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LEVERAGING HUMAN CAPITAL FOR COMPETITIVE EDGE IN KNOWLEDGE INTENSIVE ENVIRONMENT.

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ABSTRACT

In the constantly changing business scenario accomplishing organizational excellence in the market place demands high performance on a continuous basis. In such environment human asset comes out as a crucial source as they represent to attain its goals. Human capital can be enhanced for value added benefits at very low cost. Firms need to make strategic plans and systematically use human capital to attain a competitive edge. This paper discusses basic dimensions of Human Capital and it further provides a context of how to approach for leveraging human capital, This paper emphasizes on the process of human capital management that should be adopted to enhance performance

Keywords: Human capital, Strategic planning, Teamwork, idea capital, leadership capital, Innovation capital, Relational Capital

Introduction

In the current scenario of knowledge intensive global competition, firms in many if not all have started viewing human resource in an altogether different perspective. Human resource is now being treated as an asset to an organization. Human resource can be used to achieve value in an economic sense as any other tangible asset like equipment, material, money and tools etc Now organizations not only understand this but also are adopting new steps to ensure that human resource is effectively utilized and they support the vision and mission of the organization.

Paradigm Shift from Human Resource Management to Human Capital Management

During the last 15 years organizations have a better understanding of the importance of human resource. Organization accept human element as one of the core element and that there efficiency, knowledge or quality can, make or break a business. In the recent past organization were structure and system oriented but today they are people oriented. Today organizations are crucially dependent on employees who possess specialized knowledge and skills or competence and a super ability to win and satisfy customers on sustained basis. This scenario has compelled the HRM department to redefine their basic function. Human capital management is the proactive approach of managing the employee to ensure desired level of performance and to achieve organizational goals in contrast to traditional approach. In essence Human capital management is investment in growth as opposed to investment for growth i.e. *there is shift from cost to add value.*

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Earlier approach believed in developing capabilities based on the plans and strategies formalized for growth where as HCM focuses on developing capabilities and managing change that will fulfill growth requirements. Now company's, plan their HRD programme keeping in mind their present targets and the futuristic vision of company. Earlier there was no means to assess the skills developed through HR programme. Thus the organization has no idea as to how much it has gathered in terms of acquiring relevant skills after spending fund on HRD programme. Now before any HRD programme is being taken up, the organization is evaluating how much value the particular HRD programme is giving for the organization. *Now there is shift from inputs to output.* Now organizations also want to focus on programme which give more desired cost for future with lesser inputs and also effort are being made to identify which of programmes can generate maximum value for the organization with minimum input.

Now the focus has shifted from efficiency to effectiveness. Initially performance appraisal has been used as a tool to assess employee performance but now there has been shift from performance appraisal to performance management. In earlier approach manager are forced to make subjective judgment of an employee personality, psychological makeup and intentions. *Now there is shift away from inferred traits and focus is made more on observed behavior and results.* The shift is from emphasis on superior as a judge to one in which the superior is more considered as a coach and here the development of the employees is the key element.

These days' efforts are being done in a more systematic manner. Viewing people as talent rather than labor is thus the major shift in the mindset. Hence current HR approach carry more potential with them, compared to earlier approach.

Human Assets

With the emergence of the knowledge intensive and global economy, organizations have realized that as compared to tangible asset, it is the intangibles asset- such as technology and principally the people-the human asset that provides a competitive advantage to the organization. Aldisert (2002) states, " The heart of the knowledge-based companies is the people who work within them. It is the people who generate intellectual property to a company. People generate ideas for unique process system. People manage projects and other people, if the people do well, you will see great results. If they do poorly you may have a problem." An organization human asset is the collective sum of the attributes; life experiences, knowledge, inventiveness, energy and enthusiasm that the people choose to invest in their work. It captures all the people oriented capabilities required for a business to be successful.

