# STRATEGIC HUMAN CAPITAL: APPROACHES & MODELS FOR ACHIEVING ORGANIZATIONAL LONG-TERM COMPETITIVENESS AND SUSTAINABILITY

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***ABSTRACT***

*This paper explores the theories and major focuses of Human Capital (HC), a new label for strategic HR as compared to conventional, none strategic, approaches in this field. The paper looks at HP 's conceptual framework by making reference to a few major studies; laying down the foundation of strategic HR/HC as how it relates to gaining and sustaining competitive advantage for the organization, and how HC can ultimately turn the organization into a high performance system. Two major features of strategic HR/HC, the human resource development and performance management, as distinctive features of strategic versus non-strategic approach in this field, will be addressed in details as well a few high performance models like Balance Score Card, and a high performance model. Conclusion arrived by cited studies on major dimensions of HC will also be presented as how each study came up with findings on those dimensions.*
*Key Terms: Human Capital; Strategic Human resources; Strategic Plan; High Performance System; Organizations Support Systems; Balance Score Card; Leadership System.*

## THE NEW CONCEPT OF HUMAN CAPITAL

Human capital has been described in many ways by different authors in the past couple of decades since the terms got prominence. To some, it is only a change in the title of the field, the same way when Human Resources Management replaced the old Personnel Management, thus Human Capital does the same thing to the latter. To others, such a change is indicative of a more in-depth transformation of theory and practice of HR and mostly refers to the decisive role of this valuable resource in achieving the organizational strategic goals and long term survival and sustainability. According to Zomorrodian Strategic approach to management ( in general and to its other subsets like HR) now-a-day is a *modus operandi* in most organizations that in spite of its pervasiveness, sometimes one wonders why so many organizations, public, private, nonprofits, and others fail to achieve their strategic goals and objectives the way they planned to achieve. (Zomorrodian, 2006, p.2) He states that " Aside from the complexity of this management process and the nuances involved in its implementation, there are a few major factors, so common to any effective management approach, that are normally overlooked by most organizations when it comes to pursuing a strategic approach. Major among them are factors related to strategy implementation and different, mostly new, systems that must be put in place to accommodate the demands raised by new strategies. Factors like different or modified organization structure, team and organizational culture, reward system, performance management system and may be most important of all, the "leadership" factor are known culprits" (P. 14)

What is so unique about strategic approach is that, at least theoretically speaking, it has to have a systemic approach to the organizational (or system) issues, have a long term perspective, and focus on enhancing the institutional capacity in achieving the highest level of performance and more importantly sustaining that in the face of such a volatile and dynamic environment.

At the heart of strategic approach to management and more so when it comes to strategic Human Capital, is the issue of gaining and maintaining the competitive advantage as the "core competency" of the firm. That is how entities compete, survive, advance and push for leading position in the business world though gaining and sustaining such competitive advantage. Barney and Hesterly identify three types of competitive advantage: "*Competitive Advantage*, when a firm creates more economic value than rivals; *Competitive Parity* when a firm creates the same economic value as it rivals; and *Competitive Disadvantage* when the firm creates less economic value than rival" (p. 13). In each case such advantage or disadvantage can be temporary or sustained. Of course the real aim of strategic management, and by its extension, is to achieve substantiality and in fact such factor is the prime test for a successful strategy crafting and implementation.

## THEORETICAL PERSPECTIVE

Different authors and researchers like in the past have focused on specific aspects of Human Capital (HC) in their research and the way they conceptualize this phenomenon. Crook et al. (p.443) refer to the term *human capital after what (Coff 2002) define it, as k*nowledge, skills, and abilities (KSAs) embodied in people. They state that it includes not just factual, "how-to" KSAs that can be made explicit but also tacit KSAs, which it can often be difficult to articulate, as Polanyi referred to in 1966. (p.445). They also make many reference to numerous authors who for long understood core issues of human capital, especially those like one's education and training that play an important role in organizations; compensation for employees and managers that is strongly related to the education and experience they possess, and investments in training designed to build Human Capital in influencing the performance. Taken together, they argue that KSAs, including the experiences, education, and training managers bring, have consistently been viewed as central drivers of strategy and performance (p.447).

Lado and Wilson in their research by drawing on the theoretical insights from the resource-based view of strategic management, explores the potential of human resource systems to facilitate or inhibit the development and utilization of organizational competencies. They focus on competencies like managerial, input-based, transformational, and output-based, that they consider yielding sustained competitive advantage for a firm. (2011) By making referred to Scholar an Jackson ideas (1987) they present the competency-based perspective, focusing attention on the HR activities, functions, and processes that enhance or impede competency accumulation and exploitation, complementary to behavioral perspective, as the one that potentially enhances the understanding of strategic human resource management. (Lado and Wilson, p. 700)

Alpkan et al., take a different approach to HC and investigate the direct and interactive effects of organizational support and human capital on the innovative performance of companies. Factors they focus on include individual effects of the organizational support dimensions like management support for generating and developing new business ideas, allocation of free time, convenient organizational structures, particularly decentralization level or decision-making autonomy, appropriate use of incentives and rewards, and tolerance for trial-and-errors or failures in cases of creative undertakings or risky project implementations, as areas they investigated. (2011). Thus their study develops and tests a theoretical research model where the organizational support dimensions are the independent variables, innovative performance is the dependent variable, and the human capital has a moderating role in this relationship, via a questionnaire study covering 184 manufacturing firms in Turkey (p.740).

