

# **Human Capital Investment For Better Business Performance**

Eny Lestari Widarni  
STIE Jaya Negara Tamansiswa Malang

Suryaning Bawono  
STIE Jaya Negara Tamansiswa Malang

Triple Nine Communication Press  
Singapore  
2020

© Eny Lestari Widarni and Suryaning Bawono

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher

Published by  
Triple Nine Communication Press  
No 7 Temasek Boulevard#12-07  
Suntec Tower One  
Singapore, 038987  
Singapore

ISBN : 9798557263726

**OPENING SPEECH**  
**CHAIRMAN OF MAJU JAYA NEGARA**  
**TAMANSISWA FOUNDATION**

Alhamdulillah, thanks to Allah SWT, for the publication of the Human Capital Investment Book published by Triple Nine Communication Press written by Dr Eny Lestari Widarni, MM. At the STIE Jaya Negara Tamansiswa Malang, who inshaAllah greatly helps the needs of students in taking part in the Study of Learning Process at the STIE Jaya Negara Tamansiswa Malang. in it about the scope, stages in human capital and application in management, as well as what methods exist in human capital that is very useful. May Allah make this book a charity Jariah for the author, as well as making knowledge which is a blessing for all of us. Aamiin.

**Malang, November 05, 2020**

**Chairman of the Maju Jaya Negara Tamansiswa  
Foundation**

**Ki. Drs. Purnomo Adji, M.Pd**

**OPENING SPEECH**  
**REGISTRAR GENERAL OF THE SUPREME**  
**COUNCIL THE TAMANSISWA UNION**

Gratitude for the presence of Allah SWT, for the publication of the Human Capital Investment Book published by Janega Press written by Dr Eny Lestari Widarni, MM. At STIE Jaya Negara Tamansiswa Malang which is very useful in the world of education. Where education is learning, knowledge, skills and habits of a group through teaching, training or research.

This book discusses many things about education and applications in the field of Human Capital which are very helpful in the quality of human resources. The hope is that this book will be a motivation to improve self-quality and charity for the author, as well as make knowledge that is useful and blessed for all of us.

Aamiin.

**Malang, November 05, 2020**

**Registrar General of the Supreme Council**

**The Tamansiswa Union**

**Ki. DR.Saur Panjaitan XIII, MM.**

## **FOREWORD**

Praise and gratitude we always pray to the presence of God Almighty because of the abundance of His grace and guidance so that we can finish compiling this book. Along with the demands of the community on the importance of information and education, especially regarding Human Capital Investment, is the main objective of this book.

The purpose of this book is our material to develop the next edition of the book and can be a reference for the public, practitioners and academics.

This book contains all aspects related to human capital and the organizational environment. Basically, the preparation of this book is also a discourse for us to always learn and have an optimistic view of looking ahead that there is always a way to achieve success, one of which is by utilizing the right human capital.

Not to forget, we also express our gratitude because without the help of various parties we might not have been able to finish this book. The hope is that this book on human capital will benefit the community and be able to

become a reference for the community in developing their human capital capabilities.

No human being is perfect as well as His creation, There is no ivory that is not cracked, we welcome all comments, criticisms, suggestions and messages that can build us to be better in releasing the next edition of the book.

**Malang, November 05, 2020**

**Author**

**Dr. Eny Lestari Widarni, SE, MM**

---

## Contents

---

### **CHAPTER 1. What is Human Capital?**

1.1. Definition of Human Capital .....	1
1.2. Human Capital Management .....	3
1.3. Human Capital Components .....	7
Intellectual capital .....	8
Emotional capital .....	11
Social Capital.....	13
Internet and Social Capital.....	15
Deviation of Social Capital.....	16

### **CHAPTER 2. Human Capital Investment**

2.1. Organizations and People	
2.2. Calculating Human Capital Investment .....	19
1. Revenue per Employee .....	19
2. Human Capital Revenue Factor (HORF) .....	20
3. Human Economic Value Added (HEVA) .....	20
4. Human capital Cost of Factor (Human Capital CF) .....	21
5. Human capital value added (Human Capital VA) .....	23
6. Human capital Return on Investment (Human Capital ROI).....	24
7. Human Capital Market Value (Human Capital Management Value).....	24

### **CHAPTER 3. Why is Human Capital Investment Important?**

3.1. Human Capital Investment is important. ....	25
3.2. Benefits of Investing in Human Capital .....	26

### **CHAPTER 4. How to Invest in Human Capital**

4.1. Paradigm Change in Human Resource Management .....	30
1. Understand what human resource development is.....	31
2. Help employees follow the necessary skills.....	33
3. Make life easier for workers with static skills.....	34
4. Invest in the best supplies, tools, and equipment.....	34
5. Empower HR Professionals to develop new ways to invest in people. ....	35
4.2. Human Resources Investment Posts.....	36
1) Leadership .....	36
2) Culture and Engagement .....	36
3) Learning & Development .....	37
4) Simplification of work .....	38
5) Digitalization of human resources.....	39

6) Performance Management.....	39
--------------------------------	----

## **CHAPTER 5. Human Capital Investment Keep Your Potential Talent**

5.1. Employee Job Satisfaction.....	40
5.2. Tips for Steps to Increase Employee Job Satisfaction .....	41
Step 1: Organizational team survey.....	42
Step 2: Make the appropriate changes. ....	42
Step 3: Acknowledge individual differences. ....	43
Step 4: Communicate change, and be creative. ....	44
5.3. Tips for Retaining Talented Employees .....	45
1. Understand the level of job satisfaction of employees in the organization .....	45
2. Give an Award .....	46
3. Build Communication With Employees .....	48
4. Advise employees to do light exercise.....	49
5. Determine the Mission of the Organization .....	49
6. Understand Organizational Routines .....	51

## **CHAPTER 6. Human Capital Investment Talent Management**

6.1 Talent Management.....	52
6.2. Employees are Human.....	53
6.3. Talent Management Challenges.....	55
1. Limited budget .....	55
2. Lack of dexterity .....	56
3. There is no HR analytics strategy.....	57
6.4. Talent management strategy .....	57
1. Improve the recruitment process .....	58
2. Providing opportunities for continuous learning and development.....	59
3. Appreciate employee hard work in creative ways .....	60
4. Invest in analyzing the workforce in organizations .....	61
5. Off board employees attentively .....	62
6. Collaborative talent management.....	62

## **Chapter 7. Measurement of Human Capital**

7.1. Measures of the Human Capital Assessment and Accountability Framework.....	64
Strategic Alignment (Planning and Goal Setting) .....	64
Leadership and Knowledge Management (Implementation).....	65
Human capital and Change Management .....	66
Change Resistance to Human Capital Assets.....	72

**Chapter 8. Human Capital Administration Investment**

8.1. Human Capital and Administration..... 74  
Human Capital and Signaling Theory ..... 75

**Chapter 9. Human Capital and Business Performance**

9.1. Human Capital and Business Performance..... 80  
Human Capital Investment Continuous Training and  
Company Competitiveness ..... 81  
Human Capital is the Most Important Asset ..... 82

**Bibliography**

# **CHAPTER 1. What is Human Capital?**

## **1.1. Definition of Human Capital**

Employees are the lifeline of an organization. An organization cannot survive if there are no employees (Denisi & Griffin, 2015). Organizations operate with the help of individuals who contribute in their own way to their success and productivity. Employees spend most of their day in the office and strive to achieve organizational goals and objectives. Employees must be motivated from time to time to develop a sense of attachment to the organization and give their best.

