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HRM Focus on Distinctive Human Capital and Strategy of Building-Retaining Competitive Advantage

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Abstract- Every business is a people business. At the heart of every successful business are the people who make things happen. Human capital is its most valuable resource, which provides the solid foundation needed to build long-term profitability and ongoing success of an organization. Therefore, businesses must constantly seek new and innovative ways to attract and retain a top-notch workforce, and motivate them to perform to their fullest potential. The evidence from the literature review, the key success factor of business innovative and motivated human resource.Top management responsible for creating a positive organizational environment by intervening cooperative relationship within functional departments for innovation and creativity in organizational interfaces. Everything can be imitated but competent and innovative workforce cannot be imitated and it becomes a distinctive resource regarded as a competitive advantage.

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HRM Focus on Distinctive Human Capital and Strategy of Building-Retaining Competitive Advantage

Md. Hasebur Rahman [α] & Md. Abdullah Al Mamun [σ]

Abstract- Every business is a people business. At the heart of every successful business are the people who make things happen. Human capital is its most valuable resource, which provides the solid foundation needed to build long-term profitability and ongoing success of an organization. Therefore, businesses must constantly seek new and innovative ways to attract and retain a top-notch workforce, and motivate them to perform to their fullest potential. The evidence from the literature review, the key success factor of business innovative and motivated human resource. Top management responsible for creating a positive organizational environment by intervening cooperative relationship within functional departments for innovation and creativity in organizational interfaces. Everything can be imitated but competent and innovative workforce cannot be imitated and it becomes a distinctive resource regarded as a competitive advantage.

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I. Introduction

Human capital consists of the "people assets" that drive an organization's continuous development and sustained growth, and includes the collective attitudes, skills, abilities, and knowledge base of an entire workforce. Human capital management, also commonly referred to as human resource management or workforce management, is a vital discipline that combines technology systems with advanced methodologies to help businesses effectively build, manage, and maintain their "people" assets, and best leverage them to achieve and maintain a competitive advantage (B.S., 2013) . The belief that individual employee performance has implications for firm-level outcomes has been prevalent among academics and practitioners for many years. Interest in this area has recently intensified; however, as scholars have begun to argue that collectively, a firm's human capital can also provide a unique source of competitive advantage that is difficult for its competitors to replicate.

The success of any organization falls back upon its competent and motivated human resources (Mohiuddin, 2008) . The results of global research on human resource management confirm that employees (for their abilities and motivation to work) represent a critical resource of any organization and demonstrate the positive impact of various practices in human resource management on organizational performance and competitiveness (Armstrong, 2007) . Management should recognize that employees and their behavior represent strong forces that can diminish or enhance effectiveness of every organization (Hasebur Rahman, M., 2013a).

The world of business becoming more and more global and demanding, nowadays organizations are forced to seek for new means to withstand fierce competition and succeed in their operations. Among the challenges they have to face, the following ones are viewed as the most critical ones: the need to increase productivity, enhance organizational capabilities, expand into global markets, develop and implement new technologies, respond to more demanding customer needs and changes in the highly volatile marketplace, increase revenue and decrease costs, attract and retain high-performing and flexible workforce, introduce and manage relevant organizational change, etc. (Burke, 2005).

In response to the above changes, there is a dramatic change in management efforts to build and retain human resource for improving productivity of human capital. On the other side management scholars have been consistently investigate such possible sources of competitive advantage (CA) at both conceptual and empirical levels. It is now generally believed that human resources and their management serve as a strategic asset to the organization. However, there is an ongoing debate in scholarly publications, as to what in particular leads to the development and sustainability of competitive advantage in the organization (Rūta K., Ilona B., 2008).

This study is an attempt to discuss Human Resource Management focus on human capital and building and retaining human capital on fostering competitive advantages in enhancement of organizational effectiveness.

II. Research Objective

Considering the significance of human capital issue on human resource management for sustaining competitive advantages; this study has been taken for serving following major objectives:

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1. To outline human resource management focus to human capital.
2. To outline the efforts of HRM to build and retain human capital.
3. To appraise Human Capital as a Distinctive Resource for competitive advantage.