For the purpose of this paper, the author equates Strategic HR with Human Capital with some modifications as pointed out, thus Strategic HR and HC will be used in conjunction to each other.

## STRATEGIC APPROACH TO MANAGEMENT & HC

So much has been said, written and preached about strategic management in the past few decades. Aside from the complexity of this management process and the nuances involved in its implementation, there are a few major factors, so common to any effective management approach, that are normally overlooked by most organizations when it comes to pursuing a strategic approach. Major among them are factors related to strategy implementation and different systems, mostly new ones that must be put in place to accommodate the demands raised by new strategies. Factors like different or modified organization structure, team and organizational culture, and on HC side reward system and performance management system and may be most important of all, the “leadership” factor are known culprits. Often top management and executive teams take these factors for granted and assume that well crafted sets of strategies, normally as manifested by strategic plan, will safeguard the attainment of strategic goals. In this respect an increasing problem or need that arises relate to the lack of well established holistic assessment and evaluation process that can help providing continuous feedback and correction mechanisms during the strategy implementation phase. For most part organizations stick to the existing management and business models including old-fashioned performance appraisal system that may not be compatible with the new demands for proper strategy implementation and eventually attaining the strategic goals, a main concern of strategic HC.

What is strategic management? Harrison et. al. provide a simple definition for strategic management as a process that involves formulation of a set of objectives for organizational performance and continue that it is based on results or objectives initiated by the strategy formulation process. This is true because it is difficult to develop any strategy if management does not know what results are to be achieved. (1997) Normally strategic decisions are being made by the CEO or leadership team, and then communicated down the line. Harrison et al. (1997) also state that the management teams at all level must be regarded as “participants” in decision making if it is to be conducive to strategic ion success.

Management, all along the different lines of report in the organization, are required to have a good understanding of their roles from a strategic stand point and how they relate to the their team members as well as other organizational members. As management progresses in understanding the corporate strategy they can begin implementing changes that will help move the organization forward. Management helps employees see the vision, help employees to catch this vision and objectives and buy-in to the process of implementing the new strategies and relevant programs.

Barney and Hesterly focus on what a good strategy is. They state that while most can agree that a firm's ability to survive and prosper depends critically on choosing and implementing a good strategy, there is less agreement about what a strategy is and even less agreement on what is a good strategy (2006) Their approach to defining strategy is somehow adopted from what Drucker defined it (1994) as a theory about how to gain competitive advantages (P.5)

This way one can assume that a good strategies as applied and followed by successful firms is the ones that actually generate such advantage. A competitive advantage is what enables the firm to create more economic value that rival firms. Economic values then would be the difference between the perceived benefits gained by a customer that perchance a firm's product or service and the full economic cost of these products or services as defined by Barney (19 91) , Porter (1985), Peteraf (2001) as well as many others.

The overall strategic management process involves several interdependent stages that start with the Mission, then Objectives followed by external and internal analyses, normally know as SWOT analysis, and then strategic choice and strategy implementation, all aimed at creating competitive Advantage.

## Human Capital and Strategic Planning

Generally speaking the most visible manifestation for an organization deciding to engage in strategic management process is developing a strategic plan to gain efficiency, effectiveness and naturally a sustainable competitive advantage through utilizing its resources to the fullest. At the same time such plan and approach might be a response to the threats facing the organization now or in the future. (Zomorrodian) Strategic planning is the process of developing the direction the organization wants or needs to follow in order to thrive. Luther states, "A strategic planning process describes an organization's destination, assesses the barriers that stand in the way of that destination, and ultimately selects approaches for moving forward by dealing with the barriers" (1995). This process helps organization determine how it can gain or maintain its competitive advantage. The intention would be to create more value by improving the product or service in order to stay competitive.

As far as Human Capital is concerned a major analytical process in developing the strategic plan, i.e. the SWOT analysis plays a decisive role in pinpointing the strengths and weaknesses of the organization as well detecting opportunities in for the future and coping with the potential and actual threats to the entity, all related to adopting the right HR/HC strategies. Several steps are required in preparing this plan, similar to the ones mentioned above for strategic management process. The first of which is having a good vision and understanding of the organization's purpose. There are many ways of developing this including group brainstorming sessions and revising existing mission or vision statements to help creating a focus. What SWOT Analysis performs in addition to external and internal analyses will be a base-line for identification of key strategic issue including those related to HC for which key strategies need to be crafted and put in place. Additionally, what Barney and Hesterly (2006) refer to as VRIO, can be plugged into this equation. They state that "the questions *of value, rarity, imitateability,* and *organization* can be brought together into a single framework" (P.92) This framework takes things a step further and looks at the potential of core competencies, rates its value as a resource as well as that of competitive advantage. Knowing this information will help in making educated strategic choices.

## IMPLICATIONS FOR STRATEGIC HR/HC:

Like any other aspect of strategic approach to management, HR/HC strategic approach is considered as a process of developing these strategies in such a way to support the business strategies. Wright et. al., based on some 20 companies study describe the generic approach to Strategic HR (HC) as somewhat consist with the process for developing business strategies (Right, 2001) Noe et.al. depict 5 basic stages in identifying the HR strategy beginning from Scanning the external environment to identifying strategic business issues leading to identification of peoples issue and then developing and communicating HR strategies as shown in Figure 1.

