

Human Capital Management Requirements in Business Organisations: Concepts and Contexts

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Abstract

The great importance of the human resource with the skills and abilities it possesses urged scholars to consider it as the basis and the first element in boosting the economy and society. Nowadays business organizations encounter large challenge and big pressure because of the continual and quick changes in the business such as globalization, openness, markets liberalization, technological progress in addition to the individual capacities and ambition development. These urged organizations to shift their interests from material assets to intellectual assets that are seen as the most important factor of success and excellency.

Nowadays human capital plays an important role in the success of organizations. It makes them unprecedentedly distinguished in providing high quality inventions and innovations. This ultimately makes them the principal key to success. In this complex situation, the interest in and the management of human resource have become necessary as it encompasses a power of invention and innovation with the possibility of developing to become a difficult tool to imitate.

Keywords: Human capital, human capital investment, human capital management, individual capacities, intellectual assets.

1. Introduction

Business organisations in modern times get interested in the knowledge assets and how to get access to knowledge and how to use it. This interest stems from numerous changes and developments brought by the business sphere because of many factors. The most important of which is globalization, markets liberalization, sour competitions, as well as the change and development of the individuals' ambitions, the quick technological advance and the tendency towards adopting an economy based on knowledge. This resulted in the emergence of new economy known as knowledge economy in which knowledge plays a great role as a principal resource and a driving force. Organizations adopting this kind of tendency are obliged to get interested in the knowing-minds that are able to give them the power of inventing, succeeding and getting distinguished in bringing new knowledge. Organizations that manage and invest in knowledge are able to skilfully cope with challenge and opportunities provided. Today's observer notices that human resource is the corner stone in this change and the main and strategic competition key responsible of invention, success, precedence and distinction. That is why most organizations to foster human competencies to get advantage of its skills, knowledge, capacities and expertise susceptible to guarantee its place.

The research problem can be summarized in searching for the human capital requirements throughout exhibiting the most important concepts and contexts that make the future of the organization and the best investment, in this context we have specified the importance of the research

- The growing importance of the human capital as it has gained success in many business fields in present time.
- Regarding the importance of the modern practice trends in the management of human resources by organizations that strive to keep up their success throughout human capital.

- Dynamic subjects linked to human capital as a main source of creativity and a motive towards business organizations distinction.
- Attempt to deepen studies and researches linked to human capital management literature.

As for the nature of the research that deals with the concepts and theoretical frameworks of human capital and seeks to determine the mechanisms of its development and investment by defining the concepts and contexts of human capital, this calls for adopting the descriptive analytical approach as a means of scientific explanation. Phenomena and problems through scientific description to understand the mutual relationships between them.

The research goals

- Attempt to highlight the services theoretical concepts and frames for the management and investment mechanisms of human capital.
- Attempt to highlight the interest of organization in human capital as one principal pillar to ensure its success in a changing business sphere.
- The imperative imposed by the investment in human capital as a fundamental element in the organization's various management operations and in financial, material and technological resources management.

2. Theoretical frame and mind premises

2.1. Concept of human capital

Human capital is not an ancient subject. It is a renewal of an old thought. Its role and importance have led one to get insight into studies that dealt with it by Platon. He talked about the incoherence between peoples. He shed light on the fact that individuals differ in race and origin. He proposed the theory of 'natural slavery' also called 'aristocratic theory'. He argues that humans are not equal both in body and mind. The one who leads and the one who follow are predestined by nature. Years later, Darwin pretends that diversity of humans is natural and the survival to the fittest. Fyfer states that the weak should be isolated in the struggle for survival (Anasr 2018). Early philosophers and scholars agree that human differences are governed by extern factors impacted by human behaviour at birth such as impacts on the personality, tendencies and values. They also agree that the human value is equal. There is only an incorporated personal evaluation concerning the degree of satisfaction and comfort.(Goldin 2024)

1690 Bety William was the first to investigate the measurement of human capital in financial contexts. He considers human capital corresponds the income brought about by manpower. He sees that profit as human capital permanent potential factor.

1776 Adam Smith says in his book on Nations Wealth that human labour is a source of value. He explains that the excellent talent of the worker brings a return that covers the cost of its training. He proposes that there is a harmony between human and machine. It is an error to give a value to machine at the expense of the worker. And the global income of the State results from the entire human and material resources.

1853 William Far adopts Bety's ideas in considering that the individual's income depends on the life cycle.

1883 Ernest Angel gives a different theory in that he set the individual's value upon the cost of his output. He chooses the theory of cost of output as unit of measure.

1906 Irving Fisher witnesses the emergence of the real basis of human capital contemporary theory. He introduces human capital in the concept of the general capital (Al-Anzi and Saleh 2008).

1930 Far, Dablen & Louka gain a progress in the human capital measure techniques in the first half of the twentieth century throughout the use of output cost theory and the expected profit theory.

1920 Georgio Mortara calculates the cost spent in training the individual at one particular age as well as the change of the individual future expected income of the whole Italian people.

1890 Alfred Marchal the economist pinpoints the investment in humans. He says: 'the priciest human capitals are what is invested in humans'.(Al-Anzi and Saleh 2008).