During his tenure, each employee acquires several skill sets through experience, exposure, training, and so on, which further increases his productivity, which ultimately benefits the organization. Knowledge and skills developed by employees in time to further improve organizational productivity refer to human resources. Every employee tries their best to hone their skills while serving in the organization. Human resources are a collection of skills, attributes, knowledge, and expertise of employees, which then play an integral role in increasing organizational productivity.

Every organization invests its money and resources in training new employees. In turn, the employees work hard, enhance their existing knowledge, and contribute in their own way to increasing the productivity of their organizations.

Human capital plays an important role in increasing the productivity and output of an organization. Capital acts as a catalyst to increase productivity in the organization. Likewise, humans who act as employees without organizational employees will not run well (Nyberg & Moliterno, 2019).

Human capital is a useful resource to maintain a competitive advantage. Strategic action requires a set of physical, financial, human, or organizational resources. Thus, competitive advantage is determined by its ability to acquire and retain resources.

Human capital is an important capital for a company because it is a source of innovation and strategic renewal, process re-engineering, and a source of dreams for the company. One of the elements that can create a positive market perception

for the company is employees' personal skills so that the company can outperform competition and sales.

The relationship between Human Capital, Business Performance, Intellectual capital is an interaction of human capital, customer capital, and structural capital. Human capital in an organization has the full potential to build a market orientation for its consumers. There is a positive relationship between human capital and customer capital. So that investment in human capital can boost organizational performance.

## **1.2. Human Capital Management**

To optimize human capital in encouraging organizational performance, Human Capital Management is needed. Human Capital Management refers to managing the employees of an organization so that they contribute significantly to the organization's overall productivity. In layman's language managing the workforce of an organization refers to Human Capital management.

Human Capital Management refers to employee management, hiring the right employees, training them, improving their skills, making full use of their knowledge, which ultimately benefits the organization. Human Capital management refers to managing employees to contribute effectively to the organization (Sanghi, 2014).

Human Capital management is defined as acquiring, training, managing, and retaining employees so that they can contribute effectively to organizational processes.

In simple words, improving an employee's existing skills and extracting the best from it refers to Human Capital management.

Human Capital Management has more to do with how organizations treat their employees? Don't treat your employees only as laborers. Senior management must ensure the timely growth and development of every caring individual so that he or she can contribute efficiently if needed.

Human resource management refers to the process of managing people, as well as related processes and tools.

Areas that fall within the realm of human resource management services include:

1. Recruitment and talent acquisition
2. Orientation
3. Management capabilities
4. Employee retention and satisfaction
5. Performance management
6. Training and development
7. Health
8. Administration of benefits
9. Offboarding

Human capital is an important element of intangible assets in organizations. Intangible wealth is not only human capital but also copyrights, customer relationships, brand and corporate image. The imagination and creativity of employees is very important in business success.

Humans are intangible assets that are not visible on the company's balance sheet. These intangible assets can be classified as the economic value of the experience and skills of workers. This includes assets such as education,

training, intelligence, skills, health, and other things that are used by the employer such as loyalty and punctuality (Merriman, 2013).

The concept of human capital recognizes that not all workers are equal. However, employers can improve the quality of this capital by investing in employees in the form of education, experience and skills of employees, all of which have economic value for entrepreneurs and the economy as a whole.

Human capital is important because it can increase productivity and generate profits. So, the more companies that develop companies for their employees in education and training, the more productive and useful the employee's performance will be.

A strong organization must also be supported by qualified human resources. The directors, employees, and leaders who make up an organization's resources are essential to organizational trust.

Human resources are usually managed by the organization's human resources (HR) department. The department is

acquisition, management, and workforce optimization. Other directions include workforce planning and strategy, recruitment, employee training and development, and reporting and analytics.

Human capital tends to migrate, especially in the global economy. That is often the shift from developing or rural areas to more developed and urban areas. Some economists have dubbed this a brain drain, making poorer places poorer and richer richer.

### **1.3. Human Capital Components**

Humans are an essential component of the business development process. Humans, with all their abilities, have the potential to be deployed into extraordinary performance. There are at least three invisible capitals within humans that have the potential to encourage the productivity of human resources as follows:

- Intellectual capital
- Emotional capital
- Social capital

Human capital has the potential to drive optimum performance if it is accompanied by leadership capital and

organizational structure capital that provides a supportive working vehicle (Chatterjee, 2019).

## **Intellectual capital**

Intellectual capital is a necessary tool for finding opportunities and managing challenges in life. Many experts say that intellectual capital plays a huge role in adding value to an activity. Companies that excel and gain many benefits are companies that continuously develop their human resources (Sargiacomo, 2019).

Intellectual property is the value of a company or organization's knowledge, skills, business training, or proprietary information, or any proprietary information that can give the company a competitive advantage. Intellectual capital is considered an asset and can be broadly defined as collecting all information resources a company has that can be used to drive profits, acquire new customers, create new products, or improve business. It is the sum of employee skills, organizational processes, and other intangibles that contribute to company profits. Some subsets of intellectual

capital include human capital, information capital, brand awareness, and instructional capital.

Intellectual capital is a business asset, although measuring it is a very subjective task. Assets for these companies are not recorded on the balance sheet as "intellectual capital"; instead, to the extent possible, it is integrated into intellectual property (as part of the intangible and goodwill on the balance sheet), which in itself is difficult to measure. Companies spend a lot of time and resources developing management skills and training their employees in specific business areas to add to the 'mental capacity,' in a sense, of their company. Capital used to increase intellectual capital benefits the company; although it is difficult to measure, it can contribute to business value.

Intellectual Capital is elusive, but once discovered and exploited, it will give the organization a new resource base to compete and win over the competition. Intellectual capital is the term given to combining intangible assets from the market, intellectual property, infrastructure, and the human center that make a company function (Marr, 2012).

Intellectual capital is intellectual material (knowledge, information, intellectual property, experience) that can create wealth and collective power of reason or a useful knowledge set. Intellectual capital is an effective use of knowledge (finished products) as opposed to information. Due to the vague nature and characteristics of intellectual capital, intellectual capital is also referred to as intangible and environmental assets. Intellectual Capital is a combination of all relationships from inside and outside the organization with consumers. There are three parts of intellectual capital, namely:

1. Human capital: knowledge, skills, abilities, and human capacities to be developed and become an organization's innovation.
2. Social capital: a structure, network, and procedures obtained by a person and the development of intellectual capital that can be seen from the stock and flow of knowledge that comes from relationships within and outside the organization.
3. Organizational capital: the knowledge held by the organization is institutionalized and stored in a database, instructions, and others.

These three intellectual capital concepts indicate that when someone uses their knowledge, Human Capital will

increase with the relationship between them (Social Capital) to advance the knowledge that is institutionalized by the organization (Organizational Capital).

## **Emotional capital**

Everyone knows rich and smart people but seem unable to do much in their lives because of personal failure. They lack emotional capital. In economics, capital is financial wealth and other assets owned by a person or organization that provides income. Sociologists and psychologists have metaphorically extended this idea to include cultural capital, social capital, and human capital.

