Strategic management of human resources: Analysing the significance of human capital in the organization

Priti Marwah | Varsha Agarwal | Smita Mishra | Roopa Traisa | Ayaan Faiz

Abstract: Strategic management for human resources (HR) entails maximizing human capital's value and integrating with organizational objectives to maintain competitive advantage and performance. Limited emphasis on employee well-being, resistance to transformation, disregard for diversity and inability to adapt hinder efficient human capital development. This review improves the efficiency of organizations through strategic HR administration, analyzing and improving the value of human capital during longer-term achievements. Here, we explained the HR that includes HR management approaches with sustainability competitiveness, as well as HR framework levels with proper measurement and integrative framework for HR management. Following that, we described human capital such as economics and social significance for human capital, characteristics for human capital, leveraging human capital for a competitive advantage and workforce-centric organizations. Then, we demonstrate an interactive relationship framework for human and organizational capital. Strategic HR management improves organizational efficiency by leveraging the entire possibilities of human capital for long-term achievement and competitive advantages.

Keywords: Human Resources (HR), Human Capital, Management, Framework, Organization, Achievement

1. Introduction

Strategic human resource (HR) management is a complete and intentional strategy for optimizing the contributions of an organization’s individuals to its overall goals and competitive advantages (Alfawaire and Atan 2021). This entails integrating HR procedures throughout the organization while ensuring that human capital is successfully aligned with the larger business strategies (Moustaghfir et al. 2020). Strategic HR administration is comprehending and integrating with an organization’s mission, vision, as well as strategic goals. This alignment provides the variety of HR responsibilities targeted at developing, obtaining, and retaining talent, which is crucial for attaining long-term achievement (Ramlall and Melton 2019). Talent acquisition and recruiting methods are intended to pinpoint and attract people whose talents and characteristics match the organization’s requirements (Allal-Cherif et al. 2021). Once the enterprise, strategic HR administration prioritizes the continual training and development activities to ensure that workers have the skills and knowledge, individuals need to adapt towards the ever-changing business environment (Agustian et al. 2023). Performance management is essential in this process because it sets clear standards, provides constructive feedback and connects individual and team performances to the entire goals of the business (Tseng and Levy 2019). Furthermore, creating a positive work atmosphere and encouraging employee engagement are essential components of strategic HR, since these factors contribute to job satisfaction as well as long-term retention (Sepahvand and Bagherzadeh Khodashahri 2021). Strategic HR management encompasses a comprehensive and innovative strategy which positions HR as a strategic collaborator in the achievement of the company, acknowledging the workforce's essential part in developing long-term competitiveness (Sinambela et al. 2022).

Human capital is very important in a business, performing as the foundation of its achievement and sustainability. The workforce's combined knowledge, skills, and talents have a direct impact on several aspects of organizational performance (Malik et al. 2020). Firstly, human capital plays an important role in value generation. Employee abilities and expertise promote the creation of new products, efficient procedures, and highly quality services, which increases the organization’s market competitiveness (Banmairuoy et al. 2022). Second, the workforce’s flexibility and inventive capacity are crucial for managing the dynamic corporate environment. Human capital offers the intellectual adaptability required to adapt market trends, technology advancements, as well as evolving client demands (Martinez-Sanchez et al. 2021). Human capital is a significant component for a competitive edge in knowledge-based economics. Organizations with a trained and motivated employee have a higher possibility of outperforming competitors and maintaining long-term success. Finally, human capital promotes learning
within organizations (Batool et al. 2023). Throughout the continual development and learning, employees gain, shares, and apply information, allowing the business to stay abreast of industry trends, adopting optimal practices and also embracing innovative technology. This promotes a culture of development and flexibility, assuring the organization’s long-term relevance and durability (Piwowar-Sulej 2021).

Possible disadvantages include incompatibility with company goals, inadequate adaptation to change, and a disregard for employee wellness and morale. This overview improves the organizational performances using strategic HR management, which involves examining and optimizing a value for human capital for long-term achievement.

