

AFRICAN JOURNAL OF MANAGEMENT, BUSINESS ADMINISTRATION & ENTREPRENEURSHIP

SUSTAINABLE HUMAN CAPITAL POLICIES AND APPLICATION OF HUMAN CAPITAL IN BUSINESS ORGANIZATIONS

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Article history:

Received: 30 July 2021;
Received in revised form:
2 August 2021;
Accepted: 2 August 2021;

Keywords:

Application, Human Capital, Sector, Strategies, Sustainable.

Abstract

This study examines the sustainability of human capital policies, strategies, and the application of human capital in business organizations. The study reviewed past literature to identify empirical shreds of evidence on the uses and strategies of human capital policies. The paper presents empirical evidence of human capital and provides the usage of human capital in different sectors. The paper also identified strategic direction, goals, objectives, and implementation plan and communication plan as the main components of human capital strategies.

Introduction

In recent years, the world has experienced a scarcity of resources. Human and industrial sectors are wreaking havoc on the environment, with challenges such as deforestation, rising carbon emissions, and global warming to mention but a few. Given that human and industrial activity causes a large percentage of global sustainability concerns, it makes sense to give training and/or organizational development

programs aimed toward a sustainable economy (Atiku, 2021).

To attain sustainable development goals, such programs strive to expand knowledge and teach values that support pro-environmental behavior at all levels. To address these problems, the quest for a more sustainable world economy based on sustainable development goals has already been championed by global authorities.

According to Njoku and Onyegbula, (2017), about 194 members's states used the United Nations' 2030 Agenda for sustainable development to accomplish a sustainable economy in 2015. Individual states may be able to take a proactive approach to develop a long-term economy by investing in human capital. The words 'human capital' can be explained as physical and financial capital. In this context, capital means an individual's knowledge, talent, creativity, and health (Becker, 2002). The idea of human capital originated from economic theory (Becker, 1996).

Human capital is usually recognized as the most valuable asset of a country or company. In today's market, it is a critical competency for organizations and a major aspect in determining a company's competitive success and profitability. Thus, organizations require a multitude of elements to be successful, according to Fisher, Schoenfeldt, and Shaw, (2003). Nevertheless, human resources and how they are managed are the most likely to produce a competitive advantage. Human capital is essential to an individual's employability and earning potential, as well as an organizational value.

It is also not considered a basic input since it plays a more sophisticated function in the development of products and services. Human capital has the potential to modify and moderate itself in response to external stimuli. This quality helps the economy's long-term viability (Menzies, 2003). As explained by Namasivayam and Denizci, (2006), expertise, education, work competence, and psychometric assessments are examples of human capital. Human capital, according to Pasban and Nojehdeh (2016), is crucial for people's

development since it improves life and income by expanding learning, competencies, and product capacity, as well as enhancing economic growth and reducing poverty.

Mayo, (2001) defined human capital as combined intelligence, skills, and knowledge that gives an organization a distinct personality. It is also referred to as the way human resources are used to improve the efficiency of the company. In actuality, as stated by Burund & Tumolo, (2004), the costs of the investment have been stored aside for future use. As a result, the different organizations decide that individual with a valuable set of skills capable to work in an organization. In general, resources from an organization are a set of qualitative traits that bring value to a company such as education, skill, and culture (Namasivayam & Denizci, 2006).

According to human organizational management, human resources are a significant aspect in obtaining efficiency and a long-term competitive edge. In a world where knowledge and customer communication is becoming increasingly crucial, human capital is becoming more crucial to have a score that reflects an organization's volume of knowledge, practical expertise, inventiveness, and experience. As a result, labor is seen as a valuable resource rather than an expense (Hendricks,2002).

One of the most important notions in labor economics is the workers' marketable abilities as a form of capital in which they can invest in a variety of ways. In the broad sense, human capital refers to a person's pool of knowledge or attributes. Therefore, this study aims at investigating the strategies and the practice of sustainable human capital policies.

Theory of Human Capital

Schultz (1961) proposed the theory of human capital, which Nobel laureate economist Gary S. Becker expanded upon in his research work, titled economics of employer-provided training which he later developed extensively between 1962 - 1964. The theory of human capital can be traced to macroeconomic development theory. According to his argument, education improves workers' productivity by imparting useful abilities and expertise, hence enhancing workers' future wages by increasing their lifetime earnings. Education or training, according to human capital theory, imparts useful knowledge and skills of workers, increasing their productivity and income (Becker, 1964).

Becker distinguishes between specific human capital and general human capital where he defined specific human capital as the expertise gained through education and training that is unique to a specific firm. Also, Becker defined human capital as the knowledge gained through education and training that can be applied in a variety of situations. As stated by Bassi and McMurrer, (2006), Becker's theory of human capital has remained consistent and primarily on the theoretical construct for conceptualizing human capital investment from a personal and firm perspective.