Cultural capital includes non-financial assets that drive success, including education, intelligence, style, and physical appearance. Social capital includes the benefits of having relationships with people and groups, including families, clubs, workplaces, and other organizations. Human resources include knowledge, habits, personality traits, and creativity that enable people to succeed economically (Brewer & Picus, 2014). Neither of these explicitly mentions emotions, so we need additional ideas

about emotional capital. What emotional resources enable people to succeed in their economic and personal lives?

Here is a list of emotional capital. Self-worth is having a positive overall opinion of yourself, respecting your own ideas and abilities. Self-regulation is the ability to control unwanted behavior such as overeating or abusing alcohol. Emotional energy is the capacity to motivate action with positive emotions such as enthusiasm. Attachment is the ability to form emotional bonds with valuable people.

Resilience is the power to respond to life's challenges by getting back up and moving forward, maybe even better than before. The agreement is the ability to get along well with others by being warm, friendly, and thoughtful. Optimism believes that life will be successful, as opposed to the neurotic pattern of worrying excess (Ward & McMurray, 2016).

Emotional capital includes self-esteem, high self-regulation, emotional energy, attachment, resilience, friendliness, and optimism. Like other types of capital, individuals can vary the extent to which they have these emotional resources (Joslyn, 2015).

Like other aspects of personality, the causes of emotional capital may be genetic, epigenetic, learned, or optional. Genetics means that your characteristics, such as optimism, are passed on through the genes you acquired from your biological parents. Epigenetics means that genes are turned on or off by chemical modifications produced in the environment, including yourself, in your mother's womb. For example, parents who suffer from poor nutrition or stress can produce epigenetic modifications in the offspring. Learning begins as soon as the brain is developed enough to form new synaptic connections that can influence how new situations are understood and acted upon. Lastly, there are times when choices such as avoiding dangerous people can have long-term effects on future resources such as emotional energy.

## **Social Capital**

The term social capital refers to the positive product of human interaction. Positive results may be tangible or intangible and can include useful information, innovative ideas, and future opportunities. It can be used to describe the contribution to organizational success attributed to

personal relationships and networks, both inside and outside the organization. It can also describe personal relationships within the company that help build trust and respect among employees, leading to improved company performance.

Social capital allows a group of people to work together effectively to achieve a common goal or goal. This allows a community or organization, such as a company or non-profit organization, to function together through shared beliefs and identities, norms, values, and interrelationships. Put, social capital benefits society as a whole through social relationships. Thus, the study of how social capital works or fails to work is included in social science (Clayton & Sadler, 2014).

Although the term social capital may have been used recently, the concept itself - that social relations can produce productive outcomes for individuals or groups - has been explored for some time. It is usually used to describe civic and social responsibility or how community members work together to live in harmony and together. When used in this context, the definition is purely social without any financial implications.

But the term can have different meanings depending on how it is applied. In fact, social capital is no longer narrow and local. This concept is usually used to describe relationships that help contribute to business success. This is arguably considered to be as valuable as financial or human capital. Networks, the use of the internet are prime examples of how social capital works in a business sense. It allows professionals to form social and often global relationships in many variations. It is estimated that up to 85% of jobs are filled through informal networks rather than through job listings in practice. That is social capital in action.

## **Internet and Social Capital**

The internet has revolutionized social capital, effectively creating an unlimited number of social connections suitable for every occasion (Gaol et al., 2014). For example, Airbnb, Uber, and eBay users can use social capital to make choices based on past user reviews. The same people contribute to social capital by leaving their reviews later. Companies that

have websites use reviews as an important component of their quality control program.

Social networking sites like Facebook strengthen bonds based on personal interests, such as hobbies, past experiences, hometown sharing, or previous companies.

Social media is also a major social capital source for small business owners who can present their products and services online as effectively, if cheaper, than large companies.

## **Deviation of Social Capital**

Many people believe that the success of an organization depends on the level of social capital available. This is why social capital is always associated with positive change. But that's not always true. Although there are different advantages of social capital, it can be used for manipulative or destructive purposes.

Dangerous groups, such as gangs and drug cartels, often use social capital to strengthen bonds within the group and

recruit new members. Likewise, a group of corporate executives may collude to manipulate and market prices to drive out competition. The appearance of these groups can reduce the social capital of a neighborhood or city as a whole. Residents and businesses are suffering, and potential customers avoid the area.

# **CHAPTER 2. Human Capital**

## **Investment**

## **2.1. Organizations and People**

The organization runs because there are people who are part of the organization who carry out organizational activities. The better the quality of people working in the organization, of course, the better the organization will be (Ford, et al., 2011).

Investing in human resources is the same as investing in other financial instruments. Namely financing investment, managing investment, and measuring and controlling investment. It's just that investment in human resources is not directly felt by the benefits or investment growth, such as in financial instruments.

Investments in human capital are in the form of growing invisible assets that reside in humans. However, financially, the return on investment in human capital investment can be calculated.

## **2.2. Calculating Human Capital**

### **Investment**

To calculate financially on human capital investment, it can be calculated that an increase in the performance of human resources has an impact on financial performance as follows:

#### **1. Revenue per Employee**

Revenue per employee is a measurement of how much the organization earns per employee working for the organization. The greater the company income per employee, the more productive the overall employee performance. Human resource investment can be measured by calculating how much the organization's income has increased before investing in human capital and afterward.

In general, the measure of revenue per employee is used to measure how much the organization's contribution to company revenue. The calculation formula as follows:

Total Revenue / Total Employees

## **2. Human Capital Revenue Factor**

### **(HORF)**

In contrast to revenue per employee, which focuses on the ratio of income to total employees, Human Capital Revenue focuses on how the same job is measured from time and quality of work completion results before and after investment in human capital. The faster a job is completed, the better quality of work, employees' human capital will increase. Skilled employees may be paid more expensive than less-skilled employees. Still, the work provided by skilled employees can be better and completed faster so that when totaled at the same time, the contribution of the results of these skilled employees is more profitable for the company than the less skilled.

## **3. Human Economic Value Added**

### **(HEVA)**

The purpose of this measure is to determine that managerial actions have added economic value, not just financial statements given in general. HEVA is a derivative of EVA (Economic Value Added), namely:

EVA (Economic Value Added) = Net operating profit after tax - the cost of capital

The calculation of HEVA involves Human Resources, namely how many full-time employees have done, which can generate net profit after the cost of capital. HEVA by:

HEVA = Net operating profit after-tax - the cost of capital  
FTEs (Full Time Employees)

The higher the HEVA value, the higher the benefits generated by employees. This means that financially, the implementation of human capital management programs is good.

## **4. Human capital Cost of Factor (Human Capital CF)**

In calculating the amount of Human Capital CF, it is necessary to know the concepts regarding capital cost. There are four principles of the cost of capital that is:

- Pay and benefit costs for employees

- Pay cost for contingent
- The cost of absenteeism
- The cost of turnover

From the above principle, the pay is defined as the current cash compensation payment and does not include long-term compensation payments. Benefit-cost is the amount of money paid as a cost by the company to obtain services or benefits from employees. Absenteeism, a company cost for employees not doing

tasks given. Turnover is the cost incurred by the company, including employee dismissal and placement costs. The advantages and disadvantages of the learning productivity curve are cash compensation costs (pay), benefit costs, opportunity costs (contingent), and absences.