Human capital goes through various development stages. One must mention that in the past organization used to measure their competency throughout the financial output. Then, abilities quality started to be measured as well as the cognitive assets capable of creating progress and change in a creative way. This why one will show its mots development stage as follows(Anasr 2018).

First stage: Throughout the classical school at the late eighteenth century and early nineteenth century. Adam Smith pinpoints the importance of financing the education of humans by the authority. This will in return be beneficial for both the individual and society.

Second stage: The neoclassical school in the middle of the 19th century which linked Education to productivity, the economic growth and some results from the interest in the human resource by means of the quantic measure of the human capital transactions.

Third stage: the first concept of human capital emerges in this stage in 1961 by the American economist Theodor Chultz. He defines it as follows: 'individuals must get useful experience and knowledge. But it is not clear that this knowledge and this experience are in fact a form of capital.

In 1965 Gary Beker goes in detail in this concept. He is awarded a Nobel Prize in economics in developing the human capital theory.(Anasr 2018).

They also contributed in disseminating the theory and its effective use in 1980. Some researchers like Flam Holtz and Lacy followed later on by Lipak and Snil (Anasr 2018).

Many researchers, scholars and scientists of several different epochs strive to define human capital concept.

On will in what fallows state the most important famous definitions.(Al-Habil and Al-Rus 2016).

-Schultz defines human capital as a ‘set of human potentials that are usable in exploring a set of economic resources. It represents. The whole quantity and quality total of human potential offered in society. If it represents the mental competencies and the scientific levels of population, the human capital will be determined throughout the level of education associated with experience and knowledge.’(Schultz 1961) .

-Beker 1993 defines human capital as an investment in education and training in order to deepen experience and education and...., working skills. This will increase the organization’s productivity and growing its outputs. (Alsiede and Al-Duri 2016).

-According to Fitzenz human capital represents experiences, knowledge, skills and abilities that individuals pose and use in production process. These can be measured by means of training, improvement and incentive system. (Fitzenz, 2000 :179).

-The organization of cooperation and economic development (OCED) defines human capital as a set of knowledge, aptitudes, talents and other characteristics that a human person possess or acquires. These are susceptible to provide him with social and economic advantages and give him a personality.(Hedrouk and Fadil 2017).

-The United Nations Development Program defines human capital as a ‘set of knowledge, capacities, skills that humans acquire in society throughout education and practical experience.’ (UNDP 2003)

and human capital is a sort of talents and skills an individual acquires in his lifetime thanks to education and training in order to get a better work opportunity’. (Qadi 2014).

-Toundt, Al sees that human capital represents a set of individuals who possess skills and knowledge and dispositions that contribute in increasing the economic value of organizations. (BenKhadija 2013).

There are those who present human capital in form of equation in that human capital is threefold. They are knowledge, talent and experience. Human capital will be formed, cumulated by means of interaction and cumulation. In this way, human capital concept is deeper than a set of portions. Human capital constituents can be put in the following equation:(Aboud 2019).

Human capital = cumulation of (knowledge + capacities + experience) + preferred assembly (former constituents associating and interreacting).

$$HC = SE(K + C + E) + PA(K + C + E) \tag{1}$$

SE: cumulation; K: Knowledge; C: capacities; E: experience; PA: preferred assembly

Throughout the number of opinions and viewpoints on human capital and various definitions and interpretations that have been dealt with, have been taken into account and classified by the Organization of Economic Cooperation and Development as an outcome of three useful points of view that can be summarized in the following table 1 according to (Houghton 2017)

Table 1: Human capital definitions and perspectives

Viewpoint	Definition	Author
Individual characteristics	Knowledge and skills incorporated in the individual	Beach 2009,Schultz 1961
	Knowledge, skills, attitude, behaviour are undissociated parts of the individual	Rastogi 2002
	Knowledge, skills, education and abilities	Garavan et al 2001 · Youndt2004
Education and accumulation	Developing knowledge and skills through compulsory and vocational education	De la Fuente & Ciccone 2002, as cited in Alan et al 2008
Productivity/production orientation	The primary source of economic productivity	Romer 1990
	An investment people make in themselves to increase their productivity	Rosen 1999
	A combination of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and initiative that influence the value of a worker's marginal product	Frank & Bernanke 2007

	The stock of skills and knowledge embodied in the ability to perform work to produce economic value	Sheffrin 2003
	The knowledge, skills, competencies and attributes of individuals that facilitate the creation of personal, social and economic well-being	Rodriguez and Loomis 2007

Man plays a big role. The emergence of machine in the industrial revolution is the result of the contribution of the individual in this transition. The importance of human capital in the general economic development has grown with the technological progress and the introduction of the technological inventions where coping with the new skills and knowledge has become an imperative.

