



Hrd And Human Capital Perspective On Organizational Effectiveness: A Review Of Literature

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1.1 CONCEPTUAL DEVELOPMENT OF HRD

HRD evaluation based on what constitutes HRD views considerably varies. Generally, HRD practices are mentioned in distinct terms such as education, development and training. The general contemporary practices are Human Capital Development and Human Resource Development (HRD). Definition provided by Mondy and Noe (2005) for human resource development is “through continuous process and planning facilitate employees for their improved performance of tasks, experience and knowledge through development programs, education and training”.

Through Mondy and Noe’s definition, it is observed that with planning and effort in an organization with continuous manner to enhance employees’ task performance, experience and knowledge. Hence it is considered that HRD practices design primarily benefits for both organization and employee through employee support and improving task performance, experience and knowledge enhancement. With above definition in to consideration it is inferred that HRD practices is performed using three practices such as education, training and other development programs.

As per Harrison (2000) as cited in Michael Armstrong (2006) HRD practices “involves introduction, direction and guiding process for gaining knowledge, Competence and skill as individual and team. Those factors facilitate employees to undertake present and future tasks in an organization”.

In other terms, Harrison’s exhibited that HRD practices require significant leadership functionality for directing, introducing and guiding team and individual. From this it is observed that for effective HRD process employees’ supervisors intermediately is indispensable. Further it clearly exhibited that the HRD process encompasses both individual personal and team for improving their competences, knowledge and skills. Through this HRD definition it is observed that to meet requirements of an organization to withstand current and future organization task requirements.

According to Michale M.Harris (2008), HRD process is defined as “an organizational learning activity in organized manner to improve performance and personal growth for enhancement of job, the individual performance and/or organizational performance”.

From this definition following points has been observed:

1. HRD targeted on areas of training and development, professional, promotional growth and organization growth
2. HRD improves both job and personal growth performance and ;
3. Within the organization, the HRD process improves personal growth.

Evidence from this definition shows the following three main points:

1. HRD includes the areas of: training and development, promotion and professional growth and organization development.
2. HRD improve employees’ both job performance and personal growth and;
3. HRD is a process of improving personal growth within the organization.

Through above HRD definitions it can be identified that HRD driving forces were built on assumptions of employees can’t be treated as commodities but based on hired and discarded factors it lies on organization short-range performance. This process is enhanced and developed with unlimited potential developmental factors for benefits of both employees and organizational benefits. Generally, good personal design rules, procedures and policies targeted on organizational growth alone are not bound in other ways.

Majority of HRD theorists and practitioners exhibited that, in an organizational context, organizational employees are continuous, helped and planned in such a way as follows by T.V. Rao as cited in C.B. Gupta (2001):

1. Sharpening and acquiring required capabilities for function associated with present or expected future role functionality;
2. Development of individual general capabilities and discovers their own individual potential which exploits their organization and own development purpose; and
3. Development or modification in organization culture for establishing supervisor-subordinate relationship, teamwork and sub-units collaboration are strongly contributed for professional well-being, employee pride and motivation.

The literature study conducted for HRD exhibits scope and nature of HRD practice is characterized as HRD is amorphous in their view and concept. Due to HRD amorphous characteristics it is difficult to identify HRD scope. In case, if HRD contributes significantly in the development of an organization, it causes the need for HRD professionals within the organization to adopt HRD since it is a concept of continuous evolution and adaptive process.

Apart from this they need to cope with rapid ambiguity and changes in an organization to hold individual, group and organizational development (Mankin, David P.2001).

According to (Michael Armstrong, 2006) HRD focuses on four combinations with four agents to give HRD systems. HRD focuses are team, organization, Dyades (employee-boss) and individuals. Similarly agents of HRD are HR department, organization, Immediate boss and employee. Further author stated that HRD system fundamental purpose is to improve resource capability based on the accordance of belief organization human capital with competitive advantage as major source. Also it ensures the right quality of people to meet requirements of the present and future. Development of people is achieved with the production of coherent and comprehensive framework. Apart from those Armstrong mentioned fewer specific HRD purposes: development of intellectual capital and organization promotion, creation of learning culture for both individual and team; this can be an environment where employees are involved in the process of development, learning process and systematic knowledge management.

