

Managing Human Capital and Progressive HR Policies Lead is Ultimate Key of Success of the Organization and the Society

Lalit Kumar Pant*

ABSTRACT: Human capital is individual's knowledge acquired during his life time and used to produce goods, services or ideas in market or non market circumstances. The model valuing of the human resources of any organization by ascertaining the inventory of human capital for assessing the effect of qualitative human variables on HR Value which is in vogue for adoption or implementation is called the valuation or assessment of Human Resources by proper utilization or aiming the course of action for implementation.

A conscious move to capture its activities adopted or exercised by the HR Department by way of developing a human resource accounting system is the complement of the HR valuation exercise. Use of HR Value in regular MIS reports in the areas as measurement of profitability, performance, trend analysis etc. by using the appraisal system is one of the such suitable tool.

It can, therefore, be said that human capital comprises of the people who place high value on being in an environment where they can grow, learn, improve their skills/abilities, treated fairly, appreciated, acknowledged and contributed.

It was assumed in early economic theories, reflecting the context, i.e., the secondary sector of the economy was producing much more than the tertiary sector was able to produce at the time in most countries – to be a resource, homogeneous, and easily interchangeable.

Keywords: Behavioural, Attrition, Training Metrics, Unchallenged, Collaborative

INTRODUCTION

Management of manpower or human capital is an essential element of organized social life. It is a universal process of human activity, which is oriented towards realizing certain objectives. The term 'management' refers to the academic discipline and includes everyday's activity undertaken to manage the daily happening. Management policies and practices are driven towards improving standards not only of production but also of human beings, effectively perform various roles within their organization and meet organizational objectives and hence awareness of knowledge of certain approaches to management is an essential element for making or becoming a good manager.

Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, cognitive abilities, embodied in the ability to perform so as to produce economic

value. The aggregate economic view of the human being acting within economies is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions. Theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.

It was assumed in early economic theories, reflecting the context, i.e., the secondary sector of the economy was producing much more than the tertiary sector was able to produce at the time in most countries – to be a resource, homogeneous, and easily interchangeable.

DEFINITIONS OF MANAGEMENT

"Management consists in guiding human and physical resources into dynamic, hard hitting

* Manager (HRD), Indian Farmers Fertiliser Coop. Ltd., E-mail: drlalitpant9@gmail.com

organization unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service” **Lawrence A. Apply**

Management is a distinct process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources – **George R. Terry**

OBJECTIVES

This study is aimed and focussed on HR functions and its management. As an activity of management it has been defined as the art of getting things done through the efforts of other people. Therefore, a review of study material available / accessible with various means so that the managers may achieve the desired goals and results and the society is benefitted to a greater extent is used and care has been taken.

CHARACTERISTICS OF STUDY

The salient features of the nature and characters of management of human capital or manpower management are:-

- a) Universal element of Management is goal oriented
- b) Management is an integrative force
- c) It is a social process done by the people
- d) Management is multidisciplinary which is derived from several disciplines
- e) Management is a dynamic and an on-going and continuous process
- f) Management is an unseen or invisible force and managers who perform the functions

LITERATURE REVIEW

Various components of management available are studied and summarized in the following manners:

Management as an Art

F W Taylor gave the Principles of Scientific Management – Managers must study the way that workers perform their tasks and understand the job knowledge both formal and informal that workers have, and then find the ways to improve how tasks are performed.

The knowledge of management should be learned and practiced by managers, just as medical or legal practitioners practice their respective science.

Management of Human Capital

One of the very important branch of Management is the Human Capital Management i.e. Management programmes related to civil society organizations, social entrepreneurship, factors of development of any organization, place or country and Human Capital – handling and its use is on the top.