2.2. Approaches to Understanding Human Capital

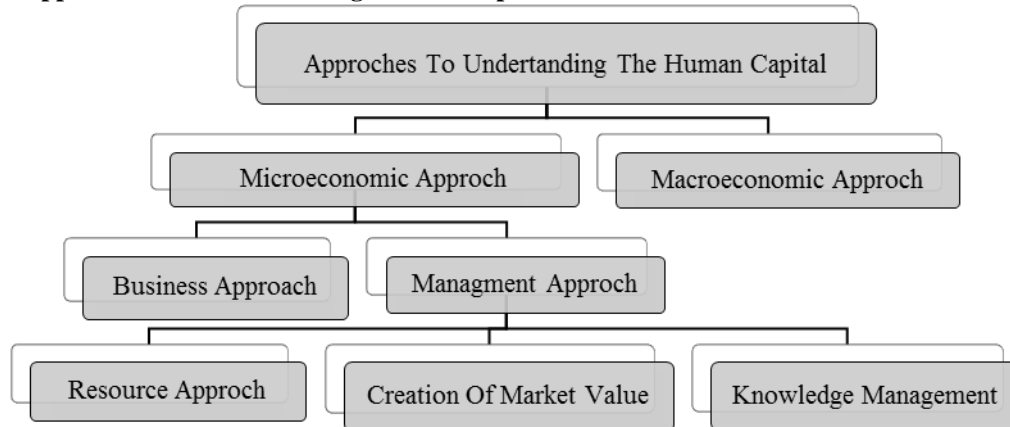
There are multiple perspectives on defining and understanding human capital. Two main approaches emerge in principle: the partial economic approach and the macroeconomic approach. In the partial economic approach, two fundamental viewpoints are evident: the management perspective and the business economics perspective. The latter considers human capital as one of the production factors alongside land, labour, capital, and organization. In contrast, the managerial viewpoint sees human capital as a commercial resource representing a part of the company's market value.

The macroeconomic approach, within the framework of partial economics, recognizes human capital as a production factor and a source of economic growth. The illustration below clarifies these perspectives (Kucharčíková 2011)

Figure1: Diagram depicting the two approaches to understanding human capital, with arrows indicating the relationships between the different factors and perspectives.

These perspectives reflect the duality in understanding human capital, highlighting its role as both a production factor in economic activities and a valuable resource contributing to the overall market value of a company.

Figure 1: Approaches to Understanding Human Capital.



(Kucharčíková 2011)

First: Microeconomic Approach

Business Approach: This approach views human capital as one of the factors of production, considering it a cost. Human work is divided into two types: quantitative and qualitative.

Management Approach: Considers human capital as one of the intangible assets of the organization, forming part of intellectual capital and market value. This approach is divided into three perspectives according to different researchers and thinkers (Kucharčíková 2011).

Resource Approach: Deems human resources in the organization crucial for business management, with individuals being the most valuable resource.

Creation Market Value: External dynamics and new markets force organizations to maintain their capabilities and superiority. To achieve this, organizations must provide innovative products to customers, thus creating market value. Human capital is essential for creating a competitive advantage, exemplified by Scandia, the first company to measure intellectual assets by creating value.

Knowledge Management: P. Drucker (1993) was the first to predict the contraction of financial capital compared to intellectual or human capital, which is increasingly valued by organizations. Knowledge management requires generating new knowledge, disseminating it, and utilizing it to serve the organization's interests and improve its competitive advantage. Human capital, encompassing knowledge, skills, abilities, and talents, is a crucial source of innovation, a vital element in knowledge management.

Second: Macroeconomic Approach

Economic growth is a primary goal of current economic policies. It encompasses a broad spectrum, requiring the intensive use of production factors. The shift in importance from these factors to the significance of knowledge is due to the pivotal role played by humans. The individual's importance has increased with technological advancements and the introduction of innovations, emphasizing the crucial role of human capital in overall economic growth. Adaptation to new skills and knowledge has become essential.

2.3. Human capital components

Many literatures, researchers and studies dealt with human capital. They detailed and explained its dimensions and concepts. But its components and concepts vary in such a way researchers pertain to many fields of knowledge such as business administration, sociology, organization, psychology and other knowledge and scientific domains. Every group has its own adopted research methods and scientific theories. In the following one must exhibit the most human capital components.

(Lothgren 1998) sees that human capital is composed of creativity and capacity (specialist competence), social capacity. He meant by creativity the ability to bring new solutions instead of continuously using traditional methods. As for capacity (specialist competence) is the educational level and the experience workers have in addition to the knowledge used in achieving tasks effectively. The social capacity is the power to interact and socialize with others in the organization to achieve the scheduled task. (Al-Habil and Al-Rus 2016).

(Bontis 1998) defines the dimensions of human capital in knowledge, skills, capacity and cooperating with workers, trust and respect shown when working in a work team and collectively achieve tasks. (Al-Habil and Al-Rus 2016).

Whereas others see that human capital is composed of three elements, namely: (Al-Sharif and Salhawi 2017).

Creativity: refers to the capacity to develop new solutions rather than relying on conventional methods.

Specialized competence: means the educational level and the experience workers have in addition to the knowledge used in effectively achieving tasks.

Social competence: is the ability to interreact and socialise effectively with others. It is necessary in individuals' cooperation in achieving what they aim.

While OCDE believes that human capital consists of competencies: which are a set of knowledge, tendencies, behaviour and conduct inferred from experience necessary for exerting one given profession.

Experience and expertise: are various scientific and practical experiences acquired through profession.

