
Managing Human Capital for Optimum Performance.

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People undoubtedly constitute the most valuable asset in any enterprise be it public or private. Until we acknowledge that the expert in any particular job is most often the person performing it, we shall forever limit the potential of that person in terms of both his contribution to the organisation and his personal development. Man, as one of the 5Ms of factors of production, (machines, materials, money and management of time) plays the role of a hub, without which the organisation cannot function effectively. Faced with rapid change that pervades business environment, organisations need to develop a more focused, dynamic and coherent approach to managing its human resources. Managing the human capital of any enterprise requires a complex and effective utilization of both human and material resources. It is against this background that this paper will examine how people are managed for desired results. This paper further examines the paradigm shift in the roles (past, present and the future) of Human Resource practitioners in the management of people for optimum results. Literature reviewed, so far, maintained that managing people for optimum performance is a sine qua non. Most specifically, this paper will address strategies put in place by forward looking organisations to ensure that right employees are acquired, maintained and discharged in such a way that they bring returns on investments, not only to the enterprise but to themselves and community at large. A further review of managing human resource diversity is highly recommended.

Introduction

The importance of effective people management in organisations cannot be over-emphasised. The important factor in any productive enterprise is the human factor, that is, the people involved in making things happen in organisations. Without people resources -knowledge, skills, ability, there can be no performance (productive endeavour) upon which any anticipation of results can be based.

This paper will explore how personnel are managed in organisations for optimum performance. Undoubtedly, human capital management is seen to be an essential part of every manager's responsibilities, but several organizations still find it extremely difficult to establish a specialist division to provide an expert service dedicated to ensuring that the human capital function is performed efficiently.

Research has shown that people are the most valuable assets in any enterprise, with man playing the role of a nerve centre without which the organisation cannot function effectively. Confronted with a rapidity of change that pervades the business environment, organizations need to develop a more focused and coherent approach to managing their human capital for optimum performance. Therefore, managing the human capital of organizations require a complex, balanced and effective utilization of both human and material resources. The most critical challenge facing the enterprise is how to harness people resources (capital) in a constructive manner that will achieve optimum performance and at the same time give workers sense of fulfilment.

This article is divided into four sections. The first section analyses the human factor phenomenon in the enterprise. The second part examines the paradigm shift in managing human capital in the business enterprise. The third section explores the knowledge economy and organisation's competitive advantage. The final section highlights the imperatives for managing human capital for optimum performance. Before we deal with the substantive matter, let us offer a working definition of the important concepts in this paper. It is important to note that human capital and human resources shall be used interchangeably. We shall start by defining what Management is all about.

Management

Management could be defined as the process of coordinating the activities (both human and material resources) towards the realization of organisational goals.

Human Capital

Human capital could be defined as the knowledge, skills, abilities and capabilities possessed by people. Stiglitz and Boadway (1994) define human capital as the stock of accumulated skills and experiences that make workers more productive.

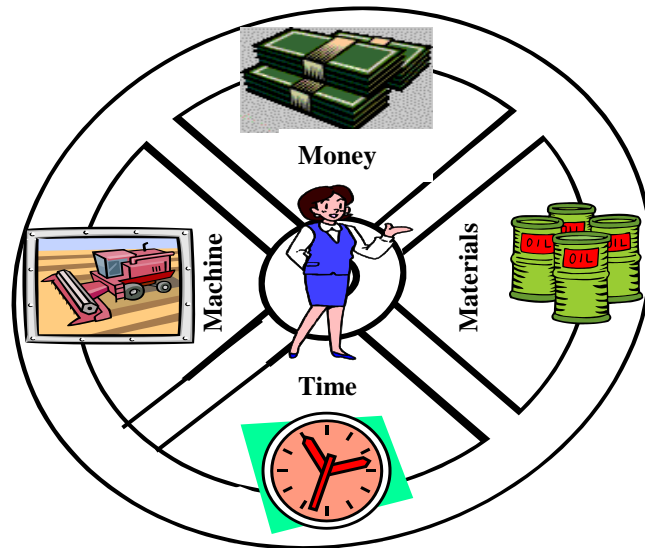
Optimum performance

This refers to the expectations an organization will like to achieve with its human capital.