And enterprise resource planning employee turnover is the total cost of human capital in the organization. Then Human Capital CF can be formulated into:

$$\text{Human Capital CF} = \text{Pay} + \text{Benefit} + \text{Contingent labor} + \text{Absense} + \text{Turnover}$$

Based on this equation, if the value of Human Capital CF obtained is high, then the human capital program is poor

because employees cannot provide the best results and provide high expenses.

## **5. Human capital value added (Human Capital VA)**

Human capital value added is obtained from the ratio of sales reduction to total expenses and compensation and benefit costs per employee's total working time. This measure is formulated by:

Human Capital VA = REVENUE - (Expense - Pay and Benefit) FTEs

Based on the above ratios, if this ratio is high, the human capital program's implementation is good, which means that every full working hour of the employee can contribute to sales after deducting compensation and benefit costs.

## **6. Human capital Return on Investment (Human Capital ROI)**

This measure is obtained by comparing the sales that have been made minus the total costs, compensation, and benefit costs to the compensation payments (pay) and cost benefits.

This measure is defined as:

Human Capital ROI =  $\frac{\text{REVENUE} - (\text{EXPENSE} - \text{PAY AND BENEFIT})}{\text{PAY AND BENEFIT}}$

Based on the formula above, the value of this ratio means the company's ability or institution to cover expenses, compensation costs, and benefit costs.

## **7. Human Capital Market Value (Human Capital Management Value)**

This measure is obtained from comparing the difference between the assets' market value and the value against the employees' full working hours. This measure is defined as:

Human Capital Management V =  $\frac{\text{MARKET VALUE} - \text{BOOK VALUE}}{\text{FTEs}}$

Measuring the success of a human capital program; for example, training can be observed from its impact on:

- Ability to operate machines or services either individually or in groups
- The ability of employees shows the quality of their work
- How quickly a new product is being marketed
- Labor productivity

## **CHAPTER 3. Why is Human**

## **Capital Investment Important?**

### **3.1. Human Capital Investment is important.**

The economic aspect of investing in Human Capital is to increase the company's competitiveness through the development of human resources that are more productive and able to encourage the company's financial performance, which in turn increases the company's profits. The rapidly changing business environment encourages companies to increase their human capital through education and training.

The organization's individual potential will be the most important long-term investment any organization can make for the welfare and quality of life of its employees, which ultimately improves employee performance.

Human capital provides the economic value provided by an employee through their knowledge, skills, and abilities to the organization in increased productivity and performance, making it easier for the company to achieve the organization's mission and vision.

## **3.2. Benefits of Investing in Human Capital**

To get maximum profit in business, it is necessary to increase employee productivity. This, of course, makes active investment in human capital important. Here are eight benefits of investing in human capital development:

1. Increase Employee Satisfaction
2. Improve Retention Rates
3. Develop Employee Engagement
4. Develop Client Engagement
5. Improve ROI
6. Improved Communication
7. Better Recruitment
8. Greater Company Culture

Human resource management helps produce the best in employees. It also plays an important role in increasing employees' efficiency, making them an indispensable resource for the organization.

Human Resource Management enables human resource professionals to recruit the right candidate for the right role.

Talent Acquisition is one of the most important functions of an individual representing the human resource vertical.

Remember, one wrong employee can cause problems, confusion in the system. Bosses and management do not have to spend a lot of time and energy training someone who is already aware of their roles and responsibilities. Human Resource Management is beneficial in recruiting the right talent for the organization.

Hire employees who truly deserve to be on the system. The Human Resources management process involves recruiting the right candidate, point it at the system, and make it comfortable to give it its best level. It is generally observed that tedious induction programs are a complete waste of time and energy.

Human resources professionals should not design induction programs simply because the protocol demands the same. The induction program should be an interactive session in which the trainer must introduce new employees to organizational policies. Human resources professionals must act as a bridge between senior management and employees.

Human Resource Management allows the free flow of information between superiors and subordinates. Employees have easy access to senior management, and therefore there is no room for confusion or misunderstanding. Half of the problems evaporate when co-workers discuss problems among themselves.

Training and skills development activities are essential to increase the knowledge of existing employees. Training programs increase employee efficiency and ultimately increase the overall productivity of the organization. Every employee needs to keep abreast of the latest developments in their field. Human Resource Management makes an employee independent. This allows employees to adapt to changing situations easily. Trained employees can produce better productivity than untrained employees.

Employee performance must be evaluated from time to time. The boss must keep track of the subordinates' work.

The right feedback is critical. Human Resource Management helps in monitoring employee performance. A dedicated online reporting system helps senior management

to have direct access to their junior jobs. Employees are aware of what is expected of them.

Human Resource Management highlights the importance of soft skills and personality development for employees. An employee who can speak well is always considered a problem solver by his coworkers. Don't hire someone who has poor communication skills.

A person with average communication skills can still be considered. Human Resource Management helps employees to improve in areas where they feel they are lacking. These benefits are not only for employees but also for the entire organization.

# **CHAPTER 4. How to Invest in Human Capital**

## **4.1. Paradigm Change in Human Resource Management**

The way we manage, lead, collaborate, and organize ourselves at work has undergone radical changes. Over the last few years, leadership, organizational culture, employee engagement, and work simplification are some of the major concerns emerging in human resources.

As the business world continues to grow and become more globalized, HR is no longer just about HR. With a new generation workforce bringing in innovative ideas, the world of human resources will experience a wave of massive change.

Human resource development is an inevitable requirement of any organization in achieving organizational goals. But what exactly is human resource development? More importantly, why is it so important to business success, and how can small business owners actually invest in it the right way? Sure, this may make financial sense and represent a relative drop in the budget bucket for large

companies. However, does it make sense for a smaller business on a smaller budget that might fall asleep?

Here are five steps for creating a human resource development strategy and tactics:

## **1. Understand what human resource development is.**

First and foremost, let's be clear about what human resource development is. At its simplest level, human resources are a way of measuring a particular employee's skills' economic value.

Like all capital forms, human capital is an essential component of a firm's long-term organizational assets. The collective skill profile for all employees in the organization ideally meets the company's needs, but more importantly, it also adds intrinsic value to the company.

Developing capital - that is, investing in the further improvement of those skills in a way that adds value to them - is a smart financial investment in your own

company. It is also a way to increase employee satisfaction and engagement levels. When employees feel that management understands and values their values, they are more likely to stay with the company, thus increasing its value.

The cost of a company's human resources can cover a large part of its overall operating costs. However, most companies admit that they are not investing adequately in their employees through career development opportunities, skills development training, or vice versa.

Investing in your employees is not only a smart way to retain valuable, skilled employees who have the drive and passion for growing (and help your business grow as well) but also in a genuine sense investing in your own company. The capital investment benefits the business itself in terms of increased productivity, higher quality of products and services, and greater profit margins. Human capital investment is no different.

## **2. Help employees follow the necessary skills.**

Human resource development plans often focus primarily on improving employees' skill sets or acquiring new skill sets and abilities. This approach makes a lot of sense for small businesses that may be new to investing in their employees. Investments are directly related to the business and generate direct benefits for the company through greater skills and increased productivity.

