

Evolution of Human Resource Management and Theoretical Aspects of Productive Management

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Abstract: Human capital is one of the most important factors in determining the effectiveness of any organization and the density of human capital is as one of the indispensable necessities of every organization that can improve its efficiency and continuity. Human capital rather than physical or financial capital is considered as knowledge, skills, creativity, and individual health. In this study, we will examine theoretical aspects of the productive human resources management followed by formulating strategies for areas of human resources with attention to macroeconomic strategies and environmental factors affecting human capital in any organization.

Key words: Organization, human capital, efficiency, effectiveness, productive management.

INTRODUCTION

Given the dramatic changes in the organizational environment and intensifying competition in the world today, organizations, more than ever, are looking to attract and more importantly retain and develop people to fulfill the current and future processes. Organizations are seeking new capital namely human capital. It can be said that, human capital is a factor affect growth and organizational survival more than any other factor. Nowadays, the importance of human capital is developed in all areas so that, the modern growth theory focuses on human capital accumulation and even considers human capital as an influential factor in the economic development of communities. Many studies on its impact on growth or lack of educational facilities and communities in the country's economic growth have taken place. Some researchers believe that human capital investment on the economic productivity of individuals, organizations and communities will be.

In 1954, Luis entered the concept of economic development along with unlimited density of work force into the economic literature. However, the so-called human capital, because of its negative aspects (as manufacturing factor such as machinery and production tools) was neglected until Sicil Pingo (1956) first presented it. Afterwards, the term, human capital, was observed in new researches of neoclassical researches such as Mincer (Becker, 1964). In an article in the Journal of Political Economy, 1958, he investigated investment in human capital and distribution of personal incomes. Schultz helped to develop this issue too. However, human capital owes its importance to attempts of Gery Becker who published a book in 1963 titled with the same name as the human capital in economic literature, which is the standard reference book for a lot of research conducted in this area (Lepak and Snell, 2002).

The research, evaluation and control of human resources are more difficult compared with other sources because the rarest and most complex resource in today's knowledge-based economy is human resource. Most of the managers focus their strategies on tangible and observable factors such as technology and the use of physical and financial resources that given the features of today's global economy and the emergence of phenomena such as globalization and growing use of new technologies in providing new and diverse products cannot create competitive advantage for enterprises alone (Carmeli and Schaubroeck, 2005). Therefore, organizations, in order to achieve competitive advantage, growth, and survival are focusing on other factors such as human and intellectual capital. The importance of this issue can be described by the book of Mc Quinsy in 1990 titled war for talent in which he argues that senior managers of organizations focus increasingly on the needs of the organization to effective recruit, motivation, developing and retaining talented ones. According to mentioned issues, nowadays, human capital gained more importance than any other tangible resource for organizations. Therefore, in this article, we tried to present the concept of human capital and its importance as well as its different categories from the view of experts followed by introducing the tools used to measure human capital.

2. Literature Review:

The concept of human capital is rooted in the economic literature (Becker, 1996). In fact, the qualitative features of individuals are their capital. Human capital rather than physical or financial capital is considered as knowledge, skills, creativity, and individual health (Becker, 2002). Becker points out that, human capital, physical capital, and financial capital, all considered as forms of capital, but their differences arises from the point that, a person cannot be separated from his/her skills, health, and values but is possible about individual assets and properties. This means that, human capital is the most stable and renewable capital is human capital.

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According to Schultz, 1971, formal education and training are important, necessary and even vital to improve the production capacities. In addition, he considers investment on human capital as a criterion for educational progress (Schultz, 1971). Several definitions were presented for human capital, each emphasized on different features of human capital.

Human capital is productive wealth embodied in, work, skills, and knowledge (OECD World Forum, 2009). Peter Hotz (1998) described human capital at the time, experience, objective, and ability of one family member that can be involved in the production process. In most cases, organizational success depends on people who have a higher level of competencies. In such circumstances, these people have become valuable assets for the organization. In other words, human capital can be considered as one of the factors that can produce high added value for the organization and the community (Babalola, 2003).

