

Human Capital Development and Organisational Competitiveness: A Theoretical Approach

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Abstract: With the high level of competition in this knowledge-based economy, organisations are on a quest to increase their competitive edge over their various counterparts. This study examines the role human capital development plays in helping organisations achieve this feat. A theoretical approach was involved and the study was done via the perspectives of human capital and resource-based theories. The study concluded that the implementation of human capital development activities like training, development, education contributes greatly to the competitiveness of an organisation and recommends that organisations take seriously the development of their human capital if they are to survive the harsh competition prevalent in the Nigerian business environment.

Keywords: Human capital, training, development, education, human capital development, organisational competitiveness.

I. INTRODUCTION

The business world, over the years has transited from the industrial age into what is known as the knowledge-based economy where knowledge is highly valued and can be traded for economic gains. This phenomenon has escalated the rate of competition existing in the business world as organisations are on a continuous quest to access individuals who possess the right knowledge that can put them at a competitive advantage. This accounts for why a high degree of importance is attached to the human resource management (HRM) unit.

Sourcing for the right embodiment of knowledge that can add value to the organisation is a skill that only the HRM unit can provide. These embodiments of knowledge are referred to as human resources while the knowledge, skills, abilities, and competencies they possess refer to what is called human capital. Human capital is the summation of the skill, knowledge, creativity and health of an individual (Becker, 2002). It is an intrinsic value an individual has to offer to an organisation.

According to Afrah (2016), human capital can be traced back to the late 18th century. He further stated that it is one thing to possess human capital but it is another to develop it. This leads to human capital development. Several scholars have conceptualised human capital development in different ways. One of them is Harbinson (1973) who described human capital development as the conscious and continuous efforts put in place to ensure the knowledge, skills and abilities of individuals are not obsolete or better still, are in tandem with current trends for the purpose of increasing economic benefits.

Human capital development should be one of the most vital areas firms are to focus on to increase their organisational competitiveness (Marimuthu, Arokiasamy, & Ismail, 2009).

Organisational competitiveness has gained much attention in the literature lately. This may be due to the high level of competition in the modern business world. As a result, many organisations are on a constant lookout for triggers that can increase their competitiveness as against their counterparts. Organisational competitiveness which is the ability of a firm to successfully compete in the global market (Kogut, 1993) has become an issue of serious concern to organisations especially in the Nigerian business environment. Organisations in the Nigerian business environment are known to disregard the need for developing the human capital of their employees (Mbah, Aga, & Onyia, 2018). This may be due to their quest for profit maximisation and cost minimisation. Most business organisations in the Nigerian business environment tend to perceive the initiation of human capital development programmes as waste of time and resources. They are of the belief that engaging in such programmes will impede on the profit margin of their organisations. Against this backdrop, it is the aim of this paper to enlighten organisations on the role human capital development plays in increasing their competitiveness.

This paper seeks to achieve the foregoing by adopting a theoretical approach. The rationale behind the adoption of this approach is that the focus of the paper is on the explanation of the reason for the importance of human capital development to organisational competitiveness. Moreover, the theoretical approach is not costly and time consuming when compared to empirical or experimental approaches.

II. LITERATURE REVIEW

2.1 Conceptual Clarification

2.1.1 Concept of Human Capital

The term "human capital" was introduced into the literature by Theodore Schultz in the early 1960's (Wuttaphan, 2017). And since then, many scholars have defined the term in various ways. Becker (2002) defined it as the summation of skill, knowledge, creativity and health of an individual. According to him, human capital is just one form of capital amongst physical capital and financial capital; and it can be inseparable from an individual unlike physical and financial

capital which can be separated from an individual. Davenport and Prusak (1998) opined that human capital constitutes the behaviour, innate abilities, and personal energy owned by an individual which he/she dispense at the workplace. In the view of Armstrong (2014), a renowned human resource scholar, human capital is seen as the knowledge, skills and abilities of the employees of an organisation. It is an economic concept that describes the knowledge and skills possessed and utilised by individuals for the generation of value like productivity and innovation in the course of performing a job function (Koednok, 2011). Sharabati and Nour (2013) stated that human capital is simply the knowledge and skills of people. From the foregoing definitions, human capital can therefore be said to be a set of competencies and knowledge possessed by a human being that adds value to an organisation. It must be possessed and inseparable from a human being and be able to generate value or returns for it to be called human capital.