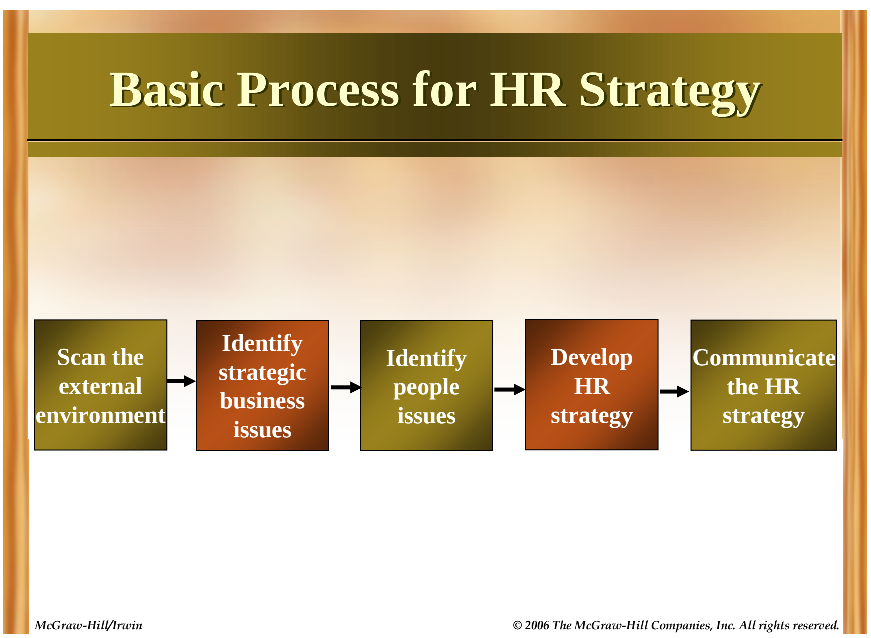



Figure 1: Adopted from: Noe et. al. (2005) *Human Resources Management*

How important is strategic HR/HC for the organization? Do such strategies enable a company to achieve a competitive advantage? Kearns states "Many businesses are very successful without any formal HR Strategy, but *maximizing potential organizational value* will only come from a combination of effective business strategy and an effective

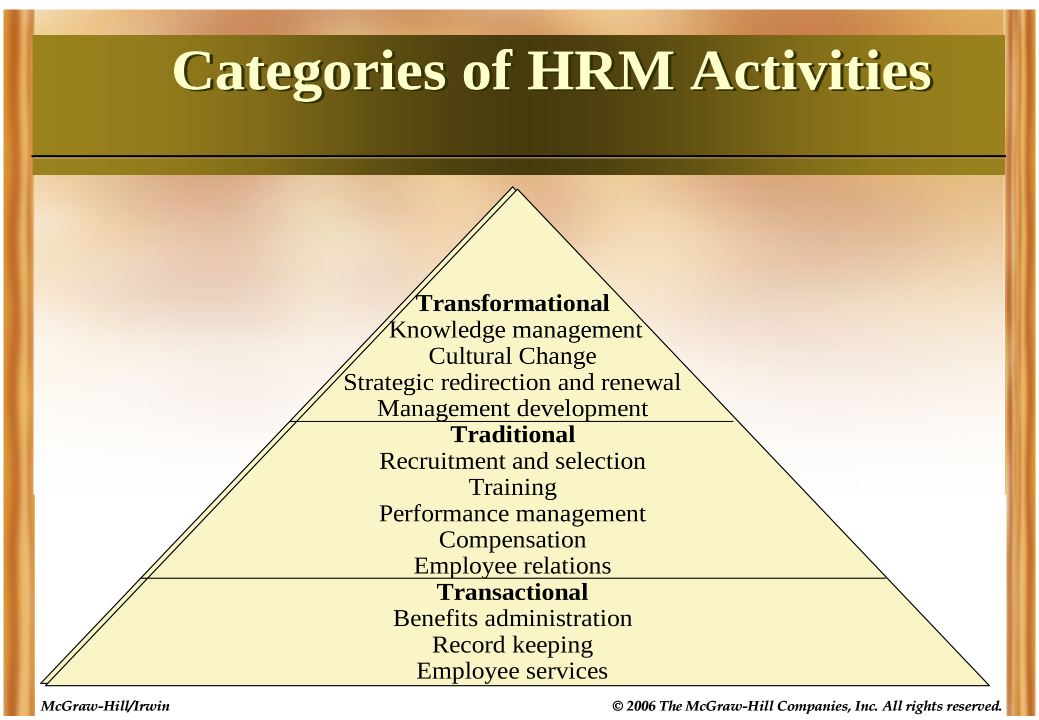
HR strategy" (2003, P. 19). He emphasizes that the value of human resources/capital particularly by building a high-performance culture and implementing a Performance Management system that can meet its strategic business objectives. His argument is that assessment of the system must be addressed in terms of measuring human performance specifically as it produces added value to the bottom line of the organization. If we wish to create an organization that generates high levels of value, we have to design a high performance culture that engages its employees to continuously improve. Additionally, the effectiveness of this strategy must be measurable and must be measured in terms of added value or it is not a worthwhile strategy (Kearns, 2003, p. 180). Kearn's emphasis on performance management is very well-based as one of the focal elements of Strategic HR/HC.

To provide a kind of clear-cut comparison between Strategic HR/HC approach as compared to more traditional (non-strategic HR Noe et. al. depict a picture as how the three sets of activities they refer to can illustrate the level of engagement by any organization in strategic and non-strategic activities. The three categories they refer to are:

*Transactional activities* dealing with record keeping benefit admin/ employee services.