Several scholars have criticized the human capital theory for its simplistic approach to employee productivity, demonstrating that education alone cannot contribute to organizational productivity (Levin & Kelley, 1994; Thurow, 1975, Bassi & McMurrer, 2006). Economists and other social scientists, according to Levin and Kelley (1994), have exaggerated the benefits of greater education while ignoring complementing inputs such as training, contract conditions, and management

practices, all of which must exist for education to improve productivity.

Applications of Human Capital

Science and technology revolutionary function highlight the increasing value of human capital. Individuals are empowered and society is enriched as a result of scientific and technological developments. Huxley, (1957) stated that "Humans are now in charge of evolution.", leading to why Crutzen, (2002) and Steffen, Crutzen, and McNeill, (2007) describe humans' pivotal role in the planet's evolution. Thus, human capital can be applied in different aspects of life such as the educational system, health sector, industry, construction, etc.

In the educational system, human capital is applicable in the aspect of formal education since it is useful and necessary for increasing a population's productive capacity. The theory proposes that a well-educated population is more productive. The educational system rises to the extent of cognitive stock of economic and useful human resources, as a result of core competencies and human capital investment. Educational system, enthusiasts believe, is more valuable than physical capital (Woodhall, 1997).

Human capital is also applicable in the educational system as stated by Babalola, (2003) and Psacharopoulos and Woodhall (1997).

As claimed by Babalola, (2003), education aids the growth and development of the economy in various ways by increasing the productivity of an existing labor force.

As a result of the analysis, if educational investment is an economic standpoint, a lot of factors should be considered. Psacharopoulos and Woodhall (1997) stated the following use of human capital:

The balance between resource opportunity costs and expected future benefits is the direct economic returns to investment.

Indirect economic return is referred to as social advantages affecting other members of society. Individual demand for education is determined by private demand and other variables.

The geopolitical environment is the balance between resource opportunity costs and expected future benefits. However, in the educational system, individual human capital is increased, resulting in increased societal output and higher pay for individual workers. It increases their chances of finding work by allowing them to move around between jobs.

Only anti-traditional education liberates, stimulates, and informs the person, as well as teaches them how and why to make demands. It can also lead to the growth and development of an economy. In industry, the application of human capital is hard to evaluate and conflicting, it asserts that investment in human capital would result in higher economic outcomes. From history, economic prosperity was built on tangible assets which include land, industries, and equipment. Considering the significance of labor, capital equipment investments increased the company's value.

In today's era, economists believe that educational sectors are the keys to increasing human capital and a country's economic output (Becker, 1993). The logic behind the human capital in the industry is based on three principles as stated by Babalola, (2003). The three principles are as follows:

Evidence should be applied to the creation of new goods, the introduction of new processing and techniques, and the provision of social benefits to subsequent generations.

Staff should be able to use innovative methods to come up with completely new concepts, products, procedures, and methods.

The previous generation has appropriate portions of knowledge that must be passed on to the new generation.

Human capital is also tied closely with industry. Information from various communication technology applications is rapidly becoming incorporated into construction's business processes.

Construction should learn about these innovations and be able to apply them effectively. The use of technology and human resources management mostly deal with cost and time overrun, operational and quality deficiencies (Fugar, Ashiboe-Mensah, & Adinyira, 2013).

As a result, the professional, technical, Supervisory, and worker quality of staff is crucial to the effective completion of construction projects at all phases, from concept to design and implementation. As a result, it is vital to educate, train, and retain a professional workforce capable of and dedicated to the industry's success.

Though construction companies are faced with many challenges and competition from an organization that has great experience and resources, Construction companies must be conscious of their environment in the execution of their projects, to enable their workers acquire appropriate skills and knowledge through effective and continuous human capital

policies and development (Ofori, 2001, and Fugar, Ashiboe-Mensah, & Adinyira, 2013).

Different policies linking to the objectives of the construction companies are reviewed by changes in the technological, economic, legal, and social environments which require human capital policies such as employees acquiring new knowledge, skills, and abilities.

Loosemore, Dainty, and Lingard, (2003) stated that for an effective human capital policy, the following qualities must be processed.

- 1) The organization should establish a pyramid of skill and expertise requirements to make its learning requirements a priority
- 2) An individual should not only characterize, team, or train a larger workgroup, but also show how offering these abilities will help the business meet its objectives.
- 3) The individual, group, and organizational training priorities should all be considered and linked in a complementary manner.