Furthermore, Armstrong has mentioned the specific purpose of HRD as: to develop intellectual capital and promote organizational, team and individual learning by creating a learning culture – an environment in which employees are encouraged to learn and develop and in which knowledge is managed systematically.

Majority of the theory related to HRD system suggested that it facilitate development of employee through appropriate training and developmental activities this leads to personal development, efficient work process and significant organizational performance to achieve effectiveness of organization. On the whole, main aim of HRD process is to benefit organization team, individual and organization. However, change and development embedded with team and organization foe embedded with individual progress. Armstrong influenced that modification in organization incorporated with individual change and focused on individual development.

As per view of Armstrong, C.B. Gupta (2001) defined in following aspects with consideration of HRD system purpose mentioned as below:

1. To promote development and performance of individual employees in an organization.
2. To develop individual capabilities in relation to his or her present role individually
3. To develop individual capabilities in relation to his or her future role individually
4. To establish a relationship between employee and his or her supervisor in a dyadic manner.
5. To provide team spirit and functionality in each and every unit of organization (department, group, etc.)
6. To create different units of organizational collaboration.

7. To incorporate overall organizational health and capability of self-renewing in turns of increase in individual capability, team, dyads and entire organization.

1.2 CONCEPTUAL DEVELOPMENT OF HUMAN CAPITAL

In reference to the Oxford English Dictionary the term Human Capital (HC) is stated as “labor force skill possessed based on resource or asset”. This encompasses the notion of people investment such as education, health, training and so on with increased individual productivity investment. At present the term human capital is used in lingua franca as a separate part but actually it's not. Long ago, economists stated the term “human capital” is scoffed at in different aspects. In 1961, American Economic Association noted that Theodore Schultz mentioned free people are equated with different perspectives and market assets (Schultz, 1961). In other words, Human Capital is stated as slavery.

In the 1980's the concept of Human Capital emerged with a distinct number of theories and strategic management development. Organization view is based on resource management with competitive advantage with rare, expensive, and value with imitate resource linkage concept for firm people management. As per Fombrun et al. (1984, as cited in O'riordan, 2017) expressed that the overall strategy of organization should cope in line with people management approaches and initiatives. Apart from this, human resource assets contribute uniquely in organizational human resource management through competitive advantage achievement. To deliver people and investing terms it is expected to deliver recognition in terms of “Advantage of Human Capital (Boxall & Purcell, 2016)” where the term human resources is stated as “Human Capital (HC)”.

Generally, potential factors of humans are examined and understood as complex phenomena in assumptions and predispositions of positive and negative impacts of company managers and employees. (Blašková, 2011) stated that Human Resource Management (HRM) considered most company resources relies on organization personnel considered as an important factor with appropriate modification of resources apart from personnel components records of organization. This relies on the emphasis of activity of management and strategy. To effectively future growth of organization it is important to consider human factors with potential stress in management activities. Here the human capital management (HCM) concept puts human current knowledge of man emphasis. Organization meaning involves systematic strengthening and systematic development. HCM is the ability of the organization to maximize utilization to share potential performance of people for both work and innovation for process variation with organization development. Human capital refers to management activity and organizational managers which impact on all employees. (Kucharčíková, 2013) influenced apart from HRM, HCM practices relies on anticipating, acknowledging and impact on human actions. Human capital management relies on a process of performance improvisation based on performance of employees in an organization.