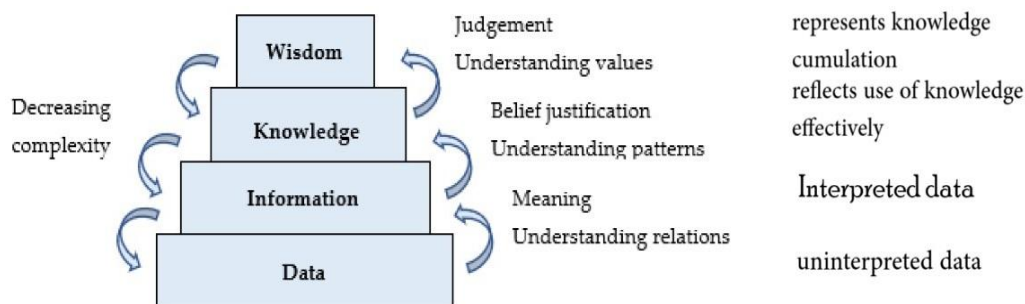
Knowledge and aptitudes: are various cumulated information through education and training.

Some believe that the human capital components are represented in knowledge capital, competence capital, incentive capital, working methods capital. (Al-Habil and Al-Rus 2016).

With regard to the preceding literature, research and studies dealing with the components of human capital one notices that most component include the elements that can be explained as follows.

- a) **Knowledge:** is a very old field for a renewable thought. The interest in it stated since humanity becomes open-minded. Nowadays, knowledge has become an effective element. It ensures the existence and sustainability of the organization. Its development and competence. And in order to study knowledge well, one must understand the relationship between data, information and knowledge. Date a known to be some sort of symbols, forms, numbers and letters. It is a kind of unprocessed informational raw material. Whereas information in processed data embedded with meaning in such a way it becomes understood. Knowledge described simply is a mere a compilation of meaningful information put in a text that enables one to understand and can make inference. (Boucha and Mansour 2012). Once this relationship is consolidated and made systematic leads to knowledge outcome or a cumulative knowledge this is what is known as wisdom. The relationship between knowledge and wisdom could be depicted in the following table.

Figure 2: Depiction of the relationship between knowledge and wisdom:



(Al-Ali, Qandilji et al. 2009)

Knowledge is defined as the cumulative use of data and information gained through experience, learning and practice. It helps the one who possess it cope with new experiences he encounters and makes him have more capacity to reach better solutions to difficulties that fall within his field of his knowledge. Thanks to these, humans can diagnose difficulties and define alternatives to reach better solutions. (Badrouni 2011).

According to Advinsson knowledge is the 'implementation of application experience, technique and relations between operators and artistic skills constitute intellectual capital of the company. Knowledge becomes for it a source that must be taken advantage of.' (Boucha and Mansour 2012).

Boisot as for him defines knowledge as 'an intangible asset that may contribute in the flow of services and values for the organization or society for a period that is difficult to predict unlike the tangible assets that are known to be very limited in lifespan.'

The relationship between human capital and knowledge as follows: (Al-Habil and Al-Rus 2016).

-Human capital availability is necessary for knowledge creation;

-Human capital plays the biggest role in facilitating the process of cooperating with knowledge among individuals and operators in the organization;

-Human knowledge is a principal requirement for the success of knowledge administration;

-Human capital availability facilitates the development of the organization strategies by the business administration;

b) **Skills and abilities:** are a sort of complex and interrelated component skills and cumulated knowledge that will be practised throughout an organizational process enabling the organisation to coordinate its activities and take advantage of its assets. (Day 1994)

One can mention examples of skills and abilities, the skill to undertake business and perform tasks, skills and abilities to make relation with others and work in group, negotiation skills and do business with others, skills to adapt and cope with force majeure events; skills in learning quickly, skills to bear responsibility, skills to sift opportunities, etc...

El Anzi has mentioned a set of skills available in the creative human capital as follows: (Alanizi and Almulla 2016)

-Association: represents the ability to associate the successful association between the dissociated questions or issued or thoughts in given fields.

-Questioning: more than 50 years ago, Peter Drucker, an administration scholar, described the exciting questions power saying that: 'the most important and most difficult work does not lie only in finding the correct answers, but in asking the right question'. As Tata president put it, 'You must ask the one who may not ask'.

-Observing: creativity makes directors produce unfamiliar thoughts in work in order to strengthen understanding the phenomenon.

-Experimenting: creative businessmen attempt effectively to experiment new ideas that create meaningful models.