In the health sector, human capital policies give healthcare businesses excellent recruiting capabilities, allowing them to cast a wider net to find harder-to-find talent and inspire interest. It necessitates that human resource solutions go beyond simply paying employees and managing their insurance

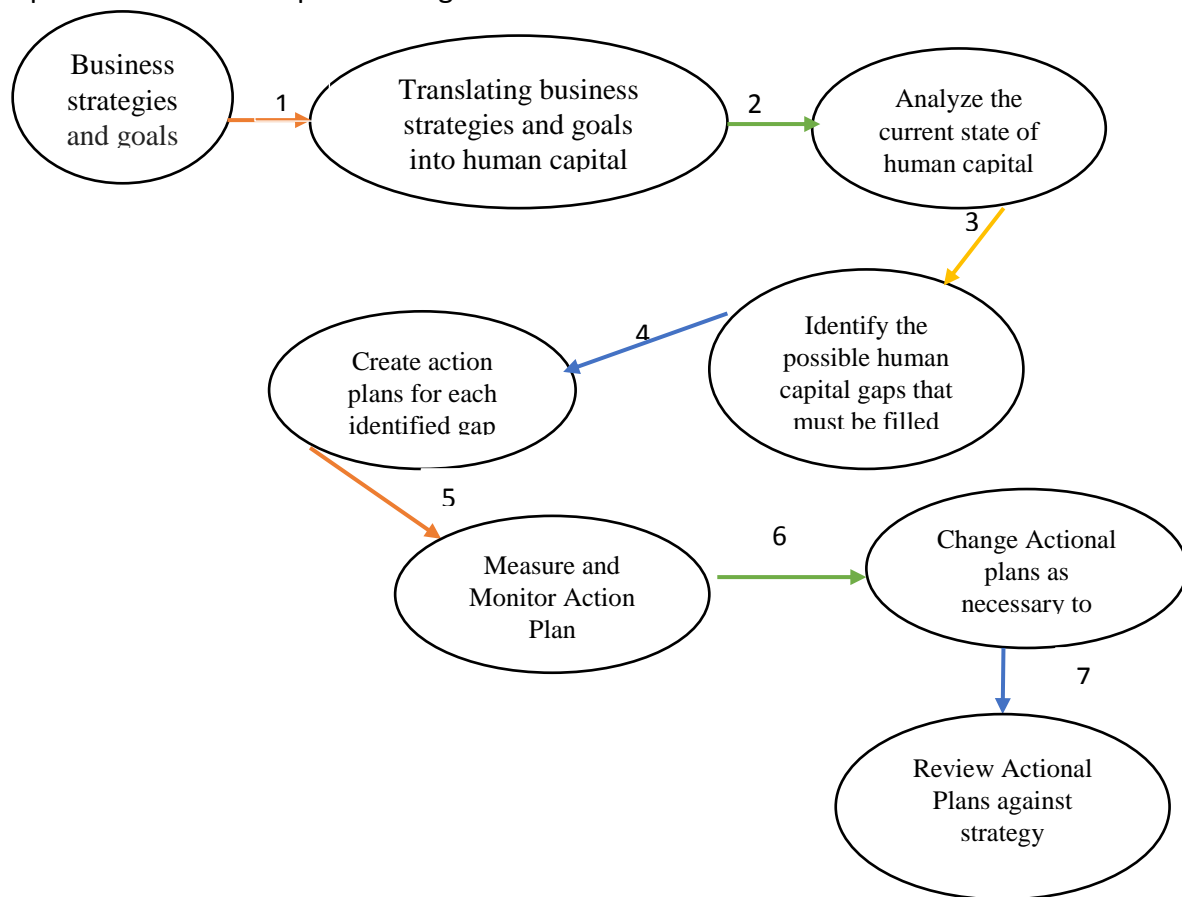
and paid time off. In the future, it is expected that measures such as productivity, employee retention, training, and employee happiness will be compiled and reported on. Human capital management software should be able to quantify staff productivity and efficiency, as well as track goals and measure progress toward company goals. In addition, human capital is used in different aspects of labor economics because it is defined as a set of skills/characteristics that encourage a worker's productivity.

Strategies of human capital

This is systematic for defining the resource pool and its capabilities to satisfy organizational goals, as well as generating strategies and action plans to meet those requirements.

The strategies of human capital ensure that every organization has the right human capital in the right jobs at the right time and for the right cost. At every level, the need of every organization to accurately measure and improve human productivity and profitability is being addressed by the strategies of human capital. Lack of strategies comes in when an organization fails to invest in human capital and the next generation will see the goods and services erode, as well as their ability to compete worldwide (Gartner, 2003).

The process of human capital strategies can be illustrated as follows:



Source: Researcher's Compilation, 2021.

Figure 1: Processes of Human Capital Strategy

In an organization, the critical pillar of strategic direction is the alignment of human resources capital strategies with the organization's mission and vision through accurate and timely information, analysis, commitment, and development of employee capital strategies.

