a vital role
in practical implementation of the theoretical conceptualization of the positive linkage between human capital investment and organizational growth and performance.

4.3 Relationship Between Human Capital and Economic Growth

The human capital encompasses both individuals and organizations. This concept has further been described by Garavan et al., (2001) that human capitals have four key attributes as follows:

1. Flexibility and adaptability
2. Enhancement of individual competencies
3. The development of organizational competencies and
4. Individual employability.

It shows that these attributes in turn generate added values to individual and organizational outcomes. There are various findings that incorporate human capital with higher performance and sustainable competitive advantage (Noudhaug, 1998); higher organizational commitment (Iles et al., 1990); and enhanced organizational retention (Robertson et al., 1991).

Hence, all these factors focus fundamentally on individual and organizational performance (two elements)

- Human capital helps to increase the ability of employees to perform their day to day entrepreneurial tasks of discovering and exploiting business opportunities (Shane and Venkatraman et al, 2000).
- Human capital is positively related to strategic planning, which in turn, positively impacts organization’s success (Unger, Rauch, &Frese, 2011 cited Baum, 2001; Frese, 2007)
- Work related knowledge is helpful for utilizing other needful resources such as financial and physical capital of the firm (Brush, Greene, Hart et al., 2001)
- Human capital is likely to compensate deficiency in financial capital which is generally regarded as a constraint for entrepreneurial firms (Chandler and Hanks, 1998)

The nature of business competition today is shifting exponentially across almost every industry. In this rapidly changing business environment the question to be asked is if companies can continue to innovate, and execute strategy, at the speed required to compete in the marketplace? The answer to that question largely depends on an enterprise’s investments in its human capital assets.

Sourcing and retaining top talent in the right numbers and in right places are critical for organizational growth... Equally important, however, are the leadership qualities, cultural characteristics and organization structures that enable workforce talent to help the company as a whole to achieve high performance. Such mutually reinforcing relationship between leadership traits, cultural dimensions, organizational practices, and workforce performance is exhibited below in Figure 2.

![Figure 2](Source: Accenture)

Assessing the organization's readiness to implement different strategies and supporting implementation of the business strategy are activities done much more frequently in effective way these days. That in turn helps to link up organizational effectiveness with human capital management.

5. Contemporary Business Dynamics

5.1 Cost of Replacement of An Effective Employee

In the present scenario where there is global competition, quality is taken for granted and price of the product and services are decided by the market forces of demand and supply.

\[
\text{Selling Price} = \text{Cost of Sale} + \text{Profit} = A + B + C
\]

These three A, B and C of the equation are key elements in the business. If C is increasing, it means business is good. But A is decided by the market, the early bird in the market with less competition leads to increased C. So A is not within company’s control, the only one element B is within the hand of the company. The main focus area is how to improve efficiency and effectiveness of Human Capital to reduce Cost of Sale “B”.
Let us consider a case where an employee trained for a particular work is willing to leave the present company and join some other company. It is very common in India that the person will get a salary hike in the new company. But suppose the vacant position is filled by a person at the same salary. Hence there is no direct cost increase.

The new employee will take some time to understand the organizational culture, some unwritten rules and working system of the company he/she just joined. The efficiency and effectiveness is very low during that period. The employee has also not fully understood the policy, product or services in the initial days. It leads to reduction in output of the employee and collectively the company. It may also impact loss of business opportunities during that period. Ultimately the calculated cost of new person becomes effectively 1.7 times the original cost. So the organization must consider these costs into account for retention of good and productive human capital.

In contemporary business scenario in general an organization looks for higher profit margin in the business and on the other hand employee wants more money faster. In this context organization is not willing to pay proper compensation or a part of the profit to its competent employees. Hence employees are also not willing to stay for a longer period. Employees try to move from one company to another frequently in order to get higher salary & compensation.

5.2 Reason for Job Change
The survey done by M/s Deloitte for AIMA in the year 2012 states as exhibited below in Figure 3 highlights major findings:

![Figure 3](image)

Figure 3 shows that the major reason for attrition is compensation and career growth. Good and competent employee starts looking for a job because of less challenge which in turns gives less opportunity for growth. In many cases it is also observed that the employee changes job in every three to four years and able to get better position and salary. It inspires peers to follow the similar path for faster salary hike. It is very common within Indian industry to get a salary hike 10 to 15 percent each year. On the other hand when the employee is able to change the employer in that situation he is able to grab 30 to 40 percent salary hike. In a developing country like India it is a big challenge to maintain or satisfy the employees, retain them for longer duration and keep them motivated. Here comes the role of human relationship with the company. The organization has to keep its strategy viable and motivational especially for human capital to deliver optimally for business growth on a sustainable basis for longer period of time. Such a strategy even if apparently looks to be costlier in the long run this cost is very less compared to the cost of hiring a new employee and imparting training for enhancing employee effectiveness.