2. Human resource (HR)

2.1. Strategic HR management approaches and sustainability competitiveness

Strategic HR management combines HR procedures with organizational goals to improve the organization’s sustainability and then competitiveness. It involves connecting to the workforce strategy, management of talent, as well as employee growth to strategic goals, ensuring a skilled with motivated employees. Long-term sustainability in these circumstances focuses on ethical behaviors, diversity, and the well-being of employees. By promoting a positive working atmosphere, and adjusting to shifting the market circumstances, organizations could achieve a competitive advantage (Hamadamin and Atan 2019). Strategic HR management enhances the individual and collective workforce possibility but also assists the organization’s total resilience as well as long-term performance in ever-changing commercial circumstances.

2.2. HR framework levels and proper measurement

This review covers the obstacles for comprehending HR procedures, with an emphasis on 3 legitimate approaches: HR managers reporting on planned rules, managers reporting about implemented procedures, and workers reporting on their own experiences. The review also investigates the alignment of these perspectives. The amalgamation of assessments from various sources results in composite scores, obscuring the clarity regarding the system’s underlying design structure. The review emphasizes the growing variety in object kinds; employees are likely to be respondents. Theoretical development on a level organization remains lacking. This review offers 5 distinctive perspectives about HR structures at various levels that are combined in empirical work. A framework is provided to discriminate among these views and their measurements, based on 3 variable assumptions: homogeneous, heterogeneous, as well as independent.

2.2.1. Employees collective perception for the HR framework

The structure identifies 3 forms of employee-rated HR frameworks: group-level, organizational collective. While certain works recognize variances in individual perspectives, represent workers as homogenous, concentrating on common experiences in the group. This approach enables the employ of a group reference, the organization or unit as an origin, and elucidatory components. A reference-modified compositional framework might be utilized to determine if individuals in a job group possess consistent views of HR structures by aggregated employee perceptions at the group or organization-level.

2.2.2. Managers rated HR framework

HR frameworks rated through line managers could adopt 2 theoretical approaches: Homogeneous and heterogeneous. Homogeneous assumes that group levels HR frameworks are connected to group levels results, but heterogeneous describes variation in manager rated HR structures in comparison to one another. This is significant owing to the growth of multilevel theories. Cross- or multi-level theories are frequently employed in theoretical research on planned, implemented, as well as workforce perceptions of HR structures. At the individual level sources of variation in a group might serve as moderators, whereas homogeneous group level characteristics are unable to. This approach assists in explaining the elements that influence the connection between planned and manager rated HR structures. Evaluating the manager rated HR structure differs from evaluating the planned HR structure since it involves a higher group levels construction.

2.2.3. Employees’ Perceptions for the HR Framework

When utilizing workers as raters for the HR structure metric and considering heterogeneous, the emphasis changes to individual’s perceptions of the HR structure in comparison to the group. Furthermore, multi-level frameworks are relevant in explaining the discrepancies in management evaluations against employee perspectives in the identical HR structure.

2.2.4. Intended HR Framework

The review concentrates on the organizational level HR framework as rated important informants, assuming homogeneous and connecting to organizational level results. To decrease within-group variation, higher level variables should be assessed descriptively, employing the company as the origin, a group reference, elucidatory resources and more descriptive response levels.
2.2.5. Employees attitude about the HR Framework

According to the theory, HR system measurements should be based on individual variations rather than the dynamics of groups. However, it implies which the HR structure should always have an impact at a level of the organization. Employee perceptions regarding the HR structure shouldn’t be included into the construct, while it is addressed separately with a proximal attitudinal result. Table 1 illustrates the significant variations among levels and emphasizes discrepancies in assumption variability and metrics of the HR framework at these various levels. The levels like employees’ collective perception for the HR framework, managers’ rated HR framework, employees’ perceptions for the HR framework, and intended HR framework, then employees’ attitude toward the HR framework (Boon et al 2019).

Table 1 Five Perspectives on HR frameworks at various levels (Boon et al 2019).