*Traditional Activities* dealing with recruitment and selection, training, performance management, compensation and employees relations, and

*Transformational Activities* dealing with knowledge management, strategic redirection and renewal cultural change and management development as depicted in Figure 2.

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It must be noted that the emphasis and time spent on each of these dimensions may vary from one organization to another deepening how strategic HR system is designed and how much emphasis is needed on each category dispending on the particular situation of a given organization.

## ALIGNING HR STRATEGIES WITH BUSINESS STRATEGIES

While aligning HR/HC Strategies with corporate and particularly business strategies can be achieved by following different routes depending on the type of organization and industry we can focus on a few examples to see how this process can be followed. Kearns (2003) refers to computer softer industry and state that in this industry there is a need to attract, retain and motivate employees because it is heavily dependent on the knowledge base and expertise of the employees and as such there is a need for building a kind of high performance culture based on a strategic mission. As how this can be applied to a firm, Starczak (2007) refers to Fetch Technologies as a perfect example of a company that could benefit from a HR strategy of building a high performance culture. She states that Fetch's vision is to be a leader in the field of Data Extraction and Integration. Its business strategy is to create innovative Data Extraction Technologies that are faster and more efficient than anything currently existing and to be the first to market with applications using these technologies. In order to realize these goals, Fetch must be able to employ the highest quality software developers they can find. In addition, there must be a way to tap into and realize the full potential of their developers. This is where the HR/HC strategy of building a high performance culture comes into play. A high performing team can give a competitive edge to a company that relies on intellectual capital and an effective performance management process that is in alignment, can provide the framework needed to implement this strategy. Assessing performance will provide a way to measure if there is value being added or not. In order to manage performance effectively and maximize the value, there must be a way of measuring it (Kearns, 2003, p. 175). Later we will address the HR strategy of building high performance culture as a way to achieve competitive advantage and how this would get implemented into a performance management system and assessed in terms of its added value.

## CRUCIAL ARES AFFECTING STRATEGIC HR/HC

While adopting strategic HR permeate all aspects of the system in the organization, just for the sake of illustration the paper brings two specific examples as how strategic HR may affect its very important direction and thrust on these two components of the HR system. These two examples deal with specific aspect of the compensation and performance management processes.

*Compensation:* In every organization one might say that strategy is one of the top goals they are working to reach. As was mentioned before strategy is a theory about how to gain competitive advantage, and a good strategy is actually generating such advantages. However, the pursuit of strategy is constant and a business should not be satisfied if it has reached some form of competitive advantage because the market is forever changing. Strategies will always need to be devised in order for a business to stay aggressive and to meet the needs of changing consumer demands and market structure. One particular piece to the strategic puzzle, the one that may be deemed the most important, is compensation.

Since attraction and retention of highly qualified people are top priority for strategic success, competitive compensation and its alignment with overall business strategy lay at the heart of HR strategic approach. Added to this is the fact that at the present since baby boomers retiring and fewer people entering the workforce the labor market has become extremely tight in the last few years, making recruitment and retention a top strategic issue for businesses in general and in specific industries in particular. This change has forced organizations to deeply analyze their compensation strategies to see how they faire in their competitive industries and if they are meeting the needs of potential candidates and employees. While many innovative approaches to the design and redesign of compensation system exist, one popular and relevant innovation in recent years is known as “braodbanding” This innovative approach to compensation does not only have a big strategic implication in retaining high caliber cadres, but at the same time provides the leadership with a big latitude for flexibility. Braodbanding offers a high potential in developing a competitive advantage over others in a given industry or organization by decreasing the number of job categories available and increasing the salary ranges for those bands. Paying employees under a broadband system can result in harder workers, increased skills and abilities, better career mobility, improved products and higher profits, all of which can help a firm to gain an advantage over its competitors. Von Plato reports how this approach work and help Tecolote Research, Inc. to achieve the company’s mission in delivering reliable quantitative solution to the clients in an environment of constantly changing budgets and priorities. The company considers people as its primary resource and investing in extensive training programs, pleasant work environments, generous benefits and cutting-edge tools. All this aims at achieving a very high employee retention rate and a stable work force that brings added value to our clients (2007). For Tecolote, as an aerospace division of a larger company with high expectation from qualified staff, broadbanding seems to be an excellent strategic choice to curve that competition and to regain their competitive advantage over them. Research shows that, “broadbanding has been successfully implemented in large, hierarchical organizations that attempt to flatten their organizations and remove levels of management and small organizations where there are good controls and a desire to be an attractive alternative to larger competitors” (Rosenthal, n.d.). When companies are struggling with salary structures and cannot pay their employees, or potential new employees, at market levels, they need to consider broadbanding as an option. For example, organizations that formerly had twelve levels of management could band them together, enlarge the salary ranges for the remaining six or so levels, and place each employee into one of the new bands. “The wider bands lessen the focus of those employees that become fixated on having their position constantly reevaluated to see if their position can be moved up a range upon the addition of any new duties” (Rosenthal, n.d.). By introducing broadbanding, Tecolote can emphasize their efforts to:“… facilitate change, avoid multiple pay structures, drive pay decision-making downward…provide greater latitude in management pay decisions, promote lateral moves or in-grade promotions, reduce use of promotions to increase pay, promote career development/ learning, reduce the need for precise job analysis/evaluation…focus on the person instead of the job and facilitate quick responses to changing goals and circumstances” (Stern & Associates, in Van Plato, 2007). If Tecolote wants to expand its growth potential, acquire new business and generate a higher profit, they will need to think outside of the box and make some strategic choices regarding their current compensation structures. This is where the proposal of broadbanding enters the scene. As was stated before, broadbanding is "of particular use [when] a company has gone through a major change such as a merger or acquisition or where there is a need for a new organizational/business model" (Wyatt, 2003). The focus Tecolote Research needs to take to meet market demand is to not necessarily break down and minimize job categories to flatten the organization, but to focus more on expanding the salary caps on each individual band. Tecolote currently has seven Analyst categories and three upper management categories. These jobs can be broken down into smaller bands, if necessary, as long as larger salary minimums and maximums are established as well. This move alone would increase the mobility and capability of analysts "trapped" in the same category for long periods of time by allowing them to move more freely across the division and to increase their earning potential. New employees also would benefit because they would more easily fit into the internal structure already in place and be more likely to accept an offer from the company. When choosing the strategic choice of broadbanding, Tecolote Research, Inc. must consider the business-level strategies that fit this compensation model: do they want to focus more on cost leadership or on product differentiation when considering the goals of broadbanding. Cost leadership is defined as a business strategy that focuses on gaining advantage by reducing its costs to below those of all its competitors (Barney & Hesterly, 2006, p. 116). Pursuing this type of a strategy would mean that Tecolote would need to focus their sights on keeping costs extremely low, and broadbanding could make this focus a possibility. As bands are widened more analysts will have the ability to earn more money per hour from their government customers. Their higher category eligibility would generate higher profits for the company and offset a portion of the higher payroll distribution. Likewise, it would be a similar situation for analysts who would be forced to move down to a lower, thus losing some profits at the same time. However, depending upon the number of analysts in each category, the profit margin may end up being a wash with employees still having the opportunity to earn more income. In either case, the strategy would have to be closely monitored in order for the company to sustain its level of business.