Basically, organizations are created and managed by human resources for the purpose of maximizing profitability, increase market share, continuity, growth, and social responsibility.

The Human Factor Phenomenon

Enterprises are made of people, (the prime factor) and have become more and more sophisticated in their operations. Shubin, J.A. argued that when enterprise views human beings as an adjunct of infrastructure that could be acquired, used and discarded, (any time, any where, and any how) the resultant effect on the enterprise is inefficiency, mismanagement of resources and high labour turnover. We should realise that MAN, as the prime factor in organisations, have the capacity to Act, React and Interact (ARI). Manpower is the centre piece, the 'nucleus' and the nerve centre of any organisation. He is very active and not a passive entity. In addition, have emotions and feelings to decide his fate. People can only be effective, efficient, and productive and could only contribute significantly to the overall objectives of the organisation, when management realises that employees are human beings with emotions, feelings and motivating drives. Hence workers, need to be treated as subject to be respected and not as objects to be used and dumped. Until managers realise that human beings have the capacity to willingly exhibit variance between their actual and potential performance, productivity will be at the lowest ebb and thus impact on the bottom line of the enterprise.



MAN AT THE CENTRE PIECE

This is so because of the dynamic nature of business environments in which personnel operate. For individuals to be productive and their performance sustained, it requires a more dynamic and strategic style of managing the workforce. Let us at this juncture examine the issue of productivity and performance. Our understanding of productivity from elementary economics is that, it is the ratio of output to input and can be expressed thus:

$$\text{Productivity (P)} = \frac{\text{Output (O)}}{\text{Input (I)}}$$

Performance on the other hand, is defined as the act of doing a task or a work. Performance has been observed to be a function of individual's knowledge, skills, and ability and experience. Thus it can be expressed in the following equation:

Performance (P) = f (K, S, A, E). However behavioural theorists have argued that performance is not exclusively a function of knowledge, skills, ability and experience but workers need to be motivated to reach their optimum performance.

For individual employee's optimum performance to be achieved, requires on the part of the human capital managers to learn the skills of managing people, be practice rather than reactive and also have a mind shift from the old ways of managing people. Consequently, the organisation has a great and useful role to play in improving employees' performance. This could be achieved through well designed policies that are mapped out to take care of such implementation programmes like personnel welfare, leadership style, training and development, performance management, change management and career development.

Paradigm Shifts in the Role of Human Resources Management.

In the past, the role of human resources (HR) was limited to "hiring and firing" and thus parochial in their functions. With increased change in technology, globalisation, competition, need for high performance standards, the role played by human resources has changed for excellent companies and should change for companies that have not adapted to these changes.

Although some human resource activities had taken place in the early 1800s in such areas as agriculture and small enterprises, formal HR practices evolved at the beginning of the Industrial Revolution, when factories required large numbers of skilled employees to operate their machines. To recruit and train these workers, companies started employing persons who would be responsible for these activities. Since then, rapid changes within organizations have taken place and continue to have great impact in the management of human capital (Brewster et al, 2003). Let us now examine the roles played in the past. This is summarised thus: Mechanistic, Legalistic and Organistic periods.

The Past

- Mechanistic Period is characterised by the birth of personnel/industrial relations profession. The main duty of the HR function was that of administration. The period can be associated with the 1940s and 1950s, when manufacturing was the driving force in organizations.
- Legalistic Period witnessed an unprecedented amount of legislation in the social and employment arena. This had a major impact on the roles and responsibility assumed by the then personnel officer(s). The period can be associated with the 1960s and 1970s. Thus, legislation lend credence to development and training as a separate and specialized function of human resources and to this day, plays an important and vital role.
Also this period witnessed the first HR information systems application.
- Organistic Period is characterized by tremendous organizational change. This started in the 1980s. Here the issues of globalisation, merger and acquisition, re-engineering and downsizing came to the fore. Thus creating a workplace environment in which the HRM function faced numerous challenges, for example managing diverse workforce. This period marked the height of HRM specialization.

The Present

What does it require to effectively manage human resources in this millennium and beyond is the thrust of this presentation.

Having examined the past roles of human resources management, let us look at the current disposition of HRM.