There are several factors affecting the manpower or human capital management like:

- a) **Management of information about individual:** In this connection care is to be taken on the individuals also. For this purpose, use of personal information practice and study of the activities people perform to acquire, organize, maintain, and retrieve information for everyday use is one of the best tool. Growing area of interest for better use of our limited personal resources of time, money, and energy, as well as greater workplace efficiency and productivity is considered and wherever found necessary be used. Good research on the topic is being done in several disciplines, including human-computer interaction.
- b) **Advantages of Human Capital:** Human capital advantage is embedded as efficiency wage theory which points out that the way to get people and avoid shirking the job and to produce the maximum possible value. Efficiency wage is not just market wage which are paid more than they earn from elsewhere, they are more likely to exhibit the behaviours necessary to avoid being fired but surely it is an expensive way to elicit such behaviour. Human capital represents a huge operating cost that must be managed efficiently because of its sheer magnitude and of all operating costs are ultimately attributable to people.
- c) **Basis or Key of Human Capital:** With the evolution of open market and the new economy the value of the company is also dependent on employee instead of the only the tangible assets of the company. The essence of development of information technology, the structure of the new economy create new entities called software codes which are totally digital being very powerful to optimize the physical world and provide tremendous value is an example in supply chain optimization software.

- d) **Capital:** Any organization is supposed to be made up of form a part of of competencies which is an essential part of its capital. The strength arises out of its customer base which purchases the end products. The customer capital triggers a number of key decisions such as new product and serviced packages, new designs in anticipation of customer preferences and new locations from which a customer could be profitably saved. Therefore, the strength drives from the human capital with expertise the customers are acquired and retained which ultimately results into the processes work efficiently to satisfy the customer's needs.
- e) **Competencies:** The project management is an essential area of expertise for a person leading a part or whole of a project to ensure that resources are marshalled to yield effective results in the required time. The ability to apply a new technology in ways unanticipated is one example of displaying thought leadership.
- f) **Attrition:** Compensation is one of the factors for attrition and unfortunately this is the only factor to be looked into in detail. With some of the factors such as improvement in the work environment, elimination of irritants largely brought about a result of bureaucracy. The major factor for a person's loyalty to an organization is the compensation structure which may even be a guiding factor in arriving at the appropriate compensation level.
- Actually the human capital valuation is being ignored by the industries because the process is complex and challenging one. But it is important to adequately assess the value of human resources for all future needs so that it does not remain in the academic exercise. Human resources valuation has remained an academic exercise and largely ignored even in industries where the expertise of employees is the key differentiating factor.
- g) **Intangible Assets:** The evaluations in management practices and linking them to the business strategy of firms, organizations may be capable of developing a more coherent and ultimately strategic approach to the most powerful, elusive, drivers of the competitiveness. The importance of the assets

is increasing and posing a major challenge to existing methods of accounting and valuation.

The disparity between market and book values reflect the growing importance of intangible assets which exposes the limitations of traditional accounting practices in identifying and measuring the value adding the elements of the organization.

History

The study is divided in two parts:

In Part A traditional form of business and the role of HR Management are taken.

In part B, moderate, essential and progressive amount of HR functions and their importance is studied.

PART A

The concept of Human capital has relatively more importance in labour-surplus countries. These countries are naturally endowed with more of labour due to high birth rate under the given climatic conditions. The surplus labour in these countries is the human resource available in more abundance than the tangible capital resource. This human resource can be transformed into Human capital with effective inputs of education, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation. The problem of scarcity of tangible capital in the labour surplus countries can be resolved by accelerating the rate of human capital formation with both private and public investment in education and health sectors of their National economies. The tangible financial capital is an effective instrument of promoting economic growth of the nation. The intangible human capital, on the other hand, is an instrument of promoting comprehensive development of the nation because human capital is directly related to human development, and when there is human development, the qualitative and quantitative progress of the nation is inevitable. This importance of human capital is explicit in the changed approach of United Nations towards comparative evaluation of economic development of different nations in the World economy.

A report on human development has been published by United Nations in different nations with the objective of evaluating the rate of human capital

formation in these nations. The statistical indicator of estimating Human Development in each nation is Human Development Index (HDI). It is the combination of "Life Expectancy Index", "Education Index" and "Income Index". The Life expectancy index reveals the standard of health of the population in the country; education index reveals the educational standard and the literacy ratio of the population; and the income index reveals the standard of living of the population. If all these indices have the rising trend over a long period of time, it is reflected into rising trend in HDI. The Human Capital is developed by health, education and quality of Standard of living.