<table>
<thead>
<tr>
<th>Concept</th>
<th>HR framework level</th>
<th>Result</th>
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<tbody>
<tr>
<td></td>
<td>Employee’s collective perception for the HR framework</td>
<td></td>
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<td></td>
<td>Managers rated HR framework</td>
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<td></td>
<td>Employees’ Perceptions for the HR Framework</td>
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<td></td>
<td>Intended HR Framework</td>
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<tr>
<td></td>
<td>Employee’s Attitude about the HR Framework</td>
<td></td>
</tr>
<tr>
<td>Assumption of variability</td>
<td>Homogeneous or heterogeneous (Groups inside Firms)</td>
<td>Homogeneous</td>
</tr>
<tr>
<td>Level</td>
<td>Working group, organizations, or units</td>
<td>Individual</td>
</tr>
<tr>
<td></td>
<td>Working group</td>
<td>Organizations or units</td>
</tr>
<tr>
<td>Origin</td>
<td>Management, organizations, or units</td>
<td>Management, organizations, or units</td>
</tr>
<tr>
<td></td>
<td>Job and group</td>
<td>Individual</td>
</tr>
<tr>
<td>Object of reference</td>
<td>Job and group</td>
<td>Job and group</td>
</tr>
<tr>
<td>Object emphasis</td>
<td>Elucidatory</td>
<td>Elucidatory</td>
</tr>
<tr>
<td></td>
<td>Elucidatory</td>
<td>Evaluative</td>
</tr>
</tbody>
</table>

2.3. An integrative framework for strategic HR management

Box-arrow structures are similar; however, their causal route is divided into micro-individual as well as macro-organizational levels. In contrast, a single perspective is psychological or behavioral in the original framework; the list grows in the modified variation. The psychologization pattern has been understated considering the majority of non-psychological individuals (for example, general structures theories, cybernetics, and transaction expenses) are rarely utilized in the strategic HR management review, and other non-psychological perspectives, including economics, their employment relations, labor process, critical/radical, as well as organization systems/varieties about capitalism, aren’t provided. Similarly, Figure 1 incorporates contextual as well as institutional perspectives, an instance could be made for their significance, but it is understated. Whatever the specifics, the evidence leads to a growing psychologization regarding strategic HR management and the mainstream HR management performance structure (Kaufman 2020).

3. Human Capital

3.1. Economics and social significance for human capital

The acquisition of understanding as well as human capital incorporates a direct impact on efficiency. Employee training levels have directly improved their working life in industrialized organized with greater Gross Domestic Product (GDP) growth (Abdeldayem et al 2021). The mainstream of societal advantages obtained from human capital accumulation, which include good wellness, greater employment, and reduced corruption, along with increases in social connection, would have a long-term effect on economic development (Olopade 2020). Furthermore, an organization’s social capital improves societal welfare while having a direct impact on the effectiveness of services and goods (Alghababsheh and Gallear 2021). The organization’s focus on human capital is founded on the view which the market valuable of a company is determined by intangible assets, particularly human capital by tangible assets (Popescu 2019).

3.2. Characteristics for human capital

Effective human capital is characterized by simplified procedures, task optimization, as well as efficient utilization of resources (Malik 2019). It prioritizes efficiency, time management, as well as the capacity to produce high-quality results with minimum effort. Continual improvement of skills along with integrating technology improves efficiency, which maximizing individuals and groups to contribute to the organization’s achievement (Azarenko et al 2020).
3.2.1. Innovation and creativity

Organizational survival is determined on their ability to rebuild. This rebuilding is performed by tailoring the objectives to the current conditions and enhancing the mechanisms for achieving these goals. As a result, organizations must foster innovation and creativity, since the non-creative enterprises will fail or change themselves (Capozza and Divella 2019).

3.2.2. Skill and knowledge

Empowerment workers providing the employees ability to make decisions can be increasing their motivation along with minimizing their resistances toward an organization’s modifications. Knowledge and skill management represents an effective field that is developed using several elements including people resources, organizational growth, management modifications, informational technology, management credits, measuring performance, as well as placing values. Skill and knowledge administration constitutes a process of acquiring commercial information along with employing to stimulate innovations (Sima et al 2020). However, the relationship among economic development and knowledge is generally organized; management recommended that employment be the primary resource of the industrialized economy, with workers serving as its primary workforce. Knowledge and skill with its management always remain essential, economic development is based on knowledge, as well as intellectual capital plays an important role in product development (Hitka et al 2019). As a result, greater scientific attention is required to perceive, describe, along with quantify economic as well as product information.