The effective utilization of personnel in any enterprise has always been a pressing problem in society. Pharaoh building pyramids in Egypt (Yalokwu, 2002) confronted problems fundamentally similar to those faced by the corporate executives or university vice-chancellors of today. What this is saying is that management principles are universal regardless of the nature of the enterprise. Whatever leadership position the executives find themselves, they always strive to tackle the human capital issues of their enterprise. Brewster et al (2003) suggest that the modalities adopted to attend to these various complex issues of goals to be achieved, how to organize the work, recruit, train, develop, motivate employees in

adapting to changes and coping with competition in the external environment of business should determine their degree of competency in managing human and material resources for overall corporate performance. Brewster et al further explained that for HR to be successful, four different roles should be played, namely strategic partner, administrative expert, employee champion and change agent. The Brewster model which has been successfully implemented by major corporations around the world like, Hewlett-Packard, General Electric and Sears; is as explained below.

Top left quadrant (cell 1) -In this cell the HR manager works as a strategic partner by aligning HR strategies and practices with overall business objectives.

Bottom left quadrant (cell 2) -This role requires HR professional to design and deliver efficient HR processes, for example, staffing, training, performance management, rewarding and promoting. The HR manager acts as administrative expert.

Top right quadrant (cell 3) –The third key role to be played by HR professional is management of transformation and change. This entails making fundamental changes within the organization. He/She acts as change agent.

Bottom right quadrant (cell 4) –The HR professionals act as employee champion in their involvement in caring for the welfare and needs of employees.

The Future

The major challenges from the foregoing for Human Resource Management are:

- Globalisation
- Information Technology
- Gender issues
- Managing Cultural diversity
- Retention of workforce
- Conflict resolution
- Changing of organizational structures arising from merger, acquisition, downsizing, re-engineering, etc.
- Creating and maintenance of a high performance organization
- Changing business environment
- Social responsibility, etc.

Knowledge Workers and Organisation's Competitive Advantage.

Drucker, F. P. (1992) in his article: the new society of organisations opined that organisations have undergone different transformation. In the society of today, knowledge for individual is the primary resource to excel while other resources are secondary. The knowledge workers are the 'profit lever' of all economy. Drucker claimed that the "greatest challenge for organisations today and for the next decade is to respond to the shift from an industrial to a knowledge economy. Only people generate value through the application of their intrinsic humanity, motivation, learned skills and tool manipulation. People are the catalyst that activates the intangible, inert form of intellectual capital and equally passive forms of tangible capital-material and equipment –to improve operational effectiveness".

Furthermore, it has been argued by researchers that in the new millennium, where we found ourselves in the knowledge economy, it is undeniable that people are the profit lever. All the assets of an organisation, other than people are inert that require human application to generate value. The key to sustaining a profitable company is the productivity of the human capital.

The resources people possess could be viewed as assets. Assets are what could be used to yield income and other useful outputs over a long period of time (Becker, G. S. 2004). Formal education is not the only way to invest in human capital. On the job training and development, career motivation, are the most important investments in human capital. When organisations are unabashedly committed by setting mechanisms in place to improve their human capital, undoubtedly, it would enhance their competitive advantage and thus increase their market share. Companies can only compete favourably in the labour market when their personnel are "value driven". Strategies that could be adopted by human capital managers can be summarised thus.

Strategies for Building Human Capital

According to Ulrich and Co (1999), the six B's can be used to explain the strategies of building employee capability.

- **Buy Strategy:** managers go outside the organisation to search for new and higher quality, talented or skilled people.
- **Build Strategy:** managers investing in the development of their current work force through training and development programme. The training should be oriented to business results and individual needs.
- **Benchmark Strategy:** manager encourages their staff to visit organisation that excel in the work processes which they targeted for improvement in their company.
- **Borrow Strategy:** managers use consultants, suppliers or vendors outside the firm to generate new ideas and motivate changes in the organisation.
- **Bounce Strategy:** managers remove low performing or under-performing individuals through downsizing, retrenchment, etc.
- **Build Strategy:** managers retain employees who are critical to the company's success through attractive remuneration, recognition and individualized development packages.

Imperatives of Effective Management of Human Capital for Optimum Performance.