2.1.2 Concept of Human Capital Development

Human capital development on the other hand refers to every arrangement put in place that allows for an individual to acquire the skills, knowledge, attitude and competencies necessary for him/her to develop technical, relational and conceptual abilities that will aid in the successful execution of given tasks (Onyebuchi, 2018). According to Qureshi and Ramay (2006), human capital development refers to the training and development of the potential capabilities of the people. It is the process where the number of persons who have skills, education and experience necessary for economic growth are acquired and increased (Okojie, 1995). Oyewole and Adegoke (2018) defined human capital development as the development of any stock of knowledge or characteristics whether innate or acquired possessed by the worker that contribute to his/her productivity. Having outlined various scholarly definitions of the term, human capital development can therefore be said to be a deliberate and continuous process initiated for the upgrade and update of the skills, knowledge and competencies of individuals which has an ultimate consequence of increased productivity both at the micro and macro levels. In the literature, human capital development is also referred to as human capital investment, human capital enhancement or human resource development (Cross, 2019; Marimuthu, Arokiasamy, & Ismail, 2009; Ukenna, Ijeoma, Anionwu, & Olise, 2010).

Human capital development is made up of different elements such as education, training and development, etc. These three elements would be explained in subsequent subsections.

2.1.2.1 Education

It is a widely held belief that people's education, especially at the tertiary level, is a colossal step in achieving a robust human capital development for an economy seeking competitive advantage (Mohammed, Rufai, & Azeez, 2016). This is not only true for the macro environment but also true for micro environments like business organisations. With

organisations being characterised by people, it is very important for them to be educated. Education is referred to as a sequential order of learning for the purpose of acquiring knowledge, skills, beliefs, habits and values. According to Haralambos and Heald (2006), can be defined as the process by which people gain exact information, attitudes, skills, talents, interests and cultural values of a society. It is viewed as the principal means through which knowledge and skill are developed (Crocker, 2006). Due to the significance of education, Njoku (2017) asserted that without a functional education, there can be no productive human capital. This may be the reason for Crocker (2006) affirming that the degree to which labour is educated determines the quality of such labour. From this affirmation, it can be said that the quality of human capital possessed by an employee(s) is directly proportional to his or her level of education.

2.1.2.2 Training and Development

The literature is filled with how impactful training and development are to the output or performance of an organisation. When employees grow beyond their current knowledge, skills, attitudes, initial assignment and are ready for new responsibilities, training and development become imperative (Meeta & Dwivedi, 2012). Although training and development is primarily targeted at employees, its final influence is seen by the organization, as the organization is the end consumer of its benefits (Raja, Furqan, & Muhammed, 2011). Obisi (2015) in his book, "Anatomy of Personnel Management", described training as a short-term process adopting an organised procedure where non-managerial staff are provided with technical skill for a specific purpose. On the other hand, he described development as a long-term process where managerial staff are taught theoretical knowledge for general purposes. From these two definitions, it can be seen that Obisi (2015) differentiated training from development; training is a human capital development programme done in the short-run for non-managerial staff while development programmes are those done in a longer timeframe for managerial staff. Training has to do with teaching operational or technical employees how to perform the job for which they are hired (Oladele, n.d.). It is simply the transfer of operational or technical knowledge to employees at the operational level. In the view of Meeta and Dwivedi (2012), training and development refer to the combination of activities targeted at ameliorating the performance levels of employees in organisations so as to achieve improved productivity or performance.