To achieve these strategies, a unified purpose must be implemented into the organization's strategic plan. Implementing these strategies is a critical step in an organization's progress toward becoming a successful and performance-based organization by selecting, integrating,

inspiring, and rewarding a high-performing, top-quality team.

An organization's policies become the path for continual improvement and the framework for an organization to transform its culture and operations.

The structure and format of human capital strategies varies by the organization. The general plan of every organization includes:

- Understanding the strategic direction of an organization
- Goals of human capital management for customers and stakeholders
- Objectives for achieving the goals
- An action plans

- Networking management plan (Optional)
- An accountability system.

The structure listed above concerning the process of human capital strategies helps to showcase the four main components of human capital strategies, as illustrated in Figure 2 below.

Strategic Direction

Every organization requires a clear understanding of strategic direction by explaining the performance plan, budgetary constraints, drivers that impact human capital needs, the makeup of the current employee, customer, stakeholder perceptions, and needs related to human capital. The direction of strategic human resource planning begins with the collection and review of organization documents and employee analysis.

To have an effective direction, every organization gathers information from customers, stakeholders, and key leaders about the requirements, challenges faced and possible solution to the challenges faced.

In this regard, the organization develops a mission and vision of the kind of

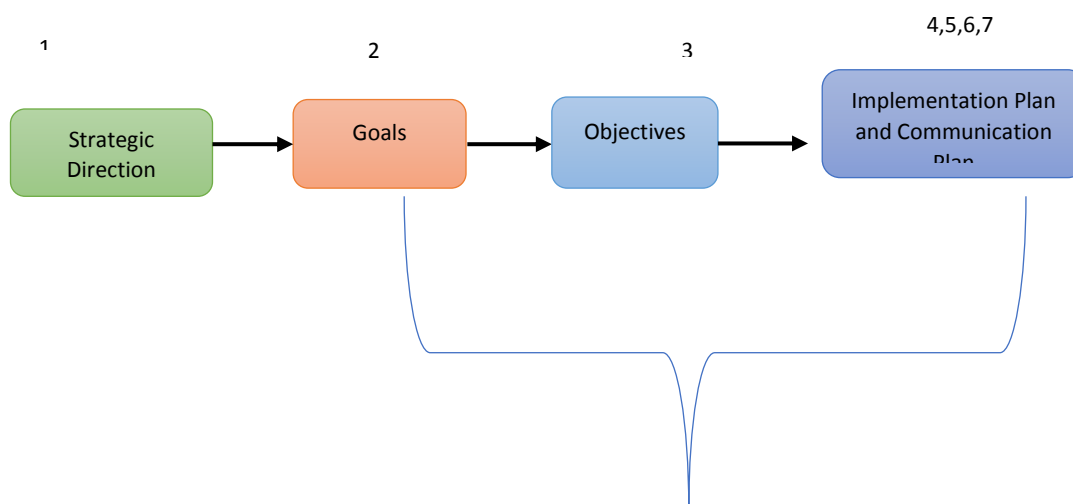
workforce they would need to help the organization to achieve the implementation of its plan.

Though, most of the planning in organizational strategic planning will be explained in the background of every organization focusing on the key theme of the organization. Also, the key themes of the organization will be associated with the current and desired states of the organization relating to the workforce vision and mission of the organization.

Goals of the Human Capital

Since every organization has identified its mission and vision (directions), the organization must develop its plan around the human capital system and set and achieve goals. Some of the goals might include:

- develop a high-performing workforce with the skills and experiences required;
- plan a strong workforce competence following organization requirements; and
- Organize human resources across functional units to respond quickly to changing task demands.



Ob Accountability and Measurement of human capital

Source: Researcher’s Compilation, 2021

Figure 2: Four components of Human Capital

The objectives will specifically be explained how the goals of each organization will be accomplished. In this stage of human capital strategies, the organization or the agency will consider the entire spectrum of human resources actions and adaptability before setting the organization's goals.

Implementation Plan and Communication Plan of Human Capital

The actions required in implementing and/or achieving an organization's objectives, mission, and vision will be explained in full detail. The plans detail the necessary activities that will happen in the organization, the responsibility of each team, the human and the financial sources of the plan, and the timeframes for implementing each of the plans.

Accountability and the Measurement System

The accountability and the measurement system explain the success of implementing the objectives and how they will be tracked. This can be explained by identifying and describing the performance level or rate of improvement needed in an organization. The desired behaviors and direction of an organization are achieved through their accomplishment by testing an organization's process.

Conclusion

This study exploits the reasons for sustainable human capital policies, uses and strategies to be applied in every organization - the study shows that human capital is applicable in different sectors/areas of life such as the industrial sectors, financial sector, construction, and educational sector to mention a few. The paper has also proven the necessary strategies to apply in an

organization by expanding more on the four components of human capital strategies. Therefore, the research has proven the importance of sustaining human capital in an organization.

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