Cumulative growth

Human capital is distinctly different from the tangible monetary capital due to the extraordinary characteristic of human capital to grow cumulatively over a long period of time. The growth of tangible monetary capital is not always linear due to the shocks of business cycles. During the period of prosperity, monetary capital grows at relatively higher rate while during the period of recession and depression; there is deceleration of monetary capital. On the other hand, human capital has uniformly rising rate of growth over a long period of time because the foundation of this human capital is laid down by the educational and health inputs. The current generation is qualitatively developed by the effective inputs of education and health. The future generation is more benefited by the advanced research in the field of education and health, undertaken by the current generation. Therefore, the educational and health inputs create more productive impacts upon the future generation and the future generation becomes superior to the current generation. The rate of human capital formation in the future generation happens to be more than the rate of human capital formation in the current generation. This is the cumulative growth of human capital formation generated by superior quality of manpower in the succeeding generation as compared to the preceding generation.

Indian context

There is consistent increase of human capital after independence. This is because of qualitative improvement in each generation. In the 21st century, the third generation population is the active workforce of India. This third generation is

qualitatively most superior human resource in India. It has developed the service sector of India with the export of financial services, software services, and tourism services and improved the Invisible balance of India's Balance of payments. The rapid growth of Indian economy in response to improvement in the service sector is an evidence of cumulative growth of Human Capital in India.

RESEARCH METHODOLOGY

Competence and capital

The introduction is explained and justified by the unique characteristics of competence. Physical labour and the other factors of production, the competence is expandable and self-generating with use: as doctors get more experience, their competence base will increase, as will their endowment of human capital. The economics of scarcity is replaced by the economics of self-generation.

Transportable and shareable

The transfer of knowledge may reduce its scarcity-value to its original possessor and competence, especially knowledge, can be moved and shared.

Competence, ability, skills or knowledge

Often the term "knowledge" is used. "Competence" is broader and includes intelligence and further abilities like motorist and artistic abilities. "Skill" stands for narrow, domain-specific ability. The broader terms "competence" and "ability" are interchangeable.

The worker must actually *work*; exert his or her mind and body, to earn this "interest." A free worker cannot sell his human capital in one go, it is far from being a liquid asset, even more illiquid than shares and land. He does not sell his skills, but contracts to utilize those skills, in the same way that an industrialist sells his produce, not his machinery.

Corporate finance

In Corporate finance, Human Capital is one of the three primary components of Intellectual Capital (which in addition to tangible assets comprise the entire value of a company). Human Capital is the value that the employees of a business provide through the application of skills, know-how and expertise. It is an organization's combined human capability for solving business problems. Human

Capital is inherent in people and cannot be owned by an organization. Therefore, Human Capital leaves an organization when people leave. Human Capital also encompasses how effectively an organization uses its people resources as measured by creativity and innovation. A company's reputation as an employer affects the Human Capital it draws.

Intangibility and portability

Human capital is an intangible asset – it is not owned by the firm that employs it and is generally not fungible. Specifically, individuals arrive at 9am and leave at 5pm (in the conventional office model) taking most of their knowledge and relationships with them.

Human capital when viewed from a time perspective consumes time in one of key activities:

- Knowledge activities
- Collaboration activities
- Processes activities
- Absence from work

Role of Human Resources (HR)

The rationale of HR function is an asset provider and the initiatives centred on human capital which is considered as internal brand. There is wider business concern in the evaluation of human capital which reflects in the development of all sectors be it small and specialised units to manage certain aspects of the activity.

HR an Asset

Human intellectual asset is like many physical assets but it is hard to evaluate in terms of human capital which may reflect an approximate valuation only and not a true picture. It is always important to keep in mind that the critical factors of human capital plays as the basic role of foundation stone of the financial capital. Based on the vision of management, monitoring of structural capital is a critical one and is the point of explanation of the high rewards given to the head of the organizations. Only competency based management system do not insure a structural capital though these are foundational tools which could enable to structure to take place faster and facilitate competitive positioning.