You must ensure that your company's human resource assets match your company's needs and the changing landscape of your field or niche. In other words, if the technology is changing rapidly in your industry, your skillset profile must keep up with those changes if your company is to remain competitive.

### **3. Make life easier for workers with static skills.**

Of course, not all workers will benefit equally from skills development opportunities. Many positions require static skills such as operating an unchanging machine or any repetitive job, such as a sorting operation or a sales pitch.

For these workers, investing in it as a human resource can mean making their life easier in several ways. Look for ways the company's creative can help these "static skills" workers achieve other types of goals. For example, you could partner with other community organizations or businesses to allow these workers to learn a new language, save money, plan and travel, or improve their health somehow.

### **4. Invest in the best supplies, tools, and equipment.**

Investing in human capital doesn't just mean investing directly in employees. It also means maintaining a

harmonious workplace, which helps your employees be more productive at their jobs.

As one example, ensuring that your workers are provided with the best office furniture and equipment your business can afford immediately results in a more positive work environment. You should also objectively assess each workplace environment for adverse conditions, such as inappropriate lighting or noise pollution, that can make work unpleasant for your workers and improve those conditions.

It is also important to solicit and consider input from affected workers. If possible, make the changes they agree on are the most important.

## **5. Empower HR Professionals to develop new ways to invest in people.**

Experienced human resources professionals are best equipped to evaluate your staff's needs and prioritize the investment your company makes in your workforce.

Your job is to first clearly communicate to your HR staff that human resource development is a priority for company

leadership and ensure that these goals are adequately funded. HR can then analyze various needs and opportunities specific to your business with the right costs and budget.

## **4.2. Human Resources Investment Posts**

### **1) Leadership**

Leaders who develop at various levels have been and will remain the main concern of HR across sectors. It's time for companies to build leaders from their Millennial workforce. Today's need is for leaders who can engage their employees, drive innovation, and drive growth strategies. To do this, companies must invest in strong leadership development programs and increase their focus on coaching and mentoring young leaders to prepare them for bigger roles.

### **2) Culture and Engagement**

The second biggest challenge for companies is in terms of the prevailing culture in their organization and how it

affects employee engagement and, in turn, retention. Business and HR leaders alike must work hard to build a workplace culture focused on meaningful work, employee engagement, and strong leadership. Companies that can engage employees tend to attract better talent and have a lower turnout rate.

This, in turn, helps them see better financial performance as well. This year will also see companies pay more attention to 360-degree feedback systems for holistic employee engagement.

### **3) Learning & Development**

Learning & development, like leadership, has been an area of concern for many years. Learning and development is an effort to build employee skills. The more organizations that focus on increasing human resource investment in employee training and development, the better they will be at engaging and retaining a capable workforce.

Learning and development are becoming an important business priority as organizations must transform their

employees' learning experiences and invest more time and budget for emerging digital trends.

Companies should prioritize digital transformation while also focusing on open peer-to-peer learning. Coaching and mentoring initiatives will also help employees to develop and exploit their potential.

#### **4) Simplification of work**

Simplifying work can help employees cope with organizational complexity, information overgrowth, and a stressful 24/7 work environment.

Organizations should try their best to simplify their employees' work by investing more in technology that makes work simpler and more integrated. Investments in human capital do not have to go directly to employees. Investments in technology, work facilities, and infrastructure that help employees be more productive also include investments in human capital.

The human resource manager's most important tasks are to simplify processes, eliminate useless complex processes,

and build an organizational culture that actively helps employees focus on what really matters. Companies must also implement policies that promote a balance between employee life and work.

## **5) Digitalization of human resources**

This year is sure to see the arrival of digital HR, including modern tools and technologies, design thinking, video-based learning, and major reliance on analytical tools. Old HR technologies move towards redundancy, and new cloud-based platforms will replace them, from performance management to payroll to learning to employee engagement and well-being.

## **6) Performance Management**

Performance management is one of the areas that will undergo a complete overhaul. The old performance management systems that have been in place for many years are of little use in today's employee engagement and development.

To bring real change in the future, companies are on the way to reinventing their performance management

processes. There is a big step towards eliminating traditional rankings and, conversely, bringing about a change in how employees are valued.

The major changes in today's digital era are changing thinking, forcing organizations to rethink organizational culture, rewards, managers' roles, and how organizations direct and align the organization's people.

# **CHAPTER 5. Human Capital**

**Investment Keep Your**

**Potential Talent**

## **5.1. Employee Job Satisfaction**

Many factors play a role in an employee's decision to stay or move, including benefits. In my experience developing educational services, I have found that the benefits and perks themselves are not the main reasons employees choose to stay or leave to pursue other opportunities. In contrast, what contributed significantly was the satisfaction they felt about their job, their long-term career development opportunities, and the support, respect, and appreciation they received from their managers and co-workers.

But the benefits offered are also important. And if the organization is going to spend time and money providing benefits and perks to show the organizational team how much the organization values them (and to build a solid corporate culture), the organization should also strive to ensure those benefits align with what employees really want.

There are at least 7 most important factors for employee job satisfaction, namely:

1. Respectful treatment
2. Combined compensation, benefits, and salaries
3. Work safety
4. Opportunities to use skills and abilities on the job
5. Organizational financial stability,
6. employee relations with their direct superiors,
7. Feeling safe in the work environment.

Of course, to fulfill these seven factors, direct investment in employees and indirect investment in employees such as investment in work security equipment, work equipment, information technology, and administration. Human resource management refers to the process of managing people, as well as related processes and tools.

## **5.2. Tips for Steps to Increase Employee Job Satisfaction**

Of course, every organization requires a different approach to maintaining and developing potential talents to improve organizational performance. The following are steps for retaining employees and increasing employee job

satisfaction, starting from understanding the employee or talent.

## **Step 1: Organizational team survey**

The organization doesn't need to be a mind reader to discover what benefits the team will love in the organization; all it needs to do is ask. Develop two-way communication to understand what employees want. Professional and talented employees are precious assets that deserve to be maintained. The organizational team survey is needed to understand employee job satisfaction and the needs and expectations of employees for the organization.

## **Step 2: Make the appropriate changes.**

After understanding what is needed and needed to increase employee job satisfaction, starting to gradually realize the ideal that becomes a comfortable workplace and organization for employees to improve their performance in the organization, changes gradually and according to employee needs are significant and necessary. Of course,

this requires both direct and indirect human capital investment. Of course, investment in creating an ideal organization will impact company performance, which will have an impact on improving the company's finances, which can be calculated on the investment returns, which are described in chapter two.

Retaining potential talent can save more money and improve organizational performance compared to finding new talent and needing to adapt to a new environment.

### **Step 3: Acknowledge individual differences.**

Of course, the survey results cannot understand individuals per individual employee and are more general in nature. After making changes that have a general impact on the employee as a whole, a personal approach is needed. The closeness of the working relationship between superiors and subordinates affects employee job satisfaction. A personal approach can be started from the closest coworkers and follow a structured and slowly hierarchical organizational process to form a comfortable and understanding organizational culture.