-Networking: means the relation between the operating individuals.

c) **Experience:** is the practical or professional knowledge the individual acquires on the spot when doing a job. It expresses the practice and applications as well the way of doing jobs according to present goals. Practical experience is a sort of an innate or acquired practical knowledge exemplified in the following:

knowing the best and competitive suppliers or customers, technical or professional knowledge, systematic knowledge of work and employment, technological use knowledge, strategy building knowledge and decision making, behaviour understanding and activity atmosphere, practical explanations and how to improve practical skills, etc... (Benkhedidja, 213, p. 165).

d) **Aptitudes:** scientific and professional aptitudes are considerably important in developing and improving human capital in many ways. In respect of knowledge developing and skills and abilities improving and experience acquiring. It's defined as: 'a sort of innate or acquired predisposition proper or relevant to any given human person in a given matter'. (Al-Habil and Al-Rus 2016).

e) **Creativity and invention:** they are known to any scholar versed in studies and researchers the overlapping and confusion between two terms: creativity and invention. Some researchers use the terms creativity and invention as synonyms. Other consider the meaning of creativity as being linked to new ideas production. Invention means putting ideas into practice and in addition to that it is defined as 'process of new ideas making put into practice'. (Tartar and Halimi 2011). Invention is defined as 'orienting and devoting intellectual abilities towards finding new applicable ideas. (El-Serafi 2003).

f) **Cooperation and group work:** The importance of group work in an organization stems from its complementarity traits as a performance power or a continuous developmental movement in an organizational atmosphere that contributes to boosting the organization to accept changes and deal with the technique and develop performance ways and get rid of operations that stumbles the organization's activities. It helps it shift

to a strategical optics in planning and execution. It builds performance quality methods at the expense of quantity. Effective group work strengthens the organization. Consequently, improving group work remains a real requirement for these organizations striving to succeed and excel. (Al-Habil and Al-Rus 2016).

3. Investment in human capital

3.1. Concept of investment in human capital

The economist Alfred Marshall is the first who regards humans as capital that must be invested in. It was termed human capital to leverage its skills and potentials in building capacity and fostering creativity in investing in the remaining capitals.(Arqoub 2014). He also stressed the importance of investment in human capital because of its important role played in the national economic development. He considers it as national investment. It is an invaluable investment in human capital.(Feraoun and El-Yefi 2009). Economy itself is of a limited value if it does not use man power that transforms wealth from a specific quantity into technological potentials that produces the progress expected. (Hamaidiya and Qaddour 2018).

Jary and Hamel and Bernhald see plenty of successful strategies in construction this resource(Fitz-Enz 2000). These consist of the following: Resources focusing on strategic objectives, Resources focusing on competence, Resources integration aiming at a higher classification, Perseverance whenever possible, getting investment resources output quickly.

Investment in human capital represents a set of activities, procedures and programmes intended for rationally qualifying and developing individuals in order that they can better their present and future performances(Balajouz, Mili et al. 2017). Investment in human capital aims at using all resources afforded to the organization in order to develop and promote human capacities and increase their skills in order to support their work and contribute to the increase of productivity (Madfouni 2016). Individual capabilities refer to the unique skills, experiences and competencies that each person possesses brings to the organization. These entities (capacities) not only contribute to personal development but also enhance the organization's ability to innovate and maintain a competitive edge. Effective investment in these capacities ensures long-term growth and adaptability in a dynamic business environment.

The Organization of Economic Development (OECD) considers that investing in human capital aims at developing individuals' skills and aptitudes in order to increase the economic value of the organization (Kouadria 2016).

Investment in human capital is also defined as 'a set of concepts, knowledge and information on one hand and skills, aptitudes and experience and performance elements on the other hand, and trends, attitudes and values on a hird part human being can acquire through public and private educational systems that contribute into upgrading productivity and increase consequently his works feedback and output. (Feraoun and El-Yefi 2009)

Both scholars consider that investing in human capital is a mixture of individuals' knowledge, skills, aptitudes, trends and attitudes whether innate of acquired that can be developed and upgraded according to methodological mechanisms such as education and training. These contribute to increasing the knowledge of individuals, organizations and community.

3.2. Human capital investment forms

Education and training are the most important investment in human capital. The output and feedback of more educated people are always high.(Becker 2009)

From the perspective of human capital investment, optimizing the investment in employees and assigning them greater added value leads to strategic competitive advantages that enhance the organization's ability to create value. This, in turn, results long-term returns, underscoring the strategic purpose of human resource management functions and practices. The goal is to secure these competitive advantages by investing in human resources, with a clear focus on fostering long-term value creation(Vithana, Jayasekera et al. 2023).

Schultz has classified human capital investment form in his paper entitled 'Investment in Human Capital' into five major categories, (Schultz 1961)

which are:

- Health accompaniment and services
- Training in work including field training sessions
- Public education at all levels
- Public education for adults and guidance and counselling programmes
- Individuals' emigration in search for work opportunities