6. Organizational Strategy for Human Capital
Successful organizations understand the requirement of human capital and try to work on the strategy which would include the management of human capital in the right perspective along with financial and other investments. It is important to recognize that miscellaneous investments are only useful when investment in human capital is adequately in place. Organizations need to focus on following aspects as part of a viable organizational strategy

- Integrate talent management activities on a regular basis. Align them with company’s strategic plan initiatives Ensure that employees deliver maximum business impact

It is a challenge to maintain and mobilize human capital effectively in conformity to organizational plan and strategy. Each individual thought process, understanding and requirement is different. The goals and objective of the company must be aligned with human capital and that requires a unique strategy for each company. Failing to appreciate the linkage may lead to skill shortage even after huge investment has been made in business for machinery and technology transfer. As a rational approach there is need to move away from a simply ‘controlling personnel’ policy to ‘developing people’ initiative towards managing the company. Concerted focus is required on what people can do and can deliver to support the strategy of the company and its profitability in each operation.
Organizations need to Take Following Integrated Set of Initiatives

- **Building a Leadership Culture**: Managers can manage the work but a manager as leader builds the culture in the organization. Managers assign the job to their subordinates and ask them to complete within the targeted time frame. On the other hand, the leader considers him as a part of the team for completion of job and in turn takes active initiative to complete it successfully. It leads to good quality of work to the satisfaction of employer much before the time frame. Similarly constituting small groups and appointing competent supervisors/managers as leaders for those groups may be an essential criterion to organizational success. Appreciation to each group on their performance will motivate the group. This process may also result in healthy competition among the groups.

- **Linking the Human Capital Strategy to the Business Strategy**: Every company has to invest some way or the other in workforce planning. It also has processes in place to source, develop and deploy its people. If organization can effectively translate their business strategy into an actionable human capital strategy, it can drive a new kind of competitive advantage — one that will be extremely difficult for others to imitate.

- **On the Job Training to Deliver Performance Improvements in the Job**: When engaged employees consistently do the right thing, the right way, at the right time, for the right reasons, fantastic results follow. Coaching solutions in the form of on the job training should be tailored for specific needs of talent. A suitable and flexible approach needs to be adopted in order to enhance organizational effectiveness and success.

- **Set the Right Goals for Success**: Goals will differ by employee segments and they require tailor-made approach. Segmentation is needed both at the identification and solution stage.

- **Provide Just-In-Time Feedback**: To improve employee productivity, organizations should try to give just in time feedback. This gives recipients the opportunity to make an adjustment to their behaviors and to witness the effects of these adjustments on performance.

- **Personalize the Experience**: Effectiveness is also linked with the mental satisfaction of employees which can be created through personalized direct connection. It helps in getting answers quickly, clarify priorities, increase accountability, and reduce delays.

- **Build Empathy, Community, and Shared Purpose**: Transparency of work related information, including progress updates builds shared commitment to getting results, a greater willingness to deliver on one’s own step in progress, and greater willingness to help one another beyond functional boundaries.

- **Demonstrate Progress**: Organizational change is like a turning ship, the people at the front can see the change but it may be difficult for people at the back to notice such change. Organizations should opt for a proper digital tool to update the employees so that they can see what is happening in real time.

### 7. Conclusion & Recommendation

If an organization’s success is truly dependent upon its people, then it is time for companies to harness the untapped talent within the organization. Instead of investing in new products and advertising campaigns that take years to recoup the desired ROI, organizations must become smarter about how to leverage on its existing talent pool to enable business growth.

As one of the basic factors of production, human capital is essential to the operation of just about any type of business. Employing individuals who have the requisite expertise, judgment, and ability to function within their assigned roles allows the business to operate at maximum efficiency. This, in turn, increases the potential for earning profit and remaining successful. A failure to identify individuals with the necessary combination of skills, experience, and education can undermine the efforts of even the most sought after companies.

Businesses often make investments in their employees. Just as a company may invest in new technology to enhance its internal communication processes, businesses can identify employees who demonstrate an aptitude for much needed skills and arrange for those workers to receive professional instruction. This allows the company to have access to a wider skill set without the need to hire additional people. At the same time, business helps to raise the economic value of each of those individuals and make them multi-dimensional work force.
The concept of human capital can be interpreted in many ways. One of them could be looking at the person as an asset or a resource that belongs to the organization and from which one can demand all its capacity and commitment. A more suitable definition might be that human capital is a treasure that is available to a company or institution with respect to the qualifications of the personnel who work there. Therefore, human capital represents the value that each employee brings to the table, according to his/her studies, knowledge, capabilities and skills.

The main value of a company does not lie in its systems, controls, or machinery and equipment. As much as technology and data systems may evolve, nothing substitutes the value provided by human capital. The biggest companies in the world are recognized by the talent and attitude of their people. Companies all over the world are increasingly recognizing that employees are the greatest assets that can take the company to higher levels of success. Recently focus is shifting on developing artificial intelligence. Here in real terms human capital is going to create artificial intelligence to accomplish anything in the world today. In fact, it takes human capital to create some other forms of capital. While a machine may eliminate the need to have hundreds of production workers make stuff, it still took human capital to design and build the machine. And as we move deeper and deeper into a knowledge-based economy that depends on information, knowledge and high-level skills, human capital becomes increasingly more important. Dave's smart phone company is an example of a knowledge-based business where information, data and knowledge are paramount for success.

Many years ago I read that human capital is a non-depreciable asset. Today, however, one can say firmly that it does. Can companies afford not to value it or when we train it and not creating an environment in which they can align themselves with the mission and vision of the organization? The answer is a big NO. What in the past was gotten through a mere salary hike is now much more difficult to obtain; it is necessary to recognize the person as an individual and not as a machine.

Many times the best human resources leave a company, not for a better salary or due to excess work, but rather many times they leave in search of a better work environment, training and development opportunities, and overall, looking to fulfill that need to be recognized and valued.

8. References