## **Step 4: Communicate change, and be creative.**

Change always happens. However, communication must still exist to understand that the organization must always be prepared to change according to the needs of the organization. Of course, this will affect employee job satisfaction, which tends to be stable and comfortable. This needs to be communicated kinship and well so that it can create group creativity. A focus group discussion might be an option to communicate the changes that have occurred in the organization.

Human resource managers often make work or assignments an excuse for an employee to do their job well. It becomes a standard response when business leaders are forced to face the subject of employee satisfaction.

Work is generally understood as a difficult thing, drains one's joy and energy when the work organization culture has not been well developed. In general, in society, there is a lot of work dissatisfaction as a fact of life.

If work becomes something that is deemed unpleasant, it means that there is something wrong in managing employee satisfaction at work. Currently, the importance of employee satisfaction cannot be denied, impacting the organization.

### **5.3. Tips for Retaining Talented**

#### **Employees**

The organization's ability to attract and retain human service resources to product and customer quality is a major determining factor in organizational success (Keller & Meaney, 2017). How to actually measure and improve employee satisfaction can be an important task for human resource managers. Here are tips for improving employee job satisfaction.

#### **1. Understand the level of job satisfaction of employees in the organization**

Start by listening to this simple thing, but so many companies ignore this critical first step. Before organizations can begin to issue employee satisfaction,

organizations must measure the extent to which employee job satisfaction in the organization. The only way to do this is to listen.

Conduct a survey of employees within the organization. Have them rate their general rating on a scale of 1-10. Ask them if they are learning and growing, if their job is satisfying if they feel they are contributing and that their job has a purpose. Here are some sample survey questions to help measure employee satisfaction:

Do you feel compelled to find new and better ways of doing things?

Does your job give you personal feelings?

Do you have the tools and resources to do your job well?

## **2. Give an Award**

Everyone who wants to be rewarded is the employees who work in the organization. Salary is something that employees generally receive as workers' compensation.

This does not mean that it is sufficient to increase employee motivation and performance.

Awards don't always mean material things. A friendly and supportive attitude is one of the strongest rewards to encourage employee performance. Motivating employees to achieve big wins, such as achieving key milestones or goals, helps foster goodwill, and creates mutual sense and accountability.

Celebrating big wins with employees is one example of collective appreciation for all employees. Rewards that are material in nature only encourage temporary performance and have the potential to increase one's greed for material, which is actually a boomerang for the company.

Sincere non-material appreciation, such as friendship, hospitality, and togetherness, becomes a stronger and more fundamental thing in building an effective organizational work culture.

### **3. Build Communication With Employees**

Communicating Frequently and Authentically is an effective driver in increasing employee job satisfaction. Communication doesn't have to produce big results. A thoughtful and well-written weekly email from the CEO can have a huge impact on employee morale.

Hold monthly (or better yet, weekly) meetings, where all members have the opportunity to get together, receive company updates, and ask senior leadership questions that can enhance togetherness and communication so that employees feel cared for and cared about in a large family. This has a powerful impact on employee satisfaction.

Building two-way communication can increase the ability to support each other to become an integral part of the organization, which ultimately increases loyalty and customer satisfaction. Communication must be built authentically and based on sincerity. Do not underestimate employees. Understand that employees are smart enough and can smell dishonesty even if they sometimes don't convey it. Be honest with your personality and mission as a

leader in tone and communication, and don't shy away from the truth, even when tough. Employees will give awards.

#### **4. Advise employees to do light exercise**

Prioritize Employee Health & Fitness. Think about the few employees sitting all day or for long hours. The sedentary nature of office life has a detrimental effect on employee health. It also contributes to depressed mood and employee dissatisfaction. One cost-effective solution is to freely get employees from their seats and stretch or take a walk during the day during recess.

#### **5. Determine the Mission of the Organization**

Humans have a security need to see that their work is important and has meaning. The feeling that the work is done is not in vain, which has a strong goal that will increase employee motivation and resilience, increasing employee job satisfaction.

Search missions for revenue targets, sales figures, or other key performance indicators. The mission is much bigger than that. It's the things organizations do that make a

difference. As a leader, thinking about what inspires the most employees, the things that get everyone in the organization out of bed in the morning, That's the real mission. A mission that can move everyone in the organization to move together to achieve it.

Make the mission the foundation of the company culture. Make sure each employee can answer the question to the question, "Do what they do in the organization?" Make sure the mission is an answer that makes sense enough to move them into the organization.

Set goals from mission realization. The organization has a mission, so that mission must help employees map their work and determine broad goals that are sufficient to motivate them to work.

Goals help ensure that the employee's efforts are continuously aligned with the mission and that each employee knows how they contribute. When people think their efforts are insignificant or immobile, dissatisfaction is inevitable. This trapping phrase defines the organization's mission and helps employees define goals that get the

company or organization closer to achieving that mission with every small win.

The organization must provide opportunities for employees to develop. This means education and training opportunities that are key to investing in human capital. The training program doesn't have to be expensive. Take the weekly personal development program, for example, where company leaders present educational materials to all company employees. This can be a way to provide employees with additional tools for their jobs and to grow as professional individuals.

Failure provides employees with opportunities to grow and develop, makes employees feel like they're not making progress as professionals, which leads to job dissatisfaction and work at work.

## **6. Understand Organizational Routines**

A routine that one supports limits the number of choices made each day and provides valuable decision-making energy for the ones that matter most. However, the routine also has a downside. Although it helps reduce

decision-making, it can lead to feelings of boredom, leading to employee dissatisfaction.

The remedy is simple - break the routine!

Get team members out of their habit with a random half day, or plan an offsite team building. If the weather is good and your wifi signal is strong, invite your team to work outside for the day. Simple (and free) things like changing the environment can do wonders for a debilitating routine. Scheduling a group fitness activity such as a boot camp or yoga at the end of the workday can also be an alternative to reducing the routine's negative side.

# **CHAPTER 6. Human Capital**

**Investment Talent**

**Management**

## **6.1 Talent Management**

The main goal of any organization should be to train its employees to become resource-efficient at a later date. In human resource management, organizations treat their employees as important resources that play an important role in organizational productivity.

According to their main areas of responsibility, the development and management of individuals makes them indispensable resources in the future and ensures their one hundred percent contribution to the organization (Schwab, 2017).

Talent management in organizations involves many human resource management areas, including hiring, orientation, employee training and development, performance management, and even employee offboarding.

Many HR departments only consider talent management to begin when an employee has worked at a company for a while. But forward-looking companies are starting to realize that talent management starts when a candidate interacts with your business and never actually ends.

Talent management aims to nurture employees to get the most out of them, develop new skills, and improve their job performance.

## **6.2. Employees are Human**

It's important to remember that employees are people, not machines. Income is essential for survival, but it will not operate at a certain level to achieve maximum returns if it does not invest in employees. Hence, it is necessary to combine talent management activities with human capital to ensure an organization gets the most out of its workforce. Human Capital Investment and Talent Management are needed to ensure employees can develop better in the organization, encouraging measurable organizational performance.

The talent market is a tough one with a lot of competition for the best talent, and it isn't easy to find someone with the right skills. Talent management can find the best talent for the organization and develop it better by investing in their human capital.

Happy workers are more productive workers and are more likely to stay in the company in the long term. One way to make employees happy is to show them that the organization cares about them by creating a talent management system.