As human asset of an organization is instrumental in providing the competitive advantage to the organization they also have a value like all other resources and capital possessed by the organization. Since these human asset have a value like any other asset they are termed as capital. They are called human capital because people cannot be separated from their knowledge, skills or values in the way they can be separated from financial and physical assets. The effect of human asset of the organization on its future productivity and value is now well realized by the leading organization world over. Walker (2000,2002) states that federal employee should be viewed not as cost to be cut but as asset to be appreciated. Leading organizations look at their employees not as liabilities but as assets. Employee determines the success of everything on organization does from serving the customers to an effective supply chain. Opportunities can come in the way of many organizations but only that organization succeed which is prepared to invest in people to create maximum value.

The paradox of human asset is that human asset is the most critical source for competitive advantage but it is never owned. Individuals are only asset in so far as they choose to invest

their human capital in an organization. When dealing with people it must be remembered that it is not to deal with creatures of logic but with creatures of emotions. People are sentiment beings. When they feel good they produce more but on the other hand if they are distracted by whatever reasons it has negative impact. Person value as a human asset is a result of how their knowledge, skills, experiences and competencies match the job to which they work (Aldisert 2002). For example Sachin Tendulkar is a tremendous human asset when he plays cricket but value may not be achieved if he plays basketball. Thus from above discussion, it is clear that understanding how and why people add value or not to an organization is a difficult but an important issue influencing organizational performance.

Capital Redefined

Capital means some form of wealth that can be used to produce more wealth. An organization is made up of collective competencies, which can be called as "capital". Literature suggests that (Edvinsson and Malone 1997, Pablos 2004) there are three key forms of capital in the organization. At individual level (human capital), at group level (relational capital) and finally at organizational level (structural capital). Relational capital brings about number of key designs in anticipation of customers preferences. Besides this the strength of organization also comes from the manner in which the processes are designed. But human capital is different from these two. It is embedded in the minds of people. It is not just one component of capital but it is the basis for the creation of structural and relational capital. Other forms of capital including material equipment, tools and technology only represent next potentialities, it is the human capital that converts the potential and create results/wealth.

Human capital represents the human factors in the organization. Defining human capital Bontis (1999) states that at an individual level it is the combination of four features genetic inheritance, education, experience and attitude about life and business. Leif Edvinsson and Malone (1997) define human capital as "the combined knowledge skills, innovativeness and the ability of the company's individual employee to meet the task at hand. It also includes the company's value, culture and philosophy. The company cannot own human capital." The human asset like equipment, tools etc are its intangible asset, which can be harnessed, further and used to attain the organizational goals. He further states that human capital is temporary in nature as people can any time leave the firm. Thomas Stewart (1997) defined human capital as "the capabilities of the individual required to produce solutions... Human capital is the source of innovation and renewal." This is a detailed form of the definition given by Leif Edvinsson. It brings out that human capital has the capability of changing, innovating and creative thirst and if people are motivated they can bring success to the organization.

Components of Human Capital

Edvinsson and Malone (1997), break human capital into idea capital, leadership capital and innovation capital. Idea capital is available with knowledge workers of the firm and also in the work of people providing innovation through R&D that have future returns. Leadership capital represents managerial competence and functional experts. It facilitates interaction amongst all of the other elements i.e. through leadership human capital interferes with relational capital to provide a valuable reputation in the minds of all members of the business community. Innovation capital is represented by firm intellectual property and infrastructure. In fact, several authors have argued that enhancing the idea and innovative performance of their human capital is crucial if organizations have to achieve competitive advantage. (Devanna and Tichy 1990, Shalley, 1995).