Human capital Management (HCM) accounts for the consideration of an employee's individual skills, capabilities, competencies and experience which creates and increases organizational values. HCM involves organizational investment for their employees to improve their performance and profitability of organization with effective recruitment practices internally, management program for improving career, offering of working arrangement flexibility, targeted on compensation and education for employee issues. At present, HCM involves collection and assessment of information required for attention, development, retain, workforce talent and maintenance of top performance, comparison of practices and identification of ways for achieving competitive advantage.

Human capital is the unique feature which is specific to a particular organization which cannot be replicated (Mrudula and Kashyap, 2005). HCM concept complements and strengthens the HRM concept which cannot be replaced. The terms both HRM and HCM are considered as vital components for the people management process and both for achieving human capital advantage with resource-based strategy (Baron and Armstrong, 2007). Human capital management involves management of organizational employees with significant contributions to increase organization overall productivity. Accordingly, the process of human capital management acquiring process, managing, employee retention for significant contribution of employees in organization process. The main focus of human capital management is to upgrade the employee's existing skills and identify the best skill out of her/him. Accordingly, individual timely growth and development must be ensured by management individually. The main objective of each organization is to train all organizational employees efficiently since in future this can become an effective resource for organization. In the case of human capital management employees need to be considered as important resources which play a significant instrumental role for organization productivity (Kucharčíková, 2012).

Individual employee development and management should in line with areas of key responsibility not only consider them as future indispensable resources but need to ensure individual hundred percent support to the organization. The Accounting for People Task Force Report of 2003, revealed that human capital management is the process of identifying systematic analysis, measurement and assessment of policy and practices to create value for human resources. Through this it is confirmed human capital relies on the idea of employee abilities, knowledge and skills of employees which contribute significantly for the success of organization. According to Nalbantian (2010), human capital management is coined as an instrument for human capital measurement properties and manages the organization's knowledge effectively.

Mayo (2009) stated that the difference between human resource management and human capital management lies in the fact of human capital for wealth of business where observed as source of cost. In another research Armstrong (2007) argued that based on the

view of different authors based on their role, place and offers justification of human capital management. Further he explained that “the concept of human capital management strengthens the expression of human resource management. But it does not replace the concept of human resource management. To manage people both concepts of human capital management and human resource management are considered as vital ingredients”. Whatever the relation between human resource management and human capital management targeted on human capital management concept benefits of the leads managers to manage people through comprehensive and strategic approach, according with precise human capital characteristics inclusion. Similar to human capital, HCM also provides tools for measuring key business components accurately and clearly which emphasis on enterprises human resources in qualitative aspects. In case of talent management an example is drawn which focuses on only one component of human capital. The management component targeted in this is talent. The requirements for this concept arise due to the comprehensive field and new operating conditions of economic enterprises and human resource management. Examples for this are the effective globalization process and strong pressure in competitiveness, economic recession since 2008 without offering effective space for focusing better work talent. Talent management in organization orientation brings significant financial and non-financial benefits significantly.

Human capital management is the process of strategic and planned approach for managing what resources within the organization have - people who are involved individually or in groups participate in objective meetings for institutions or companies. Human capital system supports organization individual processes and helps human capital to achieve objectives effectively. Those capital needs to be developed and managed with each system consisting of the following two factors such as several parts or elements as a common factor (subsystem) which are organized together through unity of almost all constituent elements (subsystems). This system can be exposed either internally or externally with various influences and different surrounding aspects. In this all subsystems are closely related to other subsystems. This can be considered as apparent secretiveness. Due to structural specificity of the system and relationship process in dynamic manner and linked within each subsystems or process. Also through external dynamics each subsystem or process is characterized this not only affects the process or subsystem of others it affects the entire organizational operation and company relevant environment. According to (Blašková, 2011) the main business is controlled with a realized system process. In this there lies few processes without undertaking the process (Chodasová, 2012).