*Performance Management:* Through performance management an organization can ensure that its employees are producing successfully and in turn acting as effective agents for the entire organization. Performance management is a process in which employee's performance is evaluated against standards and is a process that aids employees in developing an action plan to focus on any discrepancies that are recognized (Gowan,2001) Heathfield criticizes the traditional performance evaluation and states that performance management is a process and a system, not just a yearly appraisal. The process begins when a job is defined as needed and ends when the employment is terminated (Heathfield, 2007) The objective of performance is to attain the company mission and vision and keep it strategically aligned. Heathfield states that "an effective performance management system sets new employees up to succeed, so they can help your organization succeed. An effective performance management system provides enough guidance so people understand what is expected of them. It provides enough flexibility and wiggle room so that individual creativity and strengths are nurtured. It provides enough control so that people understand what the organization is trying to accomplish" (2007) This new revolution in Human Resources is where the "performance appraisal" is being phased out and replaced with "performance management". The one-way, once a year, "report card" has been substituted with a two-way, continuous observation, assessment and feedback across the individuals, teams and the total system. Williams sees performance management involves thinking, planning, and coaching that is on-going throughout the year. He looks at continuous feedback/conversations as supporting the performance of employees and allows the employer to express expectations and for the employee to adjust behavior as a result of each conversation throughout the year (2007) In the past ten years, among several performance assessment tools that appeared in HR field, the 360-degree feedback has transformed performance management.

*360-degree feedback* is an overall comprehensive review that gathers input not only from managers, but peers, direct reports, and sometimes the "customers" (Prewitt, 2007; Peiperl, 2007). The philosophy behind this method is that most employees work with a wide range of people, from peers to the customers you are servicing. According to Prewitt, the 360 sets out to get a broader view than traditional methods. He outlines essential tips on implementing the 360 to ensure its effectiveness (2007) Zomorrodian explored the application of 360 feedback to the process of executive mentoring (2003) and referred to it as a performance feedback tool that warrants consideration and a review as its popularity continues to expand among firms, signaling that it has exceptional merit and worth. This method of performance management has been introduced in the majority of *Fortune* 1000 companies. Examples of organizations currently using the tool include but are not limited to the following notable companies: McDonnell-Douglas, AT&T, Allied Signal, Dupont, Honeywell, Boeing and Intel (Mondy et. al, 02) Thus, as demonstrated by these companies, the feedback tool is appropriate across various industries. The 360-degree feedback tool is a multi-rater evaluation that involves feedback from various levels in the organization, including one's managers, peers and direct reports. The type of information targeted in the feedback questionnaire should be limited to knowledge, skills and behaviors, while avoiding personality traits or styles (360" FAO, 02) Knowledge refers to an individual's level of familiarity with the job, industry and company, while skills refer to the individual's level of proficiency of the required tasks. Behaviors are patterns in relating to the environment, such as energy, optimism and trustworthiness. When preparing the information to include in the feedback tool, the organization must outline the criteria relevant to the job being performed and exercise caution to avoid including irrelevant information that could hinder the process. It is imperative to remember that this feedback system is not intended to rate individual personalities; rather, it is designed to help the individual identify areas of strength and areas needing development, which are related to job performance. While normally there seems to be two different angles of the tool's purpose: decision-making and development (Zomorrodian 03), it seems that this powerful feedback method can play an strategic role for organization if it is integrated to a kind of system-wide holistic performance management system that goes well beyond the individual appraisal and covers units and the total system levels.