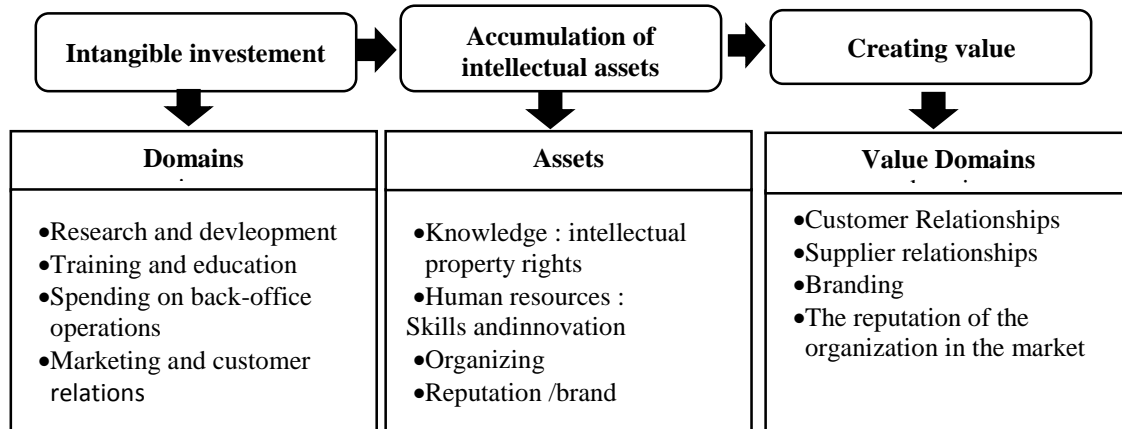
Gray Baker, 1993, sees in human capital investment all sorts of activities that contribute in developing human resource be it meeting personal needs or getting a material output. Among investment forms the following:

- Education
- Training in work place

- Emigration
- Price and incomes information seeking
- Health

As for the OCED proposes a model in which it shows in the investment forms the intangible assets.

Figure 3: OCED’s model of intangible investment



(Jabril 2016)

3.3. Imperatives for Investing in Human Capital

Skills, abilities, knowledge, and experience are crucial aspects for organizations to achieve their goals and ensure their distinction and superiority in dynamic and rapidly changing environments. Investing in human capital is considered one of the most important and exclusive ways to acquire these components. Building, preparing, and developing human capital through effective mechanisms and methods allow organizations to possess human capital capable of providing the organization with unparalleled advantages that are difficult to imitate, thus achieving its goals. Many scholars and thinkers, such as Adam Smith, Alfred Marshall, Schultz, Beker, and others, have affirmed this, along with the experiences of organizations that have proven dominance in their fields(Maki and Naima 2016)

Let's review the main reasons presented by some research and studies that illustrate the increasing interest(Hussein and Sadai 2010):

Talent Wars: All organizations strive to excel, compete, and ensure their continuity. To achieve this, they must possess unique talents and competencies and retain them, making the struggle intense in attracting and retaining these talents.

Survival and Growth: Romanthan (1990) states, "The survival of competitive organizations and their long-term continuity is linked to each one's ability for continuous innovation." Therefore, organizations must focus on continuous creativity and innovation as essential tools for survival, growth, and development.

Establishment of Intelligent Organizations: To build an intelligent organization, providing distinguished and intelligent talents and minds capable of optimal resource utilization is essential. This helps the organization widen its differentiation space, as these minds have adaptability and can cope with environmental changes. This represents the cognitive and intellectual foundation of the organization through their stored capabilities, skills, and knowledge.

Strategic Resource: The strategic resource, as identified by Al-Anzi, should be valuable and narrow the organization's value. It should possess creative and innovative capabilities, able to find new productive methods or unfamiliar service approaches that distinguish the organization. It should be scarce, carrying multiple and diverse skills and experiences that enable rapid innovations and creations. Global statistics have proven the occurrence of an invention every two minutes.

High Revenues: In the year 2000, IBM achieved over a billion dollars in returns from patents. Microsoft, as stated by its director Johan Gage, earned 6 billion dollars for software patents. The intellectual capital represented 94% of the company's total value. Investing in human capital is crucial for organizations to thrive, innovate, and maintain a competitive edge in the modern business landscape.

4. Human Capital Management

4.1. Concept of Human Capital Management

Acquiring highly skilled and efficient human resources is considered one of the organization's most important features that is difficult for competitors to imitate. Achieving this requires preparation through various methods and means adopted by the organization. Human Capital Management transcends the concept of "best fit," aligning individual strategies with organizational goals. Organizations must build and develop high-level skills capable of adapting to various changes, providing the organization with a competitive advantage (Ingham 2007) This concept has led to different perspectives and opinions on Human Capital Management, considering it a strategic approach to planning and managing the workforce in the organization. Some view it as a new vision in the information age (Maaraj and Al-Saeedi 2017).

In summary, here are the main tasks of Human Capital Management (Al-Maaytah 2017):

Evaluating Impact: Assessing the impact of individual management practices and their contribution to performance on evaluating the effectiveness of human resources and assessing the impact of employee management operations.
Data Utilization: Using human capital data and developing metrics that calculate the return on investment in employees.

Guidance Provision: Providing guidance on effective human resource management through systematic analysis.

Measurement and Evaluation: Measuring and evaluating the effectiveness of human resource policies and practices in creating added value for the organization.

Analysis and Reporting: Analysing and reporting data that shows and clarifies the strategic trends of human resource strategies and operations.

Furthermore, the significance of Human Capital Management lies in the organization's commitment to the development, training, and measurement of human capital, understanding the strengths and weaknesses of the organization, and foreseeing its future. (Armstrong 2009) emphasized that Human Capital Management contributes to enhancing concepts of human resource management by:

Measuring Management: Emphasizing the importance of "management through measurement" to link human resource management with organizational excellence.

Individuals as Assets: Reinforcing the belief that individuals are assets and not merely considered costs.