HR Accounting

Absolute valuation of human capital is a critical one and its significance is an indicator of the importance that management should pay for it. Employees moved

from being a cost to becoming a resource and are considered to be an asset or a capital. Careful management must take care of its assets and try to maximize the return on them. Therefore, two models for accounting purposes to quantify the intangible and specify the human component are suggested, these are:-

- cost models which are based on the acquisition cost including replacement and training & opportunity cost of human asset
- More monetary centric model based on the likely future earnings of an employee till his retirement

Maximization of Human Capital

Various tools and technology are available for use in pursuit of achieving the goals but careful usage of skill centric automation technology is more proven method to increase retention by better redeployment. More importantly, it is also a proven method for cost optimisation of external human capital acquisition and real time skills inventory and enhancement. Therefore, the use of technology is the first step to maximize the human capital but for filling the gap between the human capital acquisition execution and executive sponsorship are the best methods.

Value of human Capital

Valuing human resource capital means identifying and measuring the value of human resources and communicating the information to the interested parties. Employees are the most valuable resources and assets of any organization for the compilation in the service sector also. If an asset of object is not capable of rendering the future economic series in the form of utility to the possessor no value can be attached to it.

Valuation

In order to put a value to organizations human assets earlier were models started at the individual employee level and then aggregated values for all employees within the organization. Various methods like historical, replacement, opportunity, behavioural and economic in relation to HR valuation and models are in practice which can be tested, adopted or used.

PART B

Definition: Recruitment is the process of finding candidates, reviewing applicant credentials, screening

potential employees, and selecting employees for an organization. Effective recruitment results in an organization hiring employees who are skilled, experienced, and good fits with your corporate culture.

Recruitment methods should ensure engaged competent, productive employees who are loyal to your organization by adopting the following traits:

- Employee Training Hiring
- How to evaluate people
- Who are you high performers and who needs help? Let's find out!

Recruitment Methods

The most common and effective recruitment strategies include:

- Obtain referrals from current employees.
- Participate in online social networking at sites such as LinkedIn, Twitter, and Facebook.
- Tap into the online and off-line social networks of current employees.
- Offer an effective, informational, exciting corporate recruiting website.
- Participate in in-person networking at community and professional events.
- Attend and exhibit at job and career fairs at colleges and universities and community and organization-sponsored events.
- Post job openings on job boards.
- Advertise job openings in newspapers and their associated websites.
- Sponsor scholarships, activities, class projects and events at local colleges and universities.
- Contract for the services of a recruitment firm or head-hunter.
- Search and use other employer-employee matching methods at a variety of job boards. (Options are changing quickly and every job search site has its specialty methods, some more effective than others.)

Social Recruiting

Simplify your life with Social Recruiting and be the Best Corporate Trainers for Team Building and Soft Skill Training Programs for Corporate. While doing this exercise we need to make sure your recruitment plan and its strategies by scheduling a recruitment

planning meeting to ensure a successful recruitment approach. Also, use your team for recruitment and try these additional top ten recruiting tips.

TRAINING

Traditionally, the role of the Human Resource professional in many organizations is to serve as the systematizing, policing arm of executive management as these are considered to be of less or least importance. Therefore, following important aspects for the purpose of imparting training, evaluation and getting benefit out of it need to be taken into account:

- Online Employee Training
- Practical HR Training
- Payroll Training, PMS, Recruitment Online HR Generalist training
- Cost/Hire Increasing

In the case of cutting down or lowering the costs, essential elements are HR Information, HR PeopleSoft, HR Management Resources, HR Shared Services. In this role, the HR professional served executive agendas well, but was frequently viewed as a road block by much of the rest of the organization. Different persons interpret differently and implement the employee handbook as per their choices / interpretations.

Use of HR training metrics

As in the developing scenario, HR required to be transformed, its role in any organization is essentially required to be transformed itself to align with forward thinking practices, executive leadership must ask HR leaders some tough questions. No organization cannot afford to have an HR department which cannot contribute to lead modern thinking and contribute to enhanced company profitability or say in short failure of its functions.

Employee Advocate

Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well. Any counsellor or advocate may be able to provide overall talent management strategies, employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization

development interventions, due process approaches to employee complaints and problem solving, and regularly scheduled communication opportunities.