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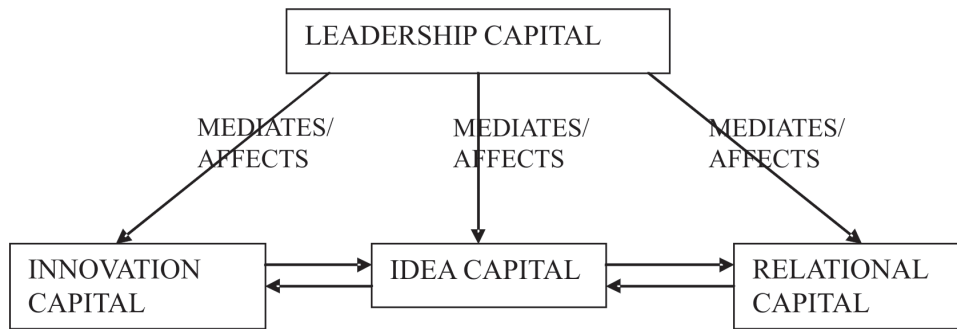


Figure 1: Human capital as a source of competitive advantage

However the flow and interaction of the asset is probably most important to get best results for the firm. (Johnson 1999, Kauffman, 1980, Senge 1990). The process by which employee innovate includes developing new ideas, products often by spotting how an idea can be used in new places and new combinations. If successful it is the implementation of these innovations that enable organization to respond to opportunities. In addition, generating ideas and innovations is another important aspect in understanding customer's need.

Human Capital Management

An organization people define its character; affect the capacity to perform and represents the knowledge base. Since the organization differ only in terms of human assets, they possess, which alone can determine the success of an organization. The way human resource are managed and leveraged will be a great source to achieve competitive edge.

Maintaining the workplace potential, enhancing competencies, enhancing capabilities, for future requirements, attracting the right talent, aligning their efforts with organizational objectives and retaining the key performers together are some recent advancement which are, referred as human capital management.

Human capital management includes steps such as identifying and recruiting the best available talent. After it has been recruited and identified successive planning needs to be done as to how to convert them into human asset. Human unless some value creation is done to it does not become an asset to the company and cannot be used to attain company's result. After this comes, the task of managing and retaining such asset for strengthening the organizational capabilities to be able to attain organizational goals.

Leveraging of Human Capitals for Knowledge-Intensive Environment.

With the human capital approach picking up pace, companies are attempting to redefine and redesign their processes. Managing the processes of building and maintaining a competitive workforce has become as important as financial capital. Now HRD programmes are becoming more goals centric and its results are assessed qualitatively as well as quantitatively. It is seen that organizations must have the right *talent* and not just a body count. Efforts are being made to see that talent is able to execute strategies rapidly without the downtime of learning curve and organization gains the loyalty and commitments. In fact the employee and organization should be able to serve each other's cause continuously.

To provide a context of how to approach for leveraging human capital, this paper emphasizes the process of human capital management that should be adopted to enhance

performance. The **Figure 2** explains that teamwork, strategic planning, leadership, rewards and recognition, work life balance, quality equals excellence, learning and discovery collectively lead to customer satisfaction and make a different impact on our work that lead to competitive

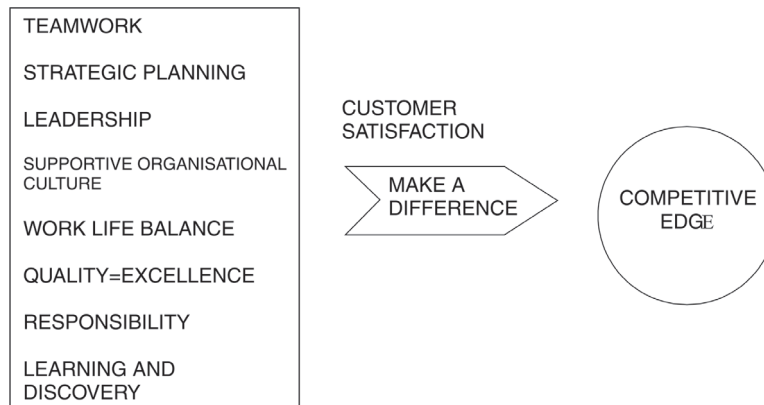


Figure 2:Process to get Competitive edge

edge (Walker, 2002))

In knowledge intensive environment projects are multidisciplinary in nature. A single person does not know enough to solve complex problems in projects. Moreover in many projects knowing how to find and apply relevant knowledge efficiently is more practical than trying to master large amount of knowledge. Hence there is a need to work as a team.