Training is also an important part of any workforce, as employees can feel like they are developing new skills and trying new things, instead of stagnating and doing the same job for years.

Every time someone comes into contact with your company, you have the opportunity to make a good or bad impression and encourage them to want to work with you (or continue working with you). This includes social media posts and testimonials from current and past employees.

As a company, it has a brand, and the better the brand, the more likely it is that people will want to work with the company. If the company or organization has an effective talent management program, employees will tend to speak positively about the company or organization and enhance its brand.

If they have hired an extraordinary person, they will likely have an equally talented friend to recommend when the organization has a job opening. But they'll only recommend their friends and former colleagues if they like where they work, and they'll give them an honest assessment of what it's like to work for the company.

Companies need to set up a talent management program to tell their peers that they will have the opportunity to progress and develop in a way that suits their long-term goals.

## **6.3. Talent Management Challenges**

As with changing strategies or the way of doing business, there are challenges and obstacles in managing and getting the best talent to manage talent. Overcoming challenges and obstacles is a must. Here are some challenges that need to be watched out for in managing talent.

### **1. Limited budget**

Although talent management doesn't have to be expensive, it will result in a higher return on investment (ROI) and

better business development in the long run in human capital investment.

Adequate budgets can improve hiring, onboarding, performance management, and offboarding programs, and set up systems for tracking employee satisfaction. Investing in more and better training programs.

When an organization has a limited budget, especially if the company is new or works for a non-profit organization, it can be difficult to find the money to keep up with these budget needs.

## **2. Lack of dexterity**

Talent management can mean changing the way you work and the way you treat employees. And your talent management strategy will change over the years, with the pace of technological innovation and as new generations enter the workforce.

If changing your process takes years, not months, or if you use the phrase "but we always do it this way," then you will be left with the trouble of managing your talent

successfully and struggling to attract and retain good employees. Very skilled.

### **3. There is no HR analytics strategy.**

Setting up a talent management program is only the first step. It is important to monitor its success to see if it is effective in driving ROI in human capital investment and find ways to improve the program.

Leveraging the power of your data and implementing a workforce analytics strategy is key here. It would help if you tracked HR metrics related to talent management to identify what is working and what is not. These metrics include data on hiring time, employee satisfaction, and staff retention rates.

## **6.4. Talent management strategy**

We've covered why you need a talent management strategy. However, we will now discuss the types of tactics that need to be used to ensure success in managing talent and driving a human capital investment's profitability. The following are tips and strategies for managing talent:

# 1. Improve the recruitment process

Your recruitment process says a lot about the company. Do you always reschedule the interview? Or does it take months to get back to the candidates? Does it make them jump over obstacles unnecessarily? Or ask irrelevant questions?

A bad recruitment process will keep the best talent away and ready to be recruited by competitors. A good recruitment process gives candidates a positive impression of the company before they even start working there. They will be excited about their new job; organizational skills and communication processes are indispensable in finding potential employees.

Whether you're hiring a new full-time employee or doing contract employee orientation for a project, make sure they have a good experience, and you treat them with respect, or you may find them talking badly about your company later on.

Tip: Invest in recruiting software that is needed. This can be in the form of standalone solution software, or you can

use the recruiting functionality with your existing HR software. This type of solution automates manual processes such as following up with candidates, scheduling interviews, and creating job advertisements. This automation gives your time and enhances the candidate experience.

## **2. Providing opportunities for continuous learning and development**

If you're still stuck on yearly performance review days and setting annual targets, you should reassess your performance management process. Employees want ongoing feedback, and they also want opportunities to provide feedback to their bosses and coworkers.

You can't wait a year to assess your worker's performance because, if something goes wrong, it will worsen and affect business performance. Or your employees will tire of waiting for the opportunity to do more training or learn new skills and leave behind your rivals, which offer many learning opportunities.

Tip: Implementing a more informal performance management process is the key to success. Instead of scheduling a formal meeting with an agenda, ask your employees for a quick five-minute chat, or send a short email congratulating you on trusting a project.

### **3. Appreciate employee hard work in creative ways**

Yes, compensation is important, but a thank-you bonus is the only way to recognize hard work and good results. If you're on a budget and you can't afford the bonus, find other ways to provide this recognition.

Give them a day off during this quiet time of year. Take them out for lunch, paid for by the company, of course. Implement a flexible work schedule or give them an extra day of work from home. Even e-mailing the entire company to serve them for a successful job is an important form of recognition.

Tip: Ask employees what kind of rewards they want because not everyone has the same priorities. Send a survey

so you can better understand their priorities and customize your reward scheme.

## **4. Invest in analyzing the workforce in organizations**

You must constantly optimize your talent management program and never revisit it. This means human resource metrics through workforce analytics, referring to data about your processes and tools, and people analytics, which refers to data about your employees.

By doing this, you can understand what is working and what isn't working for your business while testing new approaches and making changes based on this data. There is no one-size-fits-all approach to talent management, as all companies have different needs, so the only way to see what will work for your business is to show and demonstrate improvement. You can also create a business case for continuing and expanding your talent management program, as you can tie this to ROI in human capital.

Tip: Automatically accurate and manually analyze data if you want more accurate and faster results.

## **5. Off board employees attentively**

Instead of getting bitter when the employee turns in the notification or ignoring it completely, treat it as another opportunity to make a good impression. Show that you care by conducting the exit interview to find out why they left and if there is any improvement you can make.

Stay involved with them until their last day and treat them with the same respect as your other employees. Hopefully, they are well and stay in touch.

If an employee has a good off boarding experience, they will most likely recommend their talented friends, who will assist you in your talent acquisition process. And who knows, if they like your company enough, they might come back one day.

## **6. Collaborative talent management**

Although human capital management and talent management are closely linked, you also need to ask other departments to be successful. If you want to present your company's best image, and improve your company

branding, ask for marketing tips on making business ads and vacancies more attractive to candidates.

If you want to manage your data successfully, you need your IT department's help to ensure all candidates and employee information flow seamlessly between different departments.

If you want to deliver a job offer on time, you'll need to work closely with different departments to make sure you have all the contract details.

Talent management requires support from all business areas, so don't do it yourself, and make sure you have an effective communication and collaboration process.

# **Chapter 7. Measurement of Human Capital**

## **7.1. Measures of the Human Capital Assessment and Accountability**

### **Framework**

In terms of the Human Capital Assessment and Accountability Framework, the human capital system deals with a series of organizations' policies and practices to make human capital programs a success. In essence, the principles of the service system include planning, setting goals, implementing, and evaluating. Includes Strategic Alignment (Planning and Goal Setting) and Leadership and Knowledge Management (Hill, 2020).

### **Strategic Alignment (Planning and Goal Setting)**

Strategic alignment is a system led by senior management, usually the Chief Human Capital Officer, that promotes human resource management strategies with the agency's mission, goals, and objectives through analysis, planning, investment, measurement, and effective human capital management program.

In this sense, strategic management is a system run by senior management, usually the Chief Human Officer, which seeks to align the Human Capital Management strategy with the organization's mission and objectives, measured from the effectiveness of analysis, investment planning, measurement, and human capital management. The human capital management function task is to adapt the human capital management strategy to its mission and objectives and integrate it with strategic plans and budgets.