The new definition of human capital, considers it as a set of attributes, life experiences, knowledge, creativity, innovation and energy that people choose them to invest in their work (Burud, and Tumolo, 2004). Human capital is the investments on human resources to increase their return in the future. Therefore, the learning organization will capitalize on these people because people are valuable human capital that are of varying quality. Generally, it can be said that, human capital is coherent set of organizational qualitative, educational, skills, and cultural characteristics of organization people that creates value for the organization.

Human capital is a key to the economic growth of societies and is an important necessary asset that contributes to organization's growth and economic development and from this viewpoint; it can be compared with the physical capital and assets (Becker *et al.*, 2001).

Since the abilities and skills of people contribute to better performance and productivity of any organization, its training and development costs are considered as the long-term investment that the organization can be benefited from it. The reason is that, in today's highly competitive and varying environment only with the help of creative and innovative workforce we can achieve competitive advantage.

As a result, organizations must become learning and dynamic so that, the employees, by showing their capabilities, gain the ability to adapt with changes in competition.

Therefore, paying attention to importance of human capital will have results as following.

- Investment on human capital is recognized as one of the basic components of the organization that cause the promotion of the staff.
- Investment on human resources, gives personnel the required knowledge and skills to create new products and services.
- It improves the productivity of personnel at work environment.
- It gives the intrinsic ability to company to achieve competitive advantage.
- It contributes to the productivity of national economy. (It has impact on productivity of national economy).
- It contributes to the growth of national economic (Losey, and Summers, 1999).

Given that, human capital independently contributes to growth and national production, all scholars and political leaders should pay attention to this. According to the studies of Schtone and Greene (1996), it is notable and important that, the relationship between human capital and economic performance within the political-social context must be carefully measured.

In the first approach, unique aspects of individual are considered. In this view, human capital is depended on assets and capabilities of the workforce. This view is against the concept of workforce in the classical view (Becker *et al.*, 2001).

The second approach focused on human capital and emphasized on its trends. In this view, knowledge and skill are two key elements that their importance is considered during training activities such as formal education and vocational skills. This view is evident in the theories and researches of scholars such as Silicone and Finotte in 2002 and Allen in 2008.

The third approach have producing-based prospect on human capital. They consider human capital as a combination of factors such as education, experience, education, intelligence, energy, work habits, and individual initiative that will affect final production and value creation of the staff (Becker *et al.*, 2001). In another definition of this view, human capital is a set of skills and knowledge in doing that leads to the production and economic value. As a result, human capital can be simultaneously considered as both concepts meaning that, human capital is a tool for both production and creating a specific and endogenous value for organization that means a production for human capital. In summary, we can say that, human capital is a synonym for knowledge embedded at all individual, organizational, or national levels (Burud and Tumolo, 2004)

3. Methodology and Data:

3.1 Impacts of Human Capital from Different Perspectives:

Now we review the impact of human capital from individual, organizational, and social perspectives.

In the individual view, the possibility of increasing individual income is derived from his/her productivity. In this view, people's growth and improvement in domestic markets is possible (Carmeli, and Schaubroeck, 2005).

In the institutional perspective, institutional productivity is due to a set of its updated abilities and capacities and its dynamic organizational culture. In the social perspective, human capital has the potential to develop mechanisms for the establishment and expanding democracy, political stability and human rights at community level. Public capital leads to public awareness of the social components and increased social awareness through components within the community is possible. As a result, the relationship between human capital and social awareness is created in a mutual and close interaction in the way of achieving social-political development.

Since human capital is a new topic in the field of human resources, it is considered as a strategic issue for organizations and has had an increasing growth in organizations and communities. Many extensive studies conducted on this subject will verify this claim. In short, human capital plays an important role in people's prosperity, improved living standards and income, increasing knowledge and skills, production capacities, economic growth, and poverty reduction. Since the world is experiencing new developments in the field of combating with pure capitalism, the importance of work force is evident more than ever. Given that employees and individuals have entered human capital into their business area, receive the reward of their investments in terms of salary, benefits, essential job satisfaction, the opportunity to learning, and career improvement. These achievements and results gives the families and governments the reason to invest much of their resources on education and training of human resources which are the most important and rare sources. It should be noted that, the economic approach to human capital (on workforce education and training) would guarantee the country's productivity and economic success. Since 1970s, with the rapid development of superior technology in the world, especially in the areas of communications and computers, the pattern of world's economic growth have basically changed and consequently, since 1990s, money and physical capital was replaced with knowledge as the most important capital (Pitts, 2005). In the industrial economy, organizations were able to maintain their strong competitive position for years (McDermott Consulting Firm, 2005). Organization with good performance, were optimizing their production process by reducing production time, improving product quality, and reducing the number of employees (Chen *et al.*, 2004).