3.2.3. Enhanced value

Human resources might assist the organization to acquire a competitive advantage, enhancing its value, and implementing a comprehensive high-quality strategy. Employees might develop forecasts at various levels of the company, describe the values and missions, along with goals, create planning strategies and implementing the plans following the values. Enhanced value could be reinforced by encouraging and training the workforce.

3.2.4. Strategic superiority

To competitive advantage, an organization must differentiate their goods from other competitors by employing a highly talented and more skilled workforce than their competitor’s employees. Employee’s talents include outstanding performance,
adaptability, innovation and the capability to provide direct customer service is an essential aspect in establishing a competitive edge for the company. Increasingly, intellectual’s capital that is employed to represent intangible resources, are valuable operators inside an organization (Martín-de Castro et al 2019). These capitals serve as significant economic resources which is a direct competitive impact on the markets.

3.3. Leveraging human capital for a competitive advantage

An organization which employs human capital for its competitive edge goes beyond recruitment and measurement. It entails developing every framework to develop, attract, motivate, and retain the finest employees. This isn’t a difficult task, but it offers a distinct competitive edge. In the twenty-first century, assets like equipment, machinery, as well as inventory have not much economic values in the absence of humans. Corporations overlook the values for human capital, emphasizing its significance for human capital in the company. Human skills and knowledge are critical for production in the twenty-first century, alongside the value for human capital expressing a significant proportion of total company production capacity when compared with present assets as well as fixed capital (Kryscynski et al 2021).

Human capital corresponds to the skills and knowledge which people in an organization that acquire through social engagement as well as interaction in the company. These abilities and expertise are critical for efficient work performance, lowering unitary expenses, as well as producing more valuable goods or services. Human capital influences employee attitudes and customer interactions as well. Human capital is uncommon and inimitable due to its specificity, which needs continual growth and upgrading, which is expensive while not possible for many organizations. As a result, human capital represents an inadequately imitable resource in Table 2.

<table>
<thead>
<tr>
<th>References</th>
<th>Sources of Advantage in Competitiveness</th>
<th>HR function</th>
<th>The foundation of competitive advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Gillmore 2022)</td>
<td>Inter-actional</td>
<td>HR capabilities advancement</td>
<td>Resources and skills acquired or developed beyond the organization’s boundaries.</td>
</tr>
<tr>
<td>(Du et al 2022)</td>
<td>Intrinsic</td>
<td>Developing competencies</td>
<td>Competencies include management, input, transformation, and output.</td>
</tr>
<tr>
<td>(Baia et al 2020)</td>
<td>Intrinsic</td>
<td>Optimizing HR values</td>
<td>Valuable, uncommon, inimitable, as well as non-substitutable collections of resources and skills.</td>
</tr>
<tr>
<td>(Seufert et al 2021)</td>
<td>Intrinsic</td>
<td>HR Development and Training</td>
<td>Integrating specialized expertise within organizational abilities.</td>
</tr>
<tr>
<td>(Zhang et al 2020)</td>
<td>External</td>
<td>Supporting activities</td>
<td>The organization’s capacity to accomplish operations at a lower cost or in a unique way; industry-specific and essential successful factors.</td>
</tr>
<tr>
<td>(Azeem et al 2021)</td>
<td>Inter-actional</td>
<td>Stimulating role-based behaviors</td>
<td>Competitive strategies need certain role behaviors.</td>
</tr>
<tr>
<td>(Lopez-Cabrales and Valle-Cabrera 2020)</td>
<td>Inter-actional</td>
<td>Improved performance</td>
<td>HR frameworks align horizontally and vertically.</td>
</tr>
</tbody>
</table>

3.4. The workforce-centric organization

To develop a competitive edge in an organization, it is critical to attract and retain appropriate individuals, efficiently organize and manage, as well as make investments in their growth and implementation (Chowdhury et al 2023). This requires a concerted effort while the appropriate management actions. However, developing a Human capital-centric company requires the proper design of main operational frameworks and procedures, as well as the appropriate management behaviors, to employ human capital as a source for competitive advantage.