For human resources management to be described as effective, the following key issues must be addressed within any organization. These key issues will be discussed briefly. The listing will not be completely exhaustive nor will it be in order of importance.

Organisational Objectives – the objectives of an organization are influenced by the organization culture and the environmental forces. A HR manager should understand what goes on in both the internal and external environment of his/her organization.

Organisational Structure – Research has revealed that delayered and flat organizational structures are the ones that are effective. This kind of structure ensures that the span of control is optimal. In addition the chain of command is short to allow for effective communication.

Manpower planning – The importance of planning in any function cannot be over-emphasized. The cliché which says “he who fails to plan is planning to fail” highlights what effectiveness in manpower planning focuses on. The functions of HR must be carefully planned taking into consideration the overall objectives of the organization. The penalties for not being correctly staffed are costly. Understaffing causes losses to the business economies of scale and specialization, orders, customers and profits. Overstaffing on the other side is wasteful and expensive. Thus, the starting point is to take a ‘helicopter’s view’ of the existing workforce profile. What should emerge from this ‘blue sky gazing’ is a ‘thought out’ and logical staffing demand schedule for varying dates in the future which can then be compared with crude supply schedules. The comparisons will then indicate what steps must be taken to achieve a balance. Therefore it is imperative that manpower planning and forecasting must dovetail into the organizational structure.

Job Analysis/Job description - An analysis of the job to be done is imperative. This is an analytical study of the tasks to be performed to determine their essential factors and should be written into job description so that selectors know what physical and mental characteristics applicants must possess to occupy such vacant position. A good job description professionally designed and elegantly written is a great asset to HRM within an enterprise.

Recruitment and Selection of employees - Of the many different sub-functions of the HR manager within an enterprise in the present day Namibia, the most visible is the recruitment and selection function. This is so because of the high level of unemployment within the country. Therefore it is an activity that is a determinant of a great deal of the effectiveness of human resources management. A great deal of poor performance can be traced to having a ‘round peg in a square hole’. Merit should be the sole criterion for appointing people into jobs.

Employee Training and Development – Another imperative of effectiveness in human resources management is manpower training and development. Training, retraining and professional development activities should be on-going, work-centered and outcome-based. The cliché which says ‘learning should be

co-terminus with life' is a constant reminder of the importance of training and learning on the job (Omolayole, 1996).

Employee Motivation – To retain good quality staff and to encourage them to give of their best while at work requires HR practitioners paying close attention to both the extrinsic and intrinsic motivators offered by the organization on a continual basis

Succession planning – For employees to advance within the organization and for continuity, succession planning for the entire organization and career planning for individual employees should be integrated into the policy of the enterprise.

Performance Management – An organization needs constantly to take stock of its workforce and to assess its performance in existing jobs. In addition, performance management should incorporate strategies to reward professional ethics, integrity, commitment and loyalty of employees. It should also promote teamwork, empower and foster customer-focus performance (360 degree feedback) (Noe, 2002, & Walker, 2000).

Management of Information Systems – All the functions mentioned above must be strategically managed electronically for easy access to information and for decision making capabilities.

Industrial Relations – Good industrial relations is another factor that could contribute to effective human capital management. An organization fraught with industrial disharmony is an indication of ineffective style of management. Hence, a good industrial relations system should be based on tripartism: the government, the employers and the employees

Provision of Employee Services – Catering for the welfare of employees in terms of their mental and physical well-being is another 'kettle of fish' that could lead to effective management of human capital in the organization. The forms this welfare can take are many and varied, from loans to the needy to counselling in respect of personal problems.

Good Leadership- For the other points mentioned above to be carried out successfully, an organisation needs a good leader to steer the ship of the company and the various departments within the enterprise. Being a good manager in today's flexible, innovative and dynamic environment is not enough. All managers (HR inclusive) also need to play a leadership role as part of the top management team.

In conclusion, human capital management in this, and future dispensations require a transformational Human Capital manager who will develop a crop of employees with high capability and high commitment. The employees of the future should also be so competently trained to be innovative, flexible and confident to confront the diversities of the uncertain future with verve and vigour coupled with the ability to adapt to changes for optimum performance.

However, we strongly recommend future research in the interplay of Human Capital diversities, cultural influences and globalization as critical factors for optimum performance.

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