Thus, creating more value was depended on industrial capabilities and capital budgeting of tangible and financial. However, in the knowledge-based economy this approach, for several reasons, is not practical. Firstly, given the low life of knowledge and high rates of innovation, maintain a competitive position for a long time is no longer possible. Optimization as a process, has its importance in knowledge-based economy, but alone cannot create or maximize value. The only way to create value in knowledge-based economy is adoption of innovation as a business process. Organization's ability to create value depends on process of innovation, intellectual resources, and creativity of human resources (intellectual property). Organizations to accomplish their missions and achieve their goals have various resources and assets. Some of these are very valuable which have a strategic and central role to gain competitive advantage. Knowledge, for all organizations is among these resources and assets, so that management experts, recognize knowledge as the final substitution for production, wealth, and money capital are paid (Hansen *et al.*, 1999).

Peter Drucker also believes that, in today's world economy, knowledge is not a resource like any other resource of production such as labor, capital, and land, but is the only significant resources in the present. In fact, knowledge is the only source that using which not only reduces its value but also raises that. This knowledge is laid in the procedures, instructions, ideas, actions and organizational decisions and is more important when leads to valuable products and services. The strategy of knowledge management determines the direction of an organization in pursuing its goals that its actual purpose is to make the potential knowledge management in organization practical. In the knowledge management strategy, the implementation process, activities, and standardization of major components of solutions are considered (TECTEM, 2001). The set of operations and activities in the light of the knowledge management strategy will lead to effective and efficient operation of knowledge management system and joining to organization's culture to continue functioning effectively. The nature of organization, types of products and services, and the nature of knowledge that deals with the main factors are among the main factors in the selection of an appropriate strategy for knowledge management in organizations and companies (Chen *et al.*, 2004).

Nonaka & Takeuchi (1995) stated that, for the first time, Polanyi has had implicitly divided knowledge into two categories of overt and covert in his researches. Accordingly, they expressed that, overt (explicit) knowledge can be expressed by words and numbers and can be divided in terms of the data, formulas, specifications, instructions and so on (Bartlett, 1996). This kind of knowledge can be coded easily and simply be transmitted between individuals formally and systematically. In the other hand, the hidden (implicit) knowledge is available in the minds of individuals and laid deeply in the actions, experiences, values and desires. Mental models, intuition, and imagination are in this field of knowledge (Pitts, 2005).

3.2. Managing Vocational Growth and Development of Personnel:

Nonaka & Takeuchi (1995) proposed four types of value creation and transformation strategies for explicit and implicit knowledge in organizations as follows:

3.2.1. Socialization:

Socialization strategy (covert to covert): In this strategy, covert knowledge transfers and again becomes covert knowledge. In socialization strategy, people share their experiences and mental models with others to improve the knowledge. This process includes mutual understanding through face-to-face social interaction, sharing of views, co-thinking, support interactions, and so on. For example, we can mention improved relationships of colleagues, on-the-job training, trial and error, imitation from others, brainstorming sessions, training and education, exchange ideas, great dialogue, incentive measures including the Day of Knowledge and Knowledge Café, and so on (Pitts, 2005).

3.2.2. Externalization:

Externalization (covert to overt): In this type of strategy, covert knowledge becomes overt through externalization process. This process allows people to individually develop the concepts of tacit knowledge and share with others to create new knowledge (Pitts, 2005). Personal or tacit knowledge can be converted into explicit knowledge as metaphor, similes, assumptions, and models. An individual, when uses collective attentions and exchanges in this designing process, often attempts to externalize (Bartlett, 1996). In this strategy, principles of content management will be required to archive, update, and retrieve the explicit knowledge. Nonaka & Takeuchi recognize externalization as a key process in the conversion of knowledge. This is because in this process, the implicit knowledge is renewed and explicit designs are emerged.