Strategic Partner

The strategic partnership impacts HR services such as the design of work positions, hiring, reward, recognition and strategic pay; performance development and appraisal systems, career and succession planning; and employee development. To be successful business partners, the HR staff members have to think like business people, know finance and accounting, and be accountable and responsible for cost reductions and the measurement of all HR programs and processes.

Change Champion

Organization development, the overarching discipline for change management strategies, gives the HR professional additional challenges. Consciously helping to create the right organization culture, monitoring employee satisfaction, and measuring the results of organization initiatives fall here as well as in the role of employee advocacy.

Reasons for Quitting Job

- Employee Motivation
- Employee Services
- Empowering Employees
- Employee Incentive
- Employee Help Line
- Employee Management

Employees quit job for many reasons. Generally the employees / work force intend and want to remain with their family members which makes their work life balance and are not at all interested to be separated for a distant place or longer time. This is one of the major reason of leaving or changing the organization. Still majority of reasons why employees quit their job are under the control of the employer. In fact, any element of your current workplace, your culture and environment, the employee's perception of his job and opportunities are all factors that the employer affects.

Talent Management ERP

The best way to retain employees is to stay in touch with what they're thinking. Are they happy with their work? Are their needs for challenge, belonging,

development, and meaningful work met? Do they have the communication, problem solving, feedback, and recognition that they need from their boss?

Relationship with boss

Employees don't need to be friends with their boss but they need to have a relationship. The boss is too much of an integral part of their daily lives at work for an uncomfortable relationship. The boss provides direction and feedback, spends time in one-to-one meetings, and connects the employee to the larger organization. To have a toxic relationship with the person an employee reports to undermines the employee's engagement, confidence and commitment. A bad boss is also the number one reason why employees quit their job.

Bored and unchallenged by the work itself

No one wants to be bored and unchallenged by his work. Really. If you have an employee who acts as if they are, you need to help her find her passion. Employees want to enjoy their job. They spend more than a third of their days working, getting ready for work, and transporting themselves to work. Work closely with employees who report to you to ensure that each employee is engaged, excited, and challenged to contribute, create, and perform. Otherwise, you will lose them to an employer who will.

A relationship with co-workers

Whenever any employee leaves any organization, the communication made to the colleagues saying good-bye, includes a comment about passionate co-workers who the employee cares about and will miss. The message is well understood by the managers and the co-workers with whom he sits, interacts, and serves with on teams, are critical components of an employee's work environment. Research indicates the factors that illuminate whether an employee is happy on their job are having a best friend at work. Relationships with co-workers retain employees. Notice and intervene if problems exist.

Opportunities to use skills and abilities

While using the significant skills and abilities on the job by the employees, they feel a sense of pride, accomplishment, and self-confidence. They are participating in activities that they are good at and that stretch their skills and abilities even further. Employees want to develop and grow their skills. If

they're not able to do this in your jobs, they'll find one where they can. This includes opportunity and a path of continued growth in their current organization, they are likely to look elsewhere for a career development or promotion opportunity.

Contribution of work to the organization's business goals

Managers need to sit with each reporting employee and discuss the relevance of the employee's job and key contributions and deliverables to the overall strategy and business plan of the organization. Employees need to feel connected and that they are part of an effort that is larger than just their job. Too many managers assume that the employee will receive the communication from executive staff and make this leap. They don't. They need your help to understand and connect their job to the bigger picture. If they're not part of it, you'll lose them.

Autonomy and independence

Organizations talk about empowerment, autonomy, and independence, but they are not something that you can do to people or give them. They are traits and characteristics that an employee needs to pursue and embrace. You are responsible for the work environment that enables them to do this. They are responsible for doing it.

Meaningfulness of job

It is a fact that we all want to do something that makes a difference, that isn't busy work, or transactional work, and that contributes to something bigger than ourselves. But, managers must help employees see where their work contributes to the execution of deliverables that make a difference in the world. With some products and services - cancer research, feeding the hungry, animal rescue, diagnosing and curing illnesses, producing milk or crops - meaningful is obvious, but everyone's work needs the same meaningfulness. Help employees connect to why their work has meaning or they will find an employer who will.