3.4.1. Leadership

Managerial leadership is essential for organizational success, with the abilities of the chief executive officer (CEO) and senior executives influencing efficiency and motivation among employees (Suliman et al 2019). The behaviors of an employee’s direct supervisor or supervisor are the most important influence of employee behavior, whereas the leadership of the CEO or the senior executives. These managers offer everyday inspiration and direction, have technical as well as organizational comprehension, and shape cultures in an increased tangible way than senior executives’ behavior. It should posses with pass on technological and organizational expertise in the execution of strategies, managing transformations, as well as work procedures.
3.4.2. HR function

The HR function’s main goal is to improve organizational efficiency through improved administrative decision-making and behavior in human capital administration as well as organizational architecture (Hermans and Ulrich 2021). While HR shouldn't lead and manage individuals, it might assist enhance organizational leadership and management effectiveness. The organization could influence strategy and execution, which is critical in companies with an important human capital component.

3.4.3. Corporate Board

Corporate boards play a significant part in managing human capital in centric enterprises. Organizations should evaluate the performance of their human capital administration frameworks, as well as the status of their employees (Tejedo-Romero and Araujo 2022). Organizations must comprehend the state and usage of their human capital along with their economic and physical resources. Accurate reporting of the human capital conditions as well as analytics that demonstrate how management indicators driven-based organizations performance are critical for strategic decision-making, senior manager evaluations, with organizational design, transformation, and efficiency.

3.4.4. Information Architecture

The economic information frameworks of properly managed companies provide a standard for evaluating human capital data systems. Such systems should assess the human capital expenses, efficiency and condition in a similar manner that financial systems operate for physical resources. The company should assess an organization’s achievement in crucial domains where human capital is an important factor of performance efficiency and report on its condition (Akdere and Egan 2020). Standard financial data are deceptive in human capital-intensive companies, indicators should concentrate on production, condition, as well as talent consumption. Figure 2 shows the human capital-centric organization, which includes leadership, HR function, corporate board, and information architecture.

Figure 2 Human capital-centric organization.

Source: https://www.researchgate.net/publication/321950483_HUMAN_CAPITAL_MANAGEMENT_THE_NEW_COMPETITIVE_APPROACH.

4. An interactive relationship framework for human and organizational capital

A theoretical foundation for strategic HR administration could be examined comprehensively. Strategic HR management comprises an architecture that consists of multiple subsystems, that includes organizational approach, HR framework as a component for organizational capital, the role behavior is a component of the human capital along with efficiency in the organization sub-system. Figure 3 shows some interactions between individual subsystems and others. Strategic HR organization work can’t be isolated from the organizational approach, which serves as a guidance for overall organizational operations as well as employee behavior in order to achieve organizational success (Biron et al 2021). Humans with organizational capital are essential components of successful HR administration. HR frameworks, as parts of an organization’s capital, and role behaviors, while the components of human capital interact dynamically with other systems. The structure of an HR system which is connected with the organization’s approach will impact employees’ role behaviors in a company, resulting in organizational efficiency. Modifications in HR procedures and regulations will have an effect on employee behaviors. The real role behaviors of employees will be used to assist with creating a desirable organizational HR infrastructure. Figure 3 illustrates a framework of the interaction among human and organizational capital with strategic HR administration.
5. Conclusion

This overview emphasizes the importance of strategic human resource (HR) management in connecting organizational objectives with human capital, talent acquisition with development, as well as performance assessment. It demonstrates the role of human capital in promoting innovation, adaptation, as well as competitive advantages. The review offers perspectives on different levels of HR architecture measurements and suggests an integrated architecture for strategic HR administration. Furthermore, it examines the economic with social importance of human capital, with focus on efficiency, creativity, as well as strategic superiority. The perspective of a workforce-centric company is presented, including a particular emphasis on the critical roles of leadership, HR function, corporate board, as well as information architecture. Finally, an interactive connection framework demonstrates the dynamic interaction of human as well as organizational capital in attaining effective strategic HR management. The constraints include disregarding non-tangible features and the difficulty in measuring contribution, and individual distinctions are overlooked when assessing human capital. Investigate artificial intelligence (AI) integration in HR, promote employee well-being, and connect HR strategy with emerging technology to ensure for future organizational achievement.

Ethical Considerations

Not applicable.

Conflict of Interest

The authors declare no conflict of interest.

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References