*Balanced Score Card (BSC)* is another strategic oriented model that directly affects HR in the area of performance management. This model ties organizational achievements in terms of customer satisfaction, financial goals, effectiveness of internal process, and learning and growth all together within the scope of the firm's strategy. Balanced Score Card Institute considers the method a valuable and effective measurement-based management that builds on some key concepts of previous management ideas such as Total Quality Management (TQM), including customer-defined quality, continuous improvement, employee empowerment, and -- primarily -- measurement-based management and feedback (BSCI, 07) The model consists of three major characteristics as follows:

1. Double-Loop Feedback: In traditional industrial activity, "quality control" and "zero defects" were the watchwords. In order to shield the customer from receiving poor quality products, aggressive efforts were focused on inspection and testing at the end of the production line. The problem with this approach is that the true causes of defects could never be identified, and there would always be inefficiencies due to the rejection of defects. What Deming saw was that variation is created at every step in a production process, and the causes of variation need to be identified and fixed…. To establish such a process, Deming emphasized that all business processes should be part of a system with feedback loops. The feedback data should be examined by managers to determine the causes of variation, what are the processes with significant problems, and then they can focus attention on fixing that subset of processes. The balanced scorecard incorporates feedback around internal business process *outputs*, as in TQM, but also adds a feedback loop around the *outcomes* of business strategies. This creates a "double-loop feedback" process in the balanced scorecard.

2. Outcome Metrics: You can't improve what you can't measure. So metrics must be developed based on the priorities of the strategic plan, which provides the key business drivers and criteria for metrics that managers most desire to watch. Processes are then designed to collect information relevant to these metrics and reduce it to numerical form for storage, display, and analysis. Decision makers examine the outcomes of various measured processes and strategies and track the results to guide the company and provide feedback. So the value of metrics is in their ability to provide a factual basis for defining: Strategic feedback to show the present status of the organization from many perspectives for decision makers. Diagnostic feedback into various processes to guide improvements on a continuous basis

Trends in performance over time as the metrics are tracked Feedback around the measurement methods themselves, and which metrics should be tracked Quantitative inputs to forecasting methods and models for decision support systems

3. Management by Fact: The goal of making measurements is to permit managers to see their company more clearly -- from many perspectives -- and hence to make wiser long-term decisions. The Baldrige Criteria (1997) booklet reiterates this concept of fact-based management:" Modern businesses depend upon measurement and analysis of performance. Measurements must derive from the company's strategy and provide critical data and information about key processes, outputs and results. Data and information needed for performance measurement and improvement are of many types, including: customer, product and service performance, operations, market, competitive comparisons, supplier, employee-related, and cost and financial. Analysis entails using data to determine trends, projections, and cause and effect -- that might not be evident without analysis. Data and analysis support a variety of company purposes, such as planning, reviewing company performance, improving operations, and comparing

company performance with competitors' or with 'best practices' benchmarks." "A major consideration in performance improvement involves the creation and use of performance measures or indicators. Performance measures or indicators are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. The measures or indicators should be selected to best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements represents a clear basis for aligning all activities with the company's goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals."Figure 3 depicts the general schemata of BSC that can be modified and applied to a particular situation of an organization (BSCI, 07)

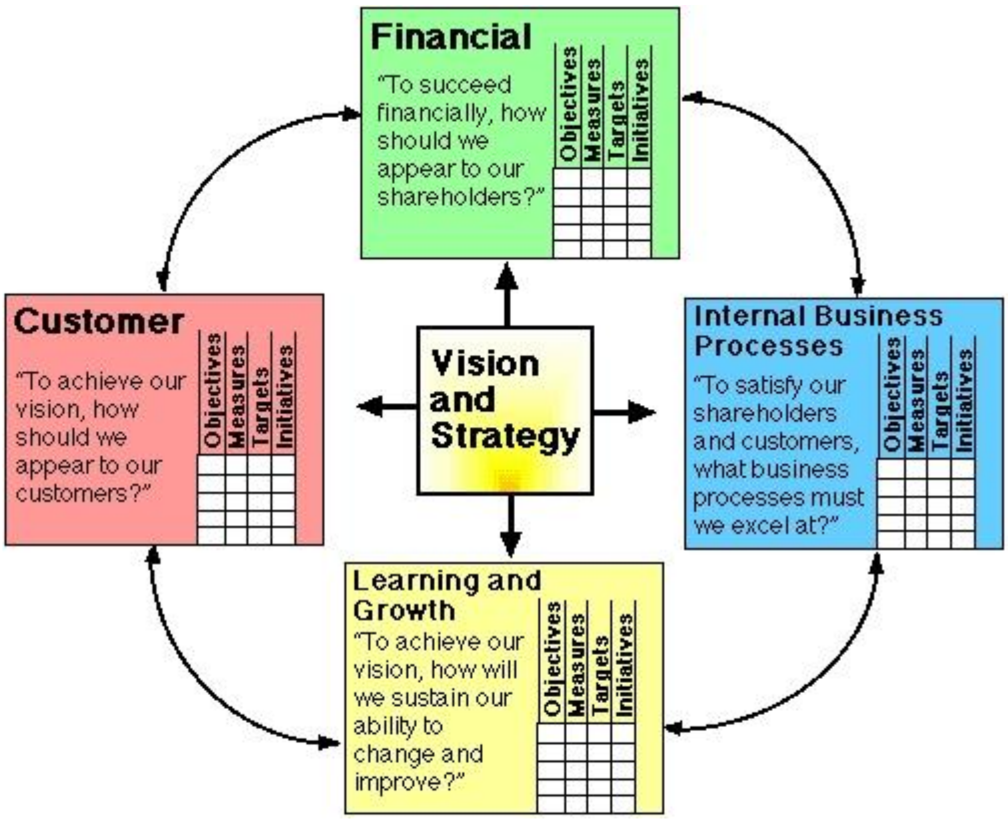


Figure 3: *General Schemata of BSC*: adopted from: BSC Institute 2007 http://www.balancedscorecard.org/basics/bsc1.html