Organization's financial stability

Because of there being instability of financial position which be the resultant effect of lack of sales, layoffs or reduced work hours, salary freezes, successful competitors highlighted in the news, bad press, employee turnover, mergers and acquiring companies, all lead to an employee's feeling of

instability and a lack of trust. Employees who are worried tend to leave. Make every change and potential change transparent. The most important issue is the employees' trust in and respect for the management team. If they respect your judgment, direction, and decision making, they will stay.

Overall corporate culture

The overall culture of the company reflects a difference for employees and if in case the deserved appreciation of employees is made, they are treated with respect, and provided the deserved perks that demonstrate respect and caring, the ultimate goal of the organization can be achieved. The environment, satisfaction and engagement of the employee also leads to a long way and need to be oriented by way of holding events, employee activities, celebrations, and team building efforts so that the employees feel that the organization they are working is really a great place to work.

Management's recognition of employee job performance

High scored recognition is the major concern of the employees and boosts their morale. Lack of recognition may adversely affect various factors like the culture of the organization and may not be the deciding factor in an employee decision to leave the organization. Therefore, opportunities need to be provided with genuine appreciation and recognition as icing on the cake for employee retention.

Retirement

Retirement is the point in time when an employee chooses to leave his or her employment permanently. Retirement generally coincides with the employee's eligibility to collect retirement resources such as Social Security, a company pension, or distributions from a sum of entitlement or another retirement plan. The eligibility for public and private retirement resources varies from country to country as does the retirement age.

Risk

Risk related to Human capital fall into following four primary categories:

- i) Absence activities
- ii) Collaborative activities
- iii) Knowledge Activities
- iv) Process activities

Recommendations

The model valuing their human resources of an organization by ascertaining the inventory of human capital for assessing the effect of qualitative human variables on HR Value is adopted. The approach involving the valuation of the employees of the organization by projecting the current direct and indirect benefits (CTC) to the organization in relation to its manpower will be of immense use.

HR Valuation

The growth rate of earnings of each employee till his / her retirement should be determined for projecting the after looking into the organization's compounded annual growth for different employees, global industry trends for the future and sustainable growth rates for the next (future) given the nominal interest of the economy of the country. The management should begin using HR Value in regular MIS reports in the areas as measurement of profitability, performance trend analysis etc. by using the appraisal system.

CONCLUSION

From the above exercise, it can be concluded that:

- a) People place high value on being in an environment where they can grow, learn, improve their skills / abilities, treated fairly, appreciated, acknowledged and contribution.
- b) The determinants of employee satisfaction drive employee retention
- c) The retention rate among key employees drives customer satisfaction
- d) Customer satisfaction drives customer retention
- e) Customer retention drives profitability and other measures of financial performance including total stockholder return.

It is good to conclude on the basis of study by suggesting that:

- i) Employee's satisfaction with the quality of the learning / development opportunities.

- ii) Satisfaction with the management skills / abilities of their immediate supervisor.
- iii) Satisfaction with the extent to which they are treated fairly, feel appreciated and acknowledged for their work
- iv) Sense of employees they perform makes a difference
- v) Retention rate of key employees

There is need that to capture following categories by measuring them:-

- Measurement of inputs of the intensity of learning resources available to employees including the formal and informal learning opportunities.
- Immediate measures with regards to outcomes of the effectiveness of learning the levels of comparable forms of employee's assessment of effectiveness for informal learning opportunities are taken.
- The capacity of learning on overall assessment basis both organizations' commitment and the employees is judged.

This research paper is open ended and it is recommended that organizations should pursue to invest in training and education of their employees which will help them not only maintain their core competences and also enhance their productivity and level of performance. Further studies in the core subjects or allied studies are recommended for future researchers.

The quote is good to adopt and implement

"Our employees are our greatest assets and the ability to attract and retain them is the key driver of our future success."

BIBLIOGRAPHY

- Human Capital
- Netsearch on Succession Planning
- Goodsearch.com
- HR Policies
- Management Review Research Papers