III. Methodology of Study

The paper is built on the analysis and over review of scientific literature on strategic management and human resource management on human capital issue for building and sustaining completive advantage. For serving purpose of the study relevant articles, books, library resources and internet data resource have overviewed for that study.

IV. HRM Focus on Human Capital

Effective management of human resources is directly linked to business success (Hasebur Rahman, M., June 2013b). Soft or high commitment human resource management practices are those that generate trust in employees and these practices include giving employees empowerment and involvement in decision making; extensive communication about functioning and performance of the employees service; designing training for skills and personal development of employees; selective hiring; team-working where idea are pooled and creative solutions are encouraged; rewards system that commensurate with effort; reduction of status between the management and staff and all workers are valued regardless of their role (Pfeffer, 1998) . Society has entered a new era in the relationship between organizations and their employees. In this new era, people are the primary source for a company's competitive advantage and organizational prosperity and survival depends on how employees are treated (Lawler, 2005) . Organizational performance and competitiveness are determined by employee performance. The essence of the positive relationship between best practices in human resources management and organizational performance and competitiveness is the optimal system of human resource management that enables to employ and develop capable and motivated employees and achieve expected organizational performance and competitiveness by achieving desired employee performance (Šikýř, M., March 2013).

HRM involves attracting, developing, and maintaining a talented and energetic workforce (Schermerhorn, 2008). Its major responsibilities include: (1) attracting a qualified workforce, which involves human resource planning, recruitment and selection; (2) developing a qualified workforce, which involves employee orientation, training and development (T&D), and performance appraisal; and (3) maintaining a qualified workforce, which involves career development, work-life balance, compensation and benefits, retention and turnover, and labor-management relations (Southiseng, N., Walsh, J. March 2013). HRM functions which have relationships with effective HRD included human resource planning; job analysis; staffing (recruitment and selection); compensation and benefits; equal employment opportunity; T&D; employee and labor relations; health, safety, and security; companies and job design, performance management/ performance appraisal systems; research and information systems (Puvitayaphan, 2007) . Human resource management practices influence employee's skills through the acquisition and development of a firm's human capital. Recruiting procedures that provide a large pool of qualified applicants, paired with a reliable and valid selection regimen, will have a substantial influence over the quality and type skills new employees possess. Providing formal and informal training experiences, such as basic skills training, on-the-job experience, coaching, mentoring, and management development, can further influence employees' development (Bassey E., Tiesieh T. 2012). Human resource development (HRD) is another HRM function but it is possible for the HRD function to stand alone. However, to optimize HRD goals, it is necessary to interact with other HRM functions. HRM functions have direct association with dimensions of employee relations, rewards management, performance management, recruiting and selection (Thornhill et al., 2000) .

V. The efforts HRM to Build and Maintain Human Capital

The most valuable corporate asset, in the 21st century, is seen by distinguished professors to be "the knowledge worker" (Drucker, 1959). Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value (Wikipedia, 2013) . Management accounting is often concerned with questions of how to model human beings as a capital asset. However it is broken down or defined, human capital is vitally important for an organization's success (Crook et al., 2011); human capital increases through education and experience. IBM is a leading professional services provider focused on excellence and innovation in Human Capital Management. With over 400,000 employees globally and over 5,000 focused on Human Capital Transformation and Outsourcing, our HR Transformation practice addresses organization and people issues associated with the evolution of the HR business function. (IBM, 2013).

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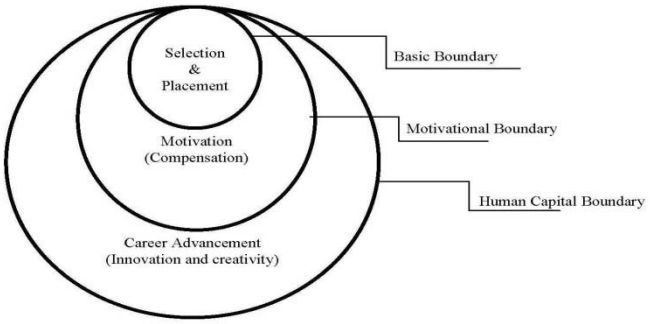