3.2.3. Combination:

The combination strategy (overt to overt): in combination strategy, the available decomposed knowledge will be shared, combined, and interpreted. In this case, the explicit knowledge transforms to a more complex explicit knowledge. In other words, at this stage, the ideas are combining with a knowledge system (e.g. database). People exchange knowledge and this knowledge in terms of documents, meetings, telephone conversations, and the exchange of information will be combined through technologies and tools such as computer networks. New knowledge can also be created by restructuring the current data through storage, adding, combining and categorizing of explicit knowledge (TECTEM, 2001). Combination is a kind of creating knowledge that can be included in the field of education. Examples of combination strategy are knowledge and information systems, providing overview reports, trend analysis, and management summaries (Waya and Johnson, 2005).

3.2.4. Internalization:

The internal strategy (overt to covert): internal strategy is a method in which, explicit knowledge is internalized and transformed to tacit knowledge through interpretation. This can take place during on-the-job learning the documented knowledge plays a vital role in this process. Internalization occurs when new knowledge workers revive a project by studying its archives. In addition, it can be seen when managers or experts who are experienced decided to make speech or writers decided to write biographies of an entrepreneur or an institution. Once it is internalized, the new knowledge will be used by the personnel who have been developed and reorganization it in their existing covert knowledge database.

In general, according to the similar studies in the field of knowledge management strategies and the experiences of leading companies in the world, it seems that, the best way to choose a knowledge management strategy based on theory of Nonaka & Takeuchi is investment on one or two knowledge management strategy as core strategies and benefitting other strategies as backup strategies (Wenger *et al.*, 2002).

The main goal is managing the motivations and developing the skill of specialists. Management should not only provide higher levels of expectations from experts, but also must encourage and reward them. Another method through which, the organization can meet its responsibilities, is deployment of smart and talented people (experts) (Gary and Densten, 2005). Since most experts are very active and feature special persons, therefore, they always sought freedom in doing their tasks. Balancing the requirements of the organization and management and creativities of professionals is a critical issue to management. Experts often follow their own agenda and missions and do not pay attention to constraints, goals, and strategies of the organization do not consider them as limits to employing their specialities for organization. Therefore, management, in order to balance the needs of the organization (benefitting expert's knowledge) and the desires of experts (searching for new knowledge) must adopt appropriate methods. Microsoft as a leading software company has managed to manage this problem in knowledge management effectively. This company not only encouraged its own experts for risk-taking, but also developed a set of strategies in the areas of organization's resources, programs, and the projects that experts have been innovated.

Applying self-organized teams and social interactions that strengthen and enrich the organization's knowledge base, are considered. Emphasis on multiple interpretations and information revives the obligations of the organization in order to recomplete the knowledge-based concepts in addition to create new realities. The process of multiple interpretations of knowledge is important, since it allows people to reform and reshape their believing systems in communication with others. Organizations, in order to improve interactions between personnel, could utilize a wide variety of perspectives such as co-thinking, dialectic, and the ongoing experiences and in order to understand the market realities, they are required to be more sensitive to environmental stimuli that are possible through multiple perspectives on knowledge (Gary and Densten, 2005). In addition, multiple interpretations enable organizations to assess the application and risk taking of a particular type of knowledge in different situations. Since the complex organizational tasks require a deep analysis of issues, the role of management in creating a collaborative atmosphere is very important. However, implementation of enterprise-wide solutions requires the commitment of personnel (Figall and Rhine, 2002). If the views and opinions of personnel in finding solutions to organizational problems are not considered, there is risk of vulnerability from these executive problems.