## Strategic Management and the High Performance Model

Gaining competitive advantage then becomes the focal guiding light for strategic HR/HC. At the heart of the matter lies the fact that how we can create and sustain the high performance organization. Buzzotta (1999) offers high a model that can be use as a foundation for creating a performance management system that supports HR/HC strategy. The model uses "Trust" as the cornerstone of creating the high performance system. There are four major interacting processes that the organization and top management must get involved in order to achieve such a high performance system as indicated in Figure 6 and brief explanation that follows:

1. Know where you're going: Buzzotta states that The CEO must clearly communicate the business goals and vision of the company to all employees and show a commitment to implement them. The vision and the strategic business plan is something that must be incorporated into the culture and throughout the performance management system. Specifically, it should be included in such things the job descriptions and whenever communicating performance and expectations to the employees.

2. Ensure People Have What It Takes to Get Where They are going**:** this is the second process in Buzzotta's model (p. 2). This covers a wide range of training and development needs, facilities and equipment, right and encouraging environment as well as management support.

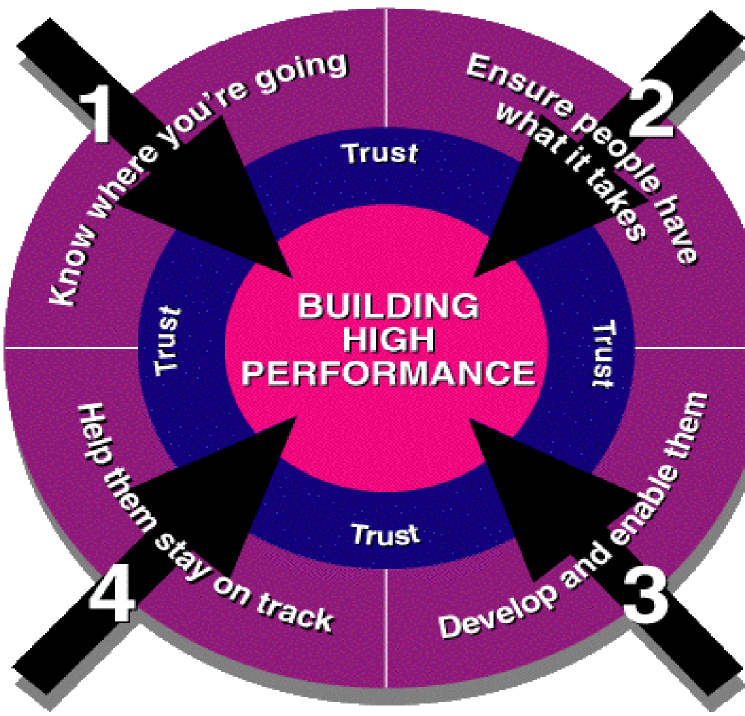


Figure 4: High Performance Model, adopted from Buzzotta: 1999

3. Develop and Enable them: the third process of has to with giving employees opportunity to learn and help each other and elevate to their maximum potential. This is what we normally refer to as empowering the employees and if done right and the learning and contribution of each member of the organization is valued and encourage ultimately we get to point that learning occurs at all three levels of individual, tem and total organization and we move toward the true learning organization (Zomorrodian, 1999)

4. Help Keep Them On Track: In a high performance culture, an effective appraisal system will ensure that the human resources are managed in a way that optimizes the value for the organization. It must be designed to support the strategy of creating a high performance culture and there must be a way to measure performance against the added value. For example, during the appraisal process, relevant goals must be created by the management with input from the employee. Performance must be continuously monitored and measured and employees need to be given ongoing quality feedback that is clearly communicated and relevant to how well the desired results are being achieved (SHRM, 2006, p. 107). The process must support the culture; a strong management team that is skilled in mentoring and coaching is essential to build a high performance team. This is where managers have an opportunity to really motivate their team in

the way they communicate with them, listen to what they have to say, and the way they provide support and encouragement (Bruce & Pepitone, 1999, p. 52). This is the place where good relationships are created and the management team must be well indoctrinated on the HR strategy where open communication and innovative thinking is encouraged. At the team and total organizational level appraisal and assessment models like 360-degre and BSC are very relevant in achieving the strategic objectives.