Figure 1 : Building and Maintaining Human Capital (Interface of Human Resource Management)

Table 1

Boundary	Interface of Human Resource Management	Scope
Basic	Selection and placement of employees in authority-responsibility relationship create a basic/core boundary of organization in which they functioning.	HR Department
Motivational	Compensate them to keep them in track in progress to meet defined objectives.	Different Functional Department
Human Capital	Creation of positive environment so that they can redefine objectives to be achieved through innovation and creativity to chase changing business environment.	Top Management Commitment

According to Microsoft "Every business is a people business. At the heart of every successful business are the people who make things happen. And, in HR, it's your job to attract and retain the very best talent, plus keep current employees as positive and productive as possible however it is not easy task. Recruit top talent by posting job openings both internally and externally, and share applicants across the enterprise providing a powerful tool for any recruiter. Put the right people in the right place by mapping internal and external candidates against the competencies and qualifications you're looking for. Create fixed and variable compensation plans, which include grade, band and step compensation structures. Initiate a pay-for-performance structure and compensate employees based on personal and organizational performance goals. Maintain hierarchical, matrix and team-based organizational structures over time, and get a more accurate picture of historical, current and future changes. Retain employment histories, including injuries and illnesses, drug and medical tests, education, skills, certificates, courses taken, work experience and equipment on loan. Give employees and managers with self-service capabilities the power to apply for jobs, maintain performance goals, register for courses, enter and approve absences/expenses, and maintain competencies and personal information" (Microsoft, 2013) . The human capital as the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-run survival of the organization (N. Bontis et al, 1999) .

VI. Human Capital as a Distinctive Resource for Competitive Advantage

The machinery, equipment, inventory, and other assets of the 21st century company have no real economic value without people to work them. Corporations, by leave of the accounting profession, continue to omit the value of human (Jeremy, 2013) . Nobel Prize winners also focus our need to recognize the knowledge workers' impact and the corporate "consequences of employee choice (Sen, 1999) . They understand that the selection of industrial strategy is made "within the context of which individual decisions are made" (Coase, 1960) . Thus, human knowledge and human skills are the real and the future 21st century engines of productivity. There is a "widespread perception" that the value of human capital may represent a significant proportion of overall corporate productive capacity relative to current assets and fixed capital (Jeremy, 2013).

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Table 2 : Human Capital As A Competitive Advantages

Basis of Competitive Advantage	HRM role	Source of Competitive	Author
Valuable, rare, inimitable & non-substitutable bundles of resources and capabilities	HR value optimization	Internal	Kamoche (1999)
Managerial, input-based, transformational & output-based competencies	Competency development	Internal	Lado et al. (1994)
Integration of specialized knowledge into organizational capabilities	HR Training & Development	Internal	Grant (1998)
Resources & capabilities gained/developed outside the firm boundaries	HR capability development	Interactional	Strandskov (2006)
Role behaviors required by competitive strategy	Stimulating role behaviors	Interactional	Wright et al.(1994)
Horizontally & vertically aligned HRM systems	Performance enhancement	Interactional	Ferris (1999)
Firm's ability to perform activities at a lower price or in a distinct way; industry specific key success factors	Support activity	External	Porter (1998)

Most chief executives agree that the people who work in an organization – its human capital – are among its biggest sources of competitive advantage. Managing that resource – human capital management – means developing its knowledge, its competence, its skills, and its abilities as the organization grows. From recruitment to retirement, IBM Foundation HCM facilitates practically every relationship between the company and the people who work for it – creating an environment in which both managers and employers can focus on productivity, service to the client, and developing real business value. It is the key to long term, sustainable business success (IBM, June 2010) .

VII. Conclusion

Human resource management should be thought as a strategic activity and that is carried out consistently with the overall business/corporate strategy. Human capital plays a critical role in the creation and sustaining of competitive advantage. Building human capital is not sole responsibility of human resource department. Creation of positive environment lies in organizational perspective for innovation and creativity. Every thing assumes to be same but distinctive human capital becomes a competitive advantage requires sanction from top management.

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