Major challenge of organizations is developing and codifying the rules and procedures in a simple format that employees can easily learn and understand them. If the rules and procedures are not clearly formulated, there is always the possibility of different and personal understanding from personnel. When the rules and procedures are clear, it reduces the existing ambiguity in understanding and interpreting them. Coding and standardization of tasks and programs are common tools to eliminate this ambiguity (Toffler, 1990). Laws and regulations do not maintain their shape throughout the life cycle of an organization. With drastic changes in the external environment, it is necessary for management to review the rules, procedures, and existing policies carefully. If the rules, procedures, and policies are not consistent with the current state of commercial realities, then management should seek to search and invent new rules, procedures and policies (Figall and Rhine, 2002). In other words, in order to attend with changing realities, review and reconsider in the rules, procedures, and policies are among the most important goals of an organization. A number of quality improvement innovations and initiatives that some companies are responsible for them are under this classification (Pitts, 2005).

Conclusion:

In developing strategies in the field of human resources while paying attention to macro strategies, effective environmental factors on specific areas must be investigated (Kane and Palmer, 1995).

A) Supplying Human Resources:

Supplying human resources requires the existence of needed staff to do activities of organization. Cape (1989) recognizes the aim of designing and running strategies of absorbing human resources management as follows: "the objective is to absorb appropriate personnel that have necessary qualifications, skills, knowledge, and potential for future training. Methods of selection and absorption of employees that can best meet these categories of organization's needs must be considered as a fundamental activity and most of the policies of human resources to develop and motivation of the personnel should base on these activities." In other word, "planning for human resources is a process of systematic review of organization's requirement on work force to assure that, needed work force based on organization's necessities have been acquired in appropriate time."

B) Development of Human Resources:

Emergence of modern knowledge and technologies, industrial developments, and new directions and strategies of organizations, inevitably makes them to continuously educate and develop of their own human resources in order to survival in the field of competition. Strategic development of human resources includes followings: create, delete, modify, and adjustment of responsibility, processes and guidance of people in a manner to equip all people and groups with required skills, knowledge, and qualifications to accept and do present and future duties of organization (Dessler, 2005).

C) Management of Performance:

Performance management is a field of human resources that can have most contribution to improvement of organization's performance. The aim of performance management strategies is to increase the effectiveness of organization, increase the productivity of personnel and groups, and acquiring higher level of skills, competence, commitment, and motivation by personnel. Strategies of performance management consider issues like how management of organization acts to achieve the determined goals. Performance management can be considered as a strategic and integrated method to provide a stable success for organizations through improving performance of personnel. Performance management is strategic because, it deals with widespread issues organizations face with such as if it works effective in its environment or if the direction of organization's general motion is toward organizational goals or not. The strategies of performance management pursuit the following goals:

- Help to work force in order to improve performance;
- Development and nurture of personnel to course job procedure;
- Benefitting the comments of personnel to improve the organization;
- Partnership and encouragement of employees;
- Collecting the necessary information for compensating employees' services;
- Discovering improvable points and planning for their improvement (Dessler, 2005).

The performance management system is composed from three components as assessed factors, inputs and outputs of system. The main assessed factors of performance management system are as follows:

- Rate of accessing to goals,
- Following main values of organization,
- Features of individuals such as: motivation, individual skills, and creativity,
- Potential abilities of people;

D) Reward Strategies:

Reward strategies focus on the way of preparation and designing applications by organization to guarantee that, the effective behaviors and performance of personnel in realization of organization's goals will be appreciated. As Mejia and Balkni (1992) believe, the reward strategy is defined as "favorable utilizing of reward system as an integrated key mechanism through which, the efforts of subsidiary units and their staff will be directed toward the realization of strategic goals of organization." The reward strategy should be based on the important principle that, the final resource for value creation is organizations' personnel. This means that, reward processes should creatively respond the needs of employees and organization. Basis of this strategy should be organization's obligations to improvement short-term and long-term performance. Reward strategy can support changes, reinforce and recognize organization's activity.

E) Management of Personnel's Relationships:

The base pattern of human resources management in the field of employee's relations can be expressed as follows. Management of employees' relations is an agent to creation and development of commitment among employees, emphasis on mutual interests, changing procedure from group bargaining to the personal contracts, use of techniques of increasing partnership of employees such as quality or improvement groups, the continuous emphasis on quality, increased flexibility in working agreements, emphasis on teamwork, and coordinating the conditions for all employees.

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