TEAM - Together Each Achieve More

The essence of teamwork lies in its name itself. Team stands for together each achieves more. Ambitious projects require people to work together. Hence effective teams are a necessity for getting good sustainable results. Teamwork is important because every person in this work is unique and possess unique skill sets to achieve organizational goals, it is important to bring different skill sets together at one place .The first condition to get success in any team is trust and interdependence. When an employee joins the organization during the process of induction, not only needs to create role, impart information and communicate vision. Better efforts also are made to establish trust between members. This can bring about greater synergy and team energy, it is important to understand that technology cannot replace the work and reassurance of human interaction.

Strategic Planning

Planning needs to be dynamic process that oscillates between the two ends achieving the accuracy and quality of delivering in time .The plan should address the business performance and the continual fine-tuning to address employee performance.

Leadership

Leadership plays a significant role in the successful implementation of HCM. Unless they start from the top, it becomes extremely difficult for people to adopt effective human capital practices. Leaders require a particular set of competencies to inspire their followers to translate the vision of the organization.

Supportive Organizational Culture

Organization should create optimal environment for their people. It will generate best results. Positive relationship can foster a bond between the employee and the organization leading to commitment. By creating knowledge and collaborative environment the employee learns and thrives as a professional sharpening the skills and contributing intellect to the cause of the organization. The organization should make an employee part of growth and celebrations of the organization by recognizing and rewarding the efforts of the employee.

Work-Life Balance

Personal and professional lives are the two sides of the same coin. Both should be given equal importance. A successful individual is one who can tactfully manage both these aspects without having a compromise on work or personal level.

Quality = Excellence

Each individual should strive to achieve the highest level of excellence by constantly improving the quality of work, thoughts and behavior demeanor. When each of these aspects are enhanced to achieve excellence, the individual attain better interpersonal relationships hence contributes positively to teamwork and in a position to assume more responsibility.

Responsibility

It is essential for commanding the trust of fellow team members and clients. Lack of responsibility and accountability causes distrust and overall low productivity. It is important because it builds a sense of discipline within the organization.

Learning and Discovery

Organization should have a strategic commitment to professional developments encouraging team members to seek professional designation appropriate to their interest and responsibilities. Learning and discovery brings creativity to the work and builds new idea and thinking. This helps in improving overall productivity of the organization. Learning new things and discovering self and team potential enhances the creativity of each team member and increases the productivity of the team. By continuous learning one not only adds value to him but also to the organization as a whole.

Customer Satisfaction

Customer satisfaction is the key to organizational success. No other value can be more important than this success is not a matter of chance but a product of strategy, motivation, meticulous planning and constant performance. These are four pillars of success and without motivation, the foundation of the organization would be threatened *.All this makes a difference that leads to competitive edge.*

Leveraging Human Capital: A Case of Reliance

The Reliance group founded by Dhirubhai M. Ambani more than three decades ago has emerged as India's largest private sector company and has a distinct place in Fortune Global 500 companies. Its existing and emerging business in exploration and production, refining and marketing, petrochemicals, textiles and retailing have given Reliance unique position in India. This article uses the case of Reliance Industries limited (RIL) to illustrate how Reliance adopted human capital perspective to develop a growth strategy that focused on leveraging intangible resources. By proactively focusing on harnessing the human capital resource company achieved an increase in shareholder value .It describes of how human capital resources were identified,

developed and deployed to shift a company from a service business to becoming a leading producer in all of its major petrochemical products. This case study explores some of the key features of the human capital perspective.

Reliance business successes and competitive position reflect the leadership provided by the founder who said, "Growth has no limit. I keep reviewing my vision, only when you dream it, you get it." The leadership system defined by Ambani is based on value creation particularly for customers and shareholders. Now Mr. Mukesh Ambani chairman and managing director is steering the company, building on the founders vision.