The system management approach divides human capital structure connected logically and through the process of connecting systems. These system demonstrates the human capital work rules and this are standardly referred as follows:

1. The system for employee selection and recruitment process,

2. The system for adopting employee's
3. Adaptation of educational staff
4. Evaluation of staff with system
5. System for employee career development
6. Motivation and staff remuneration system through the system,
7. The system with management of personnel and organizational work - ensures the human capital efficiency and economizing and the human capital participation executive in an organization (organizational - procedural optimization).

Strategic management characteristics defines human capital performance operation based on the fact of integrated management which connected with overall system strategy. Human capital with strategic management is considered as starting point which is in correlation with human capital management based on the perception of people for achieving competitive advantage of strategic resource management and to achieve objective of strategy management. For global operation, Watson human capital consulting firm developed with simple set of quantifying measurement which exactly relies on practices of human resources and policies with higher degree of correlation with shareholder value for management. With the appropriate assignment of human capital index "score" for each company survey allowed to deliver conclusive factors and ground-breaking results: with the superior performance of human resource practices, with the resistance of higher shareholder values. In 1999 many companies relied on research of more than 400 U.S and Canadian companies, while in 2000 there were 250 European companies for consideration. In the case of 2001 there existed more than 500 North American companies. Based on the Watson Wyatt publication process: Secondly, Human Capital Index allowed comparison of companies one set with two points based on time to identify correlation analysis. Results stated that human capital management is process of dramatic structure. Financial returns are not correlated with performance of superior human capital practices they are which involves active indicator for increase in shareholder value. Apart from this it is identified that superior HR management tools leads to financial performance at greater extent than outcome of financial statement resulted in effective HR practices. It is expected that certainty of process involves executives now and ever looking in HR practices to justify expenditure and demonstrates organization's people economic value practices (Watson, 2002). Human capital leads to better productivity and workforce engagement with exposure of base with loyal customers which resulted in better organizational performance (Mrudula and Kashyap, 2005).

Human capital management is the process of staffing employees in an organization, this perceives employee's assets or human capital value of people in the organization. Human capital is measured through current value and future value enhancement with appropriate investment. An organization involved in human capital management helps employees clearly

define and consistently communicate with their expected performance of the organization. Managers of the organization are responsible for rewarding, employee holding, valuation, innovation creation, accountable factors for achievement of specific business goal practices and their prolonged support for improvement. Objective of HCM practices in an organization able to build and maintain appropriate employment relationship through workers contingent knowledge which brings shared organizational working performance, with organizational values which ensures values and purpose of organization which is not diluted. Through equal adequate employment relationships are managed to ensure legal compliance and organization key knowledge is successfully protected.

To retain the efficient performance it is necessary:

1. to protect and preserve organization knowledge for future use,
2. Identify individuals employee within organization who are considered as key for organizational success,
3. Identify individuals employees outside the organization who are considered as key for organizational success.

Human capital management involves a critical role in improving employee efficiency. Individual employees contribute more towards system position which eventually increases organization overall productivity. The process of human capital management involves:

1. Identification or hiring right talent in organization,
2. Organization employee orientation,
3. Making effective and comfortable platform for new employee
4. Training employee in an organization with constant skill development and upgrade,
5. Employee retention,
6. Making self-sufficient employees and preparing them for several adverse conditions in the organization.

1.3 HUMAN RESOURCE DEVELOPMENT CONTRIBUTION TO ORGANIZATIONAL EFFECTIVENESS

Researchers have also examined the impact of a bundle or system of HR practices on effectiveness on the presumption that they are of the appropriate level of analysis to examine the impact of organization-level performances (Delaney and Huselid 1996). It is stated that a bundle (the internal or horizontal fit) of practices should generate greater effects owing to the whole being greater than the sum of its parts. For instance, in order to recruit and select good employees without having to train them, or to otherwise train and develop them without giving them the authority to make decisions, will produce few effects; implementing the three practices together, on the other hand, would produce greater effects (Wall and Wood 2005). This is in contrast to individual HR practices that, in isolation, can produce only

a limited amount of competitive advantage (Barney 1995). In totality, however, there is again no agreement amongst researchers on what these practices should be, or even on the number of practices that can enhance effectiveness (Dyer and Reeves 1995; Wright and Gardner 2003; Guest 2011). The only agreement seems to be that such practices can lead to better performance for all types of organizations.

