

# The value of human capital

[Business](#), [Work](#)



## **Introduction**

Human capital is a skill or knowledge that is possessed by an individual and is viewed concerning value to the organization that an employee owns.

Human capital is ongoing research that is continuous. With the investment in human capital that will allow an organization to be able to grow as well as maximize their profits.

## **Literature review**

The characteristics of resources required for sustained competitive advantage is knowledge. Knowledge is considered to be the most important of all resources in organizations (Spender & Grant, 1996), and the concept of knowledge management has become significantly prevalent in the organizations (Alevesson & Karreman, 2001). Knowledge and knowledge management is acquired through an organizations investment in human capital resources. Knowledge management is an asset, and it is adopted by many firms (Barney, 1991). That has been very instrumental in driving an economy that is based on experience. Knowledge management is a strategy through which businesses or organizations create value by efficiently managing the knowledge that is in a team (Alavi, Leidner, 1999). The strategic resource that is the pillar of knowledge management is education.

The education has helped many organizations in gaining a competitive advantage over the others. That means that the efficient use of knowledge management has achieved significant success. In a summary knowledge management is a group of operational principles including structures and processes that are used in delivering value for the business. The benefit also

involves the technology that is being used in the achievement of this amount (Andreeva, Kianto, 2011). That explains the point that knowledge management is significant and has become part of a project to succeed or for an organization to achieve. The top management is charged with the responsibility of ensuring that knowledge is used in a way that will bring productiveness.

The performance of an organization is related to the intellectual capital. These resources, skills, and abilities can contribute towards the success of a team. Also, the original material has been captured and formalized. This intellectual content is then used in the conversion of knowledge to higher valued assets (Jennex, 2005). The facilitation of intellectual capital is through customer capital, organizational capital and human capital. Corporate wealth is also referred to as structural capital. It includes the abilities of an organization such as its systems, networks, and channels of distribution that are established so that the business can meet its demands and the intellectual property.

The customer capital is the relations that a business has established with the people it interacts with the industry. That is significant primarily for the customers of the market because, through this, the company creates a relationship that is good for its customers. It deals with all elements that ensure the customer has put forefront and their different needs are met. It is a way of increasing loyalty to the customers. The human capital is characterized by the experience, abilities, skills, competence and the expertise of the various individuals working in an organization.

Human capital resources contribute to behavior. According to Bandura, self-efficacy is the belief in one's competencies to organize and complete the courses of action required to manage approaching situations. Bandura and other examiners have discovered that an individual's self-efficacy plays a significant role on how goals, tasks, and challenges are approached. Consequently, self-efficacy plays the original roll in behavior performance. Observers who have a high level of self-efficacy are more likely to adopt observational learning behaviors (Stajkovic, & Luthans, 1998).

Self-efficacy can be established or improved by mastery experience, which is a process that helps a person accomplish simple tasks that lead to more complex objectives. Social modeling provides an identifiable model that shows the methods that accomplish a behavior. Improving physical and emotional states refers to ensuring that a person is rested and relaxed before attempting a new action. The less relaxed, the less patient, the more likely they will not attain the goal behavior.

Behavioral capabilities are strengthening an organization. Behavioral capabilities refer to a person's actual ability to perform a behavior through essential knowledge and skills. To successfully execute an action, a person must know what to do and how to do it. Individuals learn from the consequences of their behavior, which also affects the environment in which they live (Bandura, Ross, & Ross, 1961).

## **Hypothesis**

(H1) Employees who obtain knowledge contribute to the organizations positively.

(H2) Human capital resources create self – efficiency and through observation benefits others.

(H3) Human capital recourses produce knowledge management that allows a competitive edge over other organizations.

## **Organizational Measures**

The organization that currently employees me measures human capital by monitoring the employees progress with a before and after the system. The way that the monitoring system works is that before the employee is enrolled in a training program the employee's production numbers will be collected. After the first round of statistics are gathered then the second set of data will be obtained after the training program. Once everything is completed, then there will be a comparison of the numbers before and after the training program. After the comparison of the two data is completed, then a conclusion is made on the program's effectiveness. Another way the organization measures the human capital is by giving a test to see how much information the employee has retained. There is a score that the employee needs to achieve to complete the training to make the investment in human capital successful.

## **Organizational Improvement**

The way the organization can improve human capital recourses is by making correlations with the variables. The first step would be to distinguish the success rate of the independent variable like gender. The factorials of the independent variables are male and female. Males and females respond to information differently. Men are generally visual learners versus women that

are audio (Perrons, 2018). Once we gather the data of the factorials, we then find out the success rate of the two genders so we can address them to their strengths. The way to increase the male's productivity, an organization would put male employees in a training session that contain movies, pictures, drawings, etc. As for the females training sessions they should be in a training session comprising a lecturer, radio, audiobooks, etc. By addressing the styles of learning to the factorials the independent variable will yield a better production.

## **Methods and measures 1**

The two tests that need to be in place for dependent and independent variables are the income base approach (DV) and return on investment (IV). The income base approach is called the “ forward-looking” approach. This forward-looking approach attempts to evaluate one's earnings profile so that human capital valued is appraised at the market prices (Thamma- Apiroam, 2015). The reason that occurs is that the labor market has many factors like abilities, efforts, education, and the institutional and technological structures of the economy.

The formula mathematically is Gross domestic product (GDP) = consumption + investment + government expenditure + exports - imports. As for return on investment, (ROI) that is a performance measure used to evaluate the efficiency of an investment (Edward 2006). ROI is the ratio of revenue or cost created in a fiscal year that is conveyed regarding a venture and displayed as a percentage of expansion. ROI can decrease in the value of the

investment during the year that is in question. The basic formula for ROI is

$$\text{ROI} = \text{Net Profit} / \text{Total Investment} * 100.$$

## **Methods and measures 2**

There are several statistical tests that the proposal could exercise. The one that best fits this proposal would be the ANOVA test. This test will provide the answers we are looking for the hypothesis we have presented. The ANOVA test tests the statistical differences of variances between the means. This test (ANOVA) is also referred to as the analysis of variance (Tanner, Youssef – Morgan, 2015). The other options that could have been used are the chi – test, but we are not just observing the difference between the sets arose by chance. Plus, the chi-test is better suited for unpaired data. Another proof that comes to mind is the t-test. The reason why that test was ruled that out was that we are not dealing with distribution, but we are looking for a correlation between the variables. With the ANOVA test, we can not only prove that human capital yields the tangible but provide an improvement to the organization statistically.