Reliance believes "Growth is Life " for Reliance and for all Reliance people. Reliance recognizes that the future of enterprise in the knowledge economy depends on building competencies in people and in harnessing diverse talents. In this light, Reliance has built a human capital edifice. It seeks to unleash the potential of talent by setting great growth challenging tasks, focusing a meaningful social impact and fostering a conducive learning environment. Systems are being shifted from being task centric to team centric and customer centric.

Recruitment in Reliance targets the world market for the right individuals, ensuring a global perspective for people responsible for global scale plants and operations. The collective experience across diverse functions in Reliance forms the bedrock of Reliance global competitiveness. Talent is drawn from diverse background and emphasis is on recruiting people with formal training that matches their job profile. Tapping of the jobs has been initiated to ensure that the right person is allocated to the right job. Reliance is conscious that consistent training and development and continuous learning will ensure retention of the best talent in the business environment where change is the only constant and also recognizes that it can be a competitive differentiator.

In this light, Training needs of all employees have been identified. Several 100 training modules have been developed to impart structured training for all levels of employee. These programs are devised with an aim to develop cross-functional skills to provide Reliance people with an opportunity to address areas important from the perspective of all round developments.

The Reliance way represent the unique culture which company continuously fosters that strengthen the behavior of people. The company believes in empowering people through greater knowledge opportunity, responsibility, accountability and reward. This is a bedrock of growth in Reliance It is a benchmark by which it gauges best practices as ideal employers and enablers in India and abroad. Reliance takes immense pride in providing an equal opportunity, work environment and places great emphasis in nurturing up talent. This involves a practice of encouraging youth, urging experienced people to mentor people and processes and inculcating a " Can Do Culture" that moulds itself in evolving personal aspirations and corporate goals throughout the career of the individual .In Reliance passion is to improve daily living and to create a workplace where every person can use his/her full potential. As a leading global company they provide opportunities worldwide.

At Reliance the word "TEAMWORK" stands for "Together Everyone Accomplishes More " with organizational responsibility and knowledge to mention one among many the work of the polyester Fiberfill Cost Reduction team, which presented its story during the 2006 international Team Excellence Award competition and received the coveted gold medal award for its efforts. Hari Bhatt, Neeraj Dhingra (Project Leader), Akhilesh Jain, Sachin Kale and Suketu Vakil comprised the team. Sekkhon Jag Mohan served as team facilitator and coordinated its participants in the competition progress.

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The appraisal system reflects synergies in organizational performance that are created largely due to joint effort and teamwork. At the same time system also encourages individual excellence and value addition. Reliance appraisal and reward system is aimed in increasing employee investment in the goals and objectives of the organization and encouraging individuals to go beyond the scope of work, undertake voluntary projects that enable them to learn and contribute innovative ideas in meetings the targets of the company.

Human issues are the key concern for Reliance to enhance quality of life for its people; Reliance has built a workplace that proactively fosters professionals as well as personal growth. Reliance has introduced several benefits such as extended financial help towards fees and books to children and also children of employees were given counseling on their strengths and weaknesses in relation to academics, behavioral and vocational areas.

To conclude by focusing on human capital perspective it was possible for Reliance management to formulate and implement a strategy that could capture the full value creating potential of their human resources. It is the driving force behind Reliance accelerated growth and is one of the fundamental competitive strength.

Conclusion

In Knowledge intensive global environment it is the human asset that is the major market differentiation of a firm's success. Effective management of human capital is the call of the day. Firms should use Human capital management concept to evolve policies for developing their human resource into human capital for attaining project objectives. For this they need to reorient conventional HR trends to the new Human capital approach. Using human capital management firms can attain higher benefits with less inputs. It provides a simple framework for integrating tasks, organizational structure management systems to attain higher degree of success. Top management should be in best position to provide a critical bond for creating and sustaining competitive advantage for companies profit maximization.

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