There are a group of scholars who have argued that, whether individual or in a bundle, HR practices do not directly affect effectiveness (Katou and Budhwar 2006). HR practices, at best, only impact various mediator variables, which, in turn, will impact effectiveness. It is held that HR practices would most likely directly affect the HR-related outcomes such as employee turnover, followed by organizational, financial and market outcomes (Dyer and Reeves 1995). The logic behind such a proposition is that HR practices have their most direct impact on behavioral outcomes, which, for example, will subsequently result in a low turnover, which, in turn, has the capacity to generate high organizational and financial outcomes. This can be termed as the “black box” issue in the context of strategic HRM–organizational effectiveness research. As a result, some researchers have begun to consider and search inside the “black box” in an attempt to understand which HR practices could mostly impact organizational effectiveness (see, for example, Huselid 1995; Huselid, Jackson and Schuler 1997; Way 2002; Ahmed and Schroeder 2003; Katou and Budhwar 2006; Beltran-Martin et al. 2008; Wood and de Menezes 2008). Different mediating variables have been used by researchers to find an effective mechanism in which HRM can best impact on organizational effectiveness, such as employee turnover, employee productivity, employee satisfaction, knowledge management and organizational culture. This addresses the call of some researchers (Dyer and Reeves 1995; Guest 1997, 2011; Wright and Gardner 2003) for the exploration of new theoretical frameworks with different mediating variables. However, owing to there being no established method available to researchers to follow in order to determine which HR practices could (indirectly) impact organizational effectiveness, little attention has thus far been directed towards exploring this aspect of research further in this direction (Wright and Gardner 2003).

Some researchers have proposed that evaluations of effectiveness should be based on financial measures (e.g., profit) and for years, human resources issues have been secondary to such measures. Today, many CEOs agree that profit alone is not enough to hold the enthusiasm and loyalties of employees or to call attention to the vital elements of a business that must receive attention if it is to perform effectively (Watson, 1991 as cited in Zellars & Fiorito, 1999). Under the threat of exit (Hill & Jones, 1992), organizations now recognize that they must fulfil responsibilities to many constituencies (Baumhart, 1968; Clarkson, 1991 as cited in Zellars & Fiorito, 1999), including employees.

Mohrman & Lawler III, (1997) advocates that an organization is created in which the human resource management practices of the past no longer fit. Organizations are faced with a situation that cries out for new solutions to the thorny challenges of integrating business and people needs. Acquah (2004) states that human resource management practices enhance organizational effectiveness and performance by attracting, identifying, and retaining employees with knowledge, skills, and abilities, and getting them to behave in a manner that will support the mission and objectives of the organization. Thus, the effectiveness of HRM practices depends on how it engenders the appropriate attitudes and behaviors in employees, in addition to its implementation.

Today, HR departments are expected to contribute to organizational performance (Ettore, et al. 1996; Fitz-enz, 1994; Mathes, 1993), and many organizations now believe that the success of the strategic management process largely depends on the extent to which the HR function is involved (Butler, et al. 1991 as cited in Zellars & Fiorito, 1999). Studies at the last decade (e.g., Arthur, 1994; Delery & Dory, 1996; Huselid, 1995; Huselid & Becker, 1996; Huselid, Jackson & Schuler, 1997 as cited in Dyer & Shafer, 1998) have reported rather large effects on such outcomes as employee turnover, productivity, quality, profits, and even stock prices. Trouble is, for a variety of methodological reasons - including unreliable measures of HRM and OE, common method variance, poorly specified models, and cross-sectional rather than longitudinal research designs - these estimates strain credibility to the point of incredulity (Becker & Gerhart, 1996 as cited in Dyer & Shafer, 1998).

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