2.1.3 Concept of Organisational Competitiveness

Due to the attention "organisational competitiveness" has received in recent times by scholars, there have been variations in its conceptualisation. Different scholars define it in different terms as it relates to them. According to Orozco, Serpell, Molenaar, and Forcael (2014), organisational competitiveness is seen as the superior performance and capabilities of an organisation when compared to their

competitors. It is the ability of an organisation to either maintain or improve its competitive position and returns (Camison & Fores, 2015). In the words of Zhu and Cheung (2017), organisational competitiveness is the ability of an organisation to obtain value in the long run. Judging from these definitions, organisational competitiveness can be defined as the ability of an organisation to generate superior performance and maintain it as against its competitors for a long period of time. This means, an organisation that is unable to maintain its superior performance over a long period of time should not be regarded as a competitive one. Therefore, three key elements can be said to be involved before it can be called organisational competitiveness. The first one is superior performance. The second one is comparison and the third, long period of time.

2.2 Theoretical Framework

2.2.1 Human Capital Theory

The human capital theory can be traced back to the late 18th century when Smith (1776) published his work titled, "Wealth of Nations". Although it was not stated as human capital theory as at that time, his work provided a foundation for the idea to be conceived. The human capital theory became popularised by the works of Mincer (1958), Schultz (1961), and Becker (1962).

The human capital theory is premised upon the notion that investments in people provides or generates economic benefits for individuals and societies (Sweetland, 1996). This statement implies that individuals and societies will reap economic benefits when investment of knowledge is made in people. Blair (2012) expounded on the foregoing by asserting that the difference in the levels of wages and salaries is determined to a great extent by the difference in the level of education and training. This means the more an individual possesses more knowledge, skills and abilities, the more likely he/she is to get a better job.

In a highly competitive business world, organisations are on their toes to increasing their performance. And to do this, the performance of its employees has to be increased. For employees' performance to increase, more investment in their human capital has to be made. Wuttaphan (2017) remarked that, for an organisation to survive a highly competitive knowledge-based economy and concurrently keep sustainability, attention has to be paid to the human capital theory. From this statement, it can be said that organisational competitiveness cannot be achieved if the human capital development is neglected.

2.2.2 Resource-Based Theory

The resource-based theory was introduced into the literature by Penrose (1959) in her book titled, "The Theory of the Growth of the Firm" and was amplified by Wernfelt (1984). This theory suggests that the internal resources of a firm whether, human, financial or material are to be taken into consideration when formulating strategies that generate

competitive advantage (Madhani, 2010). According to Penrose (1959), the growth of a firm is contingent upon its resources. The resource-based theory proposes that when a firm has valuable, irreplaceable and difficult to imitate resources, such firm is automatically positioned for long-term success. This theory already provides more enlightenment to the competitiveness of an organisation. For an organisation to have competitive advantage over its counterparts, it has to harness all its resources and ensure they provide supreme performance in the business world. Dickson (1996) stated that this theory helps one have an inside-out view on the reason for the success or failure of an organisation in the business world. This means that the poor or good performance of a firm in the market place is a reflection of its "inside coordination". The value of its resources and the way they are harnessed determine how well an organisation performs in the market.

III. HUMAN CAPITAL DEVELOPMENT AND ORGANISATIONAL COMPETITIVENESS IN THE NIGERIAN BUSINESS ENVIRONMENT

The idea behind human capital development is that the development and growth of employees are critical to both the short-term and long-term success of the organisation. An organisation which seeks to favourably compete against its counterparts has to pay serious attention to its current human capital. Roman, Piana, Lozano, de Mello and Erdmann (2012) asserted that being competitive is a decisive factor for the survival of an organisation in the business world. This means the goal of achieving competitiveness is not an option but a necessity for the continuous existence of such organisation.