## HC THEORIES IN PERSPECTIVE

At the outset this paper referred to a few research projects on HC with different focus by the concerned researchers. Here are some of the highlights of their findings in line with their asserted theoretical/conceptual framework:
A: As mentioned Crook et al. (2011) refer to the term *human capital in terms of the famous* KSAs embodied in people. They state that it includes not just factual, "how-to" KSAs that can be made explicit but also tacit KSAs, which it can often be difficult to articulate. With **Contingencies Surrounding the Human Capital–Performance Relationship as their focus** here is what they conclude of their study:
"Overall, our study takes a step toward better understanding the extent to which human capital shapes performance. As the global economy becomes increasingly knowledge based, the acquisition
and development of superior human capital appears essential to firms' viability and success. For managers, our results leave little doubt that to achieve high performance, firms need to acquire and
nurture the best and brightest human capital available and keep these investments in the firm. For researchers, the results suggest that received theory has correctly pointed to the importance of
human capital, and, in particular, specific human capital, as key determinants of firm success, but that not all human capital is equal and not all benefits go to owners. We hope that our results form a
foundation that future researchers can use to build theory about additional contingencies surrounding the human capital–performance relationship." (Crook et al, 201 p. 543)

Lado and Wilson also looked at HC from the resource-based view of strategic management, They explores the potential of human resource systems to facilitate or inhibit the development and utilization of organizational competencies like managerial, input-based, transformational, and output-based, that they consider to yield sustained competitive advantage for a firm. They made two key assumptions underpin our analysis of the contribution of HR systems to sustained competitive advantage. First, they assumed an open systems view and examine the extent to which HR systems contribute to the development of managerial, input-based, transformational, and output-based competencies, and, conversely, we examine how HR systems can destroy those competencies and/or inhibit their accumulation and deployment. Second, they subscribed to the view that managers are as much responsible for their organization's success as they are for its failure after what researcher like (Castanias & Helfat, 1991; Penrose, 1959; Reed & DeFillippi, 1990) referred to earlier on. Thus, They examine the extent to which HR managers and professionals can enable or constrain the strategic decision-making process by providing or withholding critical information concerning people-related business issues. (Lado & Wilson, 2011. p.704) here are a few propositions they came about based on their research:

Proposition J: *Firms with HR systems that facilitate the development and exploitation of managerial, input-based, transformational, and output-based, organizational competencies will have a greater likelihood in achieving competitive advantages than firms that have HR systems that destroy these competencies* and/or prevent *their exploitation.*
Proposition 2; *Firms with* configurations of competence-enhancing *HR system attributes that are* unique, caus*ally ambiguous, and synergistic will have sustained competitive advantage* over f*irms that have HR system* configurations *that are typical, causally determinate, and non-synergistic.*
Proposition 3; *Firms with HR systems that are reciprocally integrated with their strategic suprasystems will be more effective in the development and exploitation of organizational competencies (and, thus,* in achieving *sustained competitive advantage) relative to firms with HR systems that are either sequentially linked to* or recopied from their *strategic suprasystems. (Lado and Wilson, 2011. P.718)*

Alpkan et al., who took a different approach to HC and investigate the direct and interactive effects of organizational support (OS) and Human Capital (HC) on the innovative performance of companies. Factors they focus on include individual effects of the organizational support dimensions like management support for generating and developing new business ideas, allocation of free time, convenient organizational structures, particularly decentralization level or decision-making autonomy, appropriate use of incentives and rewards, and tolerance for trial-and-errors or failures in cases of creative undertakings or risky project implementations, as areas their investigation. Her re the gist of their findings:
"Our empirical findings reveal that HC and OS – especially its dimensions of managerial support and tolerance for risk taking – exert significant and positive impacts on innovative performance. However, the interaction between HC and OS does not produce higher innovative performance. On the one hand, when HC is low, OS increases innovative performance more. On the other hand, when both are high, a further significant increase in innovative performance seems not to be possible within the same period. It appears that the existence of some other resources or antecedents is necessary beyond the interaction of HC and OS to reach a relatively higher level of innovativeness. A plausible explanation for this may be related to the existence of a local and or temporary ceiling for innovative performance in the short run. These findings imply in general that considering the interaction between innovative performance, OS, and HC, a positive or negative moderator role of HC in the OS-performance relation is not supported as opposed to our related hypotheses. In this concern, it is rather possible for us to argue that OS and HC, which are separately found to be the positive drivers of innovative performance, can complement each other in such a way that when one is lower the other one increases performance on its own, and vice a versa; but when both are high a further increase is not observed. Considering the individual impacts of OS dimensions on innovative performance, we find that, first, the performance-based reward system, which is significantly correlated to innovative performance, is ineffective on it when regressed together with

the two significant drivers of innovativeness, namely support and tolerance. Second, work discretion, which is not significantly correlated to innovative performance, is found to be negatively effective on it when regressed together with the other dimensions of OS, probably because of the overshadowing effects of management support and tolerance for risk taking as the strongest drivers of innovativeness. (Alpkan et al. 2011. p.746)

## CONCLUSION

Based on what presented in this paper, it is this author's position that Human Capital as we refer to most often today contains some fundamental changes compared to convention HR practices. The new Terminology has a lot in common with the Strategic HR with more emphasis on a holistic view of all organizational processes in a systemic way of looking at the entity. HC is may be the most precious capital available to the firm that needs proper deployment within key strategic goals of the organization, a capital that need continuous development, adjustment, nurturing and support for creating add value (both financial and otherwise) as well creating and sustaining the on competitive advantage for the firm. This makes it essential that organizational support systems to be put in place both structural and technical as well as behavioral, containing mechanisms for continuous feedback-adjustment, incentives, positive environment conducive to cooperation and collaboration and collective effort towards the organizational and individual goals. All parts as parcels of a right and effective leadership system that needs to be created for sustainable growth and survival, as depicted by this author in another article on distinction between leadership system and individual leader. (Zomorrodian, 2013)

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