Alignment with Organizational Goals: Focusing on developing human resource management strategies and processes to create value through individuals aligned with organizational goals.

Building HR Strategies: Assisting in building human resource management strategies.

Guidance on Measurement: Providing guidance on what to measure and the appropriate method and style for it.

Strategic Direction: Serving as a strategic guide for what HR strategies need.

Facilitating Use of Appropriate Measures: Facilitating the use of appropriate measurements to prove that top management of individuals achieves desired results.

4.2. Human Capital Management Practices:

Human Capital Management practices represent one facet of human resource management that significantly influences decision-making and aims to achieve the organization's goals and sustainability by focusing on the human element.

Emphasizing the importance of considering organizational and environmental factors in human resource management practices overall. (Groenewald, Groenewald et al. 2024)

These practices, widely agreed upon by researchers, include:

Leadership Practices: The success of organizations is fundamentally linked to the quality of their leaders. Managers define the right things (goals) that the organization seeks to achieve by leading and managing human resources, providing all necessary requirements and resources to achieve these goals optimally (Al-Futooh 2008). Leadership involves several elements, as outlined by (Northouse 2018):

- Leadership is a process.
- Leadership involves influence.
- Leadership arises within a group.
- Leadership includes a goal to be achieved.

Leadership is defined as a process of mutual influence to guide human activity toward achieving a common goal. It is the ability to direct group behaviour in a specific situation to achieve or persuade group members to cooperate in achieving a common goal, agreed upon and deemed important, and to interact in a way that ensures the cohesion of the group and its progress in the direction that leads to achieving the goal (El-Masri and Amer 2015). Leadership practices, according to Kouzes and Posner, include challenging the heart, inspiring a shared vision, enabling others to act, modelling the way, and encouraging the heart. These leadership practices focus on developing and sustaining human capital, employing it in the best ways to adapt to the changes and challenges facing the organization (Maaraj and Al-Saeedi 2017).

Workforce Enhancement: Building and defining processes for accomplishing work, creating favourable conditions for accomplishment, and making the right decisions in selecting the right person for the job are crucial

factors. They ensure the success of the organization in improving the performance of its workforce and increasing the productivity of its human resources (Jamal and Saif 2011)

Learning Capability: Referring to the organization's ability to continuously learn, change, innovate, and improve. This practice aligns with the concept of organizational learning. (Al-Karaawi and Al-Atwi 2014) Simon (1969) defined organizational learning as a process through which organizations seek to improve their overall capabilities, develop themselves, activate their relationships with the surrounding environment, adapt to their internal and external conditions, and mobilize their employees to be agents for monitoring, acquiring, and utilizing knowledge for the purpose of development and differentiation (Saud, Hani et al. 2011)

Organizational learning leads us to the concept of the learning organization. The learning organization focuses on learning to enhance the competencies and capabilities of employees. It differs from organizational learning, which concentrates on learning to promote the organization's ability to develop and improve (Örtenblad 2001). The learning organization, as defined by Peter Senge (1994), is a process of acquiring knowledge and developing skills that strengthen understanding within administrative organizations. It departs from a new vision that emphasizes the social activity of the organization, asserting that learning organizations build cooperative relationships to strengthen knowledge, experience, capabilities, and methods of achievement (Saud, Hani et al. 2011).

Access to Knowledge: Access to knowledge refers to the organization's ability to provide information and data to all its employees. Obtaining knowledge requires the presence of a collaborative culture that supports knowledge sharing. Osama Mohamed emphasizes that the human mind, coupled with the use of modern technologies, learning, and training, represents crucial means of acquiring knowledge (Sayed Ali 2013). This aspect of Human Capital Management practices involves knowledge management processes. Knowledge management is a widely accepted and well-known concept that reflects the concept of managing knowledge. However, knowledge management processes, which include obtaining, sharing, retaining, disseminating, and retrieving knowledge, are essential. Knowledge without application is considered devoid of value, and its application in practical work creates value (Al-Kubaysi 2005).

Employee Integration and Participation: The organization's ability to engage its employees, retain them, and enhance their skills depends on the quality of job design, how employees' time is utilized, and the commitment shown to employees (Jamal and Saif 2011). Employee integration and participation reflect the concept of empowerment. This concept is a necessary and fundamental requirement for human capital management, especially in light of the trends toward adopting modern management approaches.

Researchers and academic thinkers differ in defining the concept of empowerment due to variations in intellectual approaches and philosophical views. Some view it as a management method, an administrative approach, a cultural practice, or a collaborative philosophy. Others consider it an administrative principle within the framework of open management principles (Al-Bana and Al-Khafaji 2014). However, most definitions revolve around two aspects: granting employees authority and freedom within the boundaries of their job description and allowing them to participate, express their opinions, and share their ideas (Group 2018)

A general model can be presented regarding the role that human resource management activities play in managing human capital, suggesting that human capital management can provide value to individuals through three levels:

HCM value triangle

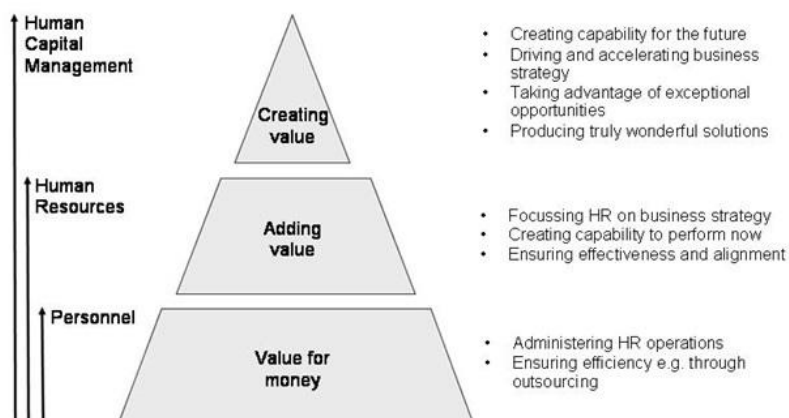


Figure 4: Human Capital Management Value Triangle(Ingham 2007)

4.3. Mechanisms for Building and Developing Human Capital

Organizations need to focus on the development and growth of human capital. Thinkers and researchers emphasize the existence of mechanisms for building intellectual and knowledge resources. This is achieved through a focus on the following aspects:(Al-Taie and Abu-Raden 2018)

A. Attracting the Best Human Talents

The organization should attract skilled and experienced human talents to work in it, considering the scarcity of these resources in the labour market. The strategies suitable for the attraction mechanism include:(Fellahi and Noui 2011; Al-Taie and Abu-Raden 2018)

Acquiring skilled individuals from the labour market: Organizations should monitor the recruitment of rare talents to benefit from their advanced skills and experiences, contributing to increased intellectual capital and continuous innovation.

Competency tree: It includes two essential components, the knowledge component and the behavioural component. The knowledge component involves theoretical concepts, information, skills, and experiences related to individual competence. The behavioural component includes what the individual does during the performance of their work, which can be observed and evaluated. The competency tree is an electronic human resource management technique that illustrates the skills, experiences, and knowledge required, along with all related information.

Review of Knowledge and Learning Organizations: Knowledge and learning organizations are among the most vital sources for identifying and attracting talent, human capital, and rare intellectual resources to benefit the organization.

B. Creating and Enriching Human Capital

This involves enhancing the capabilities, skills, and experiences of human talents, creating intellectual harmony among them, enabling them to apply these capabilities in favour of the organization. (Fellahi and Noui 2011; Al-Taie and Abu-Raden 2018).

Key strategies for creating intellectual capital include:

Knowledge map: Providing a visual presentation of vital knowledge leading to the achievement of strategic business objectives.

Building intelligent tissues: Teams that interact, learn, and exchange experiences among themselves.

Smart leadership: Dealing with rare talents and competencies requires leaders capable of organizational learning and effective appreciation.

C. Retaining Outstanding Employees

This is achieved by providing contemporary management methods based on trust and encouraging the expression of new ideas, contributing to creativity and innovation(Al-Taie and Abu-Raden 2018).

D. The Need for Organizations to Develop Accurate Measures for Assessing and Identifying the Value of Their Human Capital

Human resources are the essential element for obtaining wealth and true competitive power in the knowledge economy. Therefore, it is crucial for organizations to develop human resource accounting, contributing to the development of policies, incentives, and necessary preparations to maintain their essential resources.

E. Identifying Possible Risks and Mitigating Them

One of the most significant risks that organizations can face today is the loss of their human capital for various reasons, such as collective or individual resignations, retirements, implying the loss of essential knowledge.

Thus, organizations need an effective system that analyses or predicts risks when they occur. This necessitates the construction of what is known as risk management, including a part of it.

5. Conclusions and Recommendations

Contemporary organizations will undergo a shift in their philosophy and vision from what they used to do before. They will realize the importance of human capital as a fundamental key for their survival and continuity in excellence and leadership. The persistence and existence of organizations begin with their ability to manage and lead this valuable human capital resource.

Investing in human capital has become mandatory and essential for businesses, yielding long-term results such as gaining a competitive advantage, improving productivity, developing skills, and enhancing the innovative and creative capabilities of individuals, among other outcomes.

Human capital manifests in rare minds with skills, experience, efficiency, and cognitive abilities that enable them to generate innovative and creative ideas. Success can only be achieved if human capital is efficiently managed and invested in. The current challenge facing business organizations is to provide competencies, skills, and experiences capable of giving the organization a competitive edge.

5.1 Key Conclusions:

- Education and training are among the most important methods to prepare and develop human capital for investment.
- A suitable work environment and climate contribute to spreading a collaborative culture of knowledge, experiences, and skills among the group.
- Human capital represents the strength that provides the organization with numerous advantages in the business environment.
- Modern business organizations focus on implicit knowledge, attempting to access it, retain it, and utilize it for the organization's benefit.
- The strength of human capital lies in its components.

5.2 Recommendations:

- Due to the significance of human capital and its positive aspects when invested, organizations must focus on its development and preparation through special methods such as training and rehabilitation.
- Attract individuals with skills and capabilities to facilitate investment by the organization.
- There is a need for further scientific research and studies, whether theoretical or practical, as human capital is characterized by complexities.

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