It has been observed that several organisations that seek to increase their competitive advantage pay lip service to the issue of human capital development. This, however, may be due to the costs involved. But it still does not create an excuse to ignore its efficacy. Radjenovic and Krstic (2017) asserted that intellectual resources (human capital) are the principal stimulants of competitiveness in a knowledge-based economy. And if these resources are not adequately taken care of and continually updated, there is a likelihood of the competitiveness of such organisation experiencing a decline.

Taking a cue from Prahalad and Hamel (1990) who defined knowledge as the only asset that can be offered by an employee to an organisation in the current competitive environment for the purpose of having an edge over competitors, it is obvious that the issue of "currency" is vital in this definition. Due to the evolution of the business environment, it is expedient for organisations to constantly update the knowledge, skills and abilities of their employees. And this can only be done by the practice of human capital development.

Empirically, several studies have proven human capital development to drive organisational competitiveness (Gebremichael & Tekle, 2020; Lin, Wang, Wang, & Jaw, 2017; Mujtaba, Jamal, Qureshi, & Shaikh, 2018). Lin et al. (2017) showed that human capital development had a positive

relationship with the value and uniqueness of employees. Their study revealed that the activities of training and development contribute greatly to the value employees have to offer. It should be recalled that employees are likened to the blood of an organisation without which an organisation will cease to exist (Obisi, 2015). Hence, the competitiveness of the organisation is directly proportional to the competitiveness of the employees.

Moreover, Mutjaba et al. (2018) declared that human capital is likened to oxygen for an organisation in an intense competition where every firm is on the run to take the lead in the market. If the human capital is this important, how much more investing in the continuous development of such capital? Any organisation which views education, training, and development of its employees as a waste of financial resources may sooner than later face the bitter consequences of such perception. Oladele (n.d.) advocated for the importance of human capital development when he declared that no matter how good the selection process is, there is a need for the training and retraining of employees so as to perform well on the job. Human capital is very critical to the competitive advantage of a firm. This is why Khayinga and Muathe (2018) affirmed that the degree of importance attached to human capital is dependent on the amount of contribution it creates towards the competitive advantage of a firm.

In the Nigerian business environment where the economy is seen to be on a rapid decline, organisations are willing to go to any length to save costs even if it requires scrapping out human capital development programmes. However, studies conducted in the Nigerian business environment showed that there is a significant positive effect of human capital development on the productivity of organisations (Ali, 2020; Abomaye-Nimenibo et al., 2020; Anosa, 2021). Abomaye-Nimenibo et al. (2020) in their study revealed that the implementation of training and development programmes is very vital to the survival of an organisation. This implies that human capital development can assist an organisation to favourably compete and also adapt to an ever-increasing changing business environment. However, Ukenna et al. (2010) in their study revealed that skills and training increase the effectiveness of human capital more than knowledge and education. This means that, with human capital development being pivotal to the performance of an organisation, training and skills are more effective than knowledge and education. Moreover, in agreement with foregoing propositions, Agbo (2020) stated that human capital development increases the performance of organisations which in turn adds to their competitiveness.

IV. CONCLUSION

Based on the review of literatures, this study therefore concludes that human capital development is very important for an organisation which seeks to favourably compete in the marketplace. Its significance to the improvement of the

competitiveness of an organisation cannot be overemphasised. The education, training, and retraining of employees provide an organisation with an up-to-date set of knowledge, skills, abilities and competencies which puts it in an advantageous position over its counterparts. Hence, organisations which seek to lead the market should take seriously the issue of human capital development. Moreover, the study concluded that there is the need for organisations to view human capital development programmes as triggers for improved organisational competitiveness despite the harsh economy. In fact, the harsher the economy, the more human capital development programmes are to be implemented so as to survive and compete favourably.

V. RECOMMENDATIONS FOR FURTHER STUDIES

With this study adopting a theoretical approach, there is the need for carrying out an empirical study on the effect of human capital development on competitiveness of organisations in the entire Nigerian business environment. Such study should include both small and large organisations in its scope. Also, a study focused on evaluating the effect of human capital development programmes on organisational competitiveness during an economic recession should be conducted in the nearest future.

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