## **Leadership and Knowledge Management (Implementation)**

Leadership and knowledge management focus on leadership continuity by identifying and referring to potential gaps in ineffective leadership, implementation, and improvement of programs to acquire knowledge and encourage learning. In this sense, leadership and management are defined as the implementation system of the Human Capital Assessment and Accountability Framework, which is focused on identifying and managing agency leadership competencies, so that leadership

continuity is guaranteed, knowledge is shared throughout the organization, and a sustainable learning environment.

Knowledge management and leadership are implementing the Human Capital Assessment and Accountability Framework system that focuses on identifying and referring to leadership competencies so that leadership continuity can be maintained, knowledge is disseminated throughout the organization, and a sustainable learning environment remains. The standard implementation of this system is that leaders and managers can manage people effectively, ensure continuity of leadership, maintain a learning environment that encourages increased performance, and provides a means for sharing critical knowledge throughout the organization. Knowledge management must be supported by appropriate investment in training and technology.

## **Human capital and Change Management**

The concept of human capital is concerned with the added value of people to organizations. Human resources are the differentiator between organizations, and the real basis is for competitive advantage (Pablos & Patricia, 2013).

Knowledge and skills of workers come from education and training, including training that brings experiences that generate productive value. Intellectual capital as intellectual raw material such as knowledge, information, intellectual property, and experience is collectively used to create prosperity in the company. Intellectual capital is the basic asset of organizational knowledge in cleaning up success and sustainable growth. Intellectual capital is the tool necessary to find opportunities and manage threats in life.

Intellectual capital is the most basic potential for organizations to read opportunities and threats in ensuring success and sustainable growth. Intellectual capital is usually used in human capital, including knowledge, skills, and capabilities that enable a person to act in new ways. Intellectual capital has the following elements:

1. First, human capital: knowledge, skills, abilities, and capacities to develop and innovate are owned by people in an organization.
2. Second, social capital: the structures, networks, and procedures that enable people to acquire and develop intellectual capital.

3. Third, organizational capital: the institutionalized knowledge held by the organization, which is stored in databases, manuals, and others. Human capital (intellectual capital) needs to be managed so that the organization can actually use this valuable asset.

Human capital management is concerned with obtaining, analyzing, and reporting the added value of intellectual capital and managing human capital by considering them as assets and emphasizing that competitive advantage is achieved by strategic investment in assets through employee involvement, talent management, learning, and program development.

Human capital management includes the accumulation of knowledge, skills, experience, creativity, and other attributes relevant to human capital. Attributes are attached to human capital (intellectual capital) as a source of organizational value so that it needs management by the organization (Human Capital Management).

The concept of Human Capital Management describes individuals producing, storing, using knowledge and skills as intellectual capital. Their individual knowledge is

interacted with each other and results in institutionalized knowledge that is the organization.

These human (individual) elements can learn, change, innovate, and provide creative encouragement, which, if properly motivated, can guarantee the organization's long-term survival.

Intellectual capital can be classified into human capital, structural capital, and relational capital. The three as organizational capital, which he calls innovation supporters: human capital, structural capital, and leadership capital. Human capital capable of generating value is intellectual capital, emotional capital, social capital, moral capital, and health capital.

Human capital is the invisible individual knowledge of the organization's members, human capital as a combination of education, genetic inheritance, experience, and attitudes towards life and work. The invisible structural capital of knowledge that embraces the organization (tacit knowledge) recognizes the enormous diversity of relationship fulfillment to managing the company in a coordinated way. Without this, intellectual capital is only human capital.

Meanwhile, relational capital is a comprehensive knowledge of marketing (marketing) and customer relations (customer relations), including knowledge about customers, suppliers, or related to the government.

As a source of organizational innovation, human capital includes intellectual capital, which plays a huge role in adding value to an activity. Companies that excel and gain a lot of benefits are companies that continuously develop their human resources. Emotional intelligence (Emotional Intelligence) describes the human ability to recognize and manage one's own emotions and understand the emotions of others so that he can take appropriate actions in interacting with others. Social capital is the ability to build social networks.

The more extensive a person interacts with, and the wider the network of social relationships (Social Networking), the higher its value. The capital of fortitude is the capital for success in life, whether it is personal life or the life of an organization. Moral capital, as behavior by company ethical principles, has various ethical support tools, one of which is humans who have morals that prohibit behavior that violates ethics. And health capital is the body or body

is a container to support all the above assets' manifestations.

An unhealthy body will make all of the above capital not appear optimally. Therefore, health is a part of human capital so that they can work well and productively.

Intellectual capital (human capital) needs to be safeguarded and protected; this effort cannot be separated from the pros and cons, whether to maintain and make changes or be resistant to change. Change management is a systematic process of applying the knowledge, tools, and resources needed to affect change in people affected by the process.

Efforts are made to manage the effects and results of changes in the organization; change can occur due to causes originating from within and outside the organization. Change management is a process of managing resistance (resistance) due to the impact of change to obtain the solutions needed by the organization to manage the impact of change on the people involved. Change is a phenomenon that occurs in every organization with varying degrees of speed and magnitude of change. Change can appear in various sizes and shapes, making it difficult to get accurate

change management. Change management can be approached with two approaches, namely planned changes that go wrong and changes in emergency emergencies.

## **Change Resistance to Human Capital**

### **Assets**

The feeling of being comfortable with the existing conditions encourages rejection of change, even though other reasons include maintaining the status quo, the direction of change that has not been understood, or other problems.

Rejection of change (resistance to change) does not always negatively connote because rejection causes change actors to be more careful. Changing intangible assets to become important assets in the organization will certainly disturb their comfort with tangible assets. For example, those who are comfortable with physical changes will feel disturbed if financial allocations are diverted for investment in R&D, they will feel disturbed when program activities oriented towards building construction are shifted towards improving academic activities and customer service.

As an asset that can win the long-term competition, intellectual capital can take advantage of opportunities and anticipation of organizational threats. It is non-physical or intangible in its realization. It will certainly find a lot of resistance. Individuals, groups, or organizations can make rejection; rejection can be in the form of explicit or implicit such as protests, strikes, demonstrations, reduced loyalty, decreased work motivation, increased absences, and others.

Individual resistance can arise due to habits, security, economic factors, fear or uncertainty, and perceptions. The individual, group, or organizational resistance due to: structural inertia, broad-impact change focus, workgroup inertia, threats to expertise, threats to existing power relations, relations to resource allocation.

# **Chapter 8. Human Capital**

## **Administration Investment**

## **8.1. Human Capital and Administration**

Human capital is usually the last category reported, although it has been recognized as an important factor in reducing investment risk. Human resources also develop and maintain good relations between the company and its employees.

Companies typically use a combination of public and private channels to disclose intellectual capital information, such as annual reports, Initial Public Offering (IPO) prospectuses, company websites, temporary accounts, company announcements, and presentations to financial analysts.

These public documents can be used to disclose human resources for sustainability reports broadly. The sustainability report shows the company's commitment to the social and environmental impacts of its activities. A public document that can be used to disclose human resources broadly is a sustainability report. This sustainability report shows the company's commitment to the social and environmental impacts of its activities.

## **Human Capital and Signaling Theory**

Human Capital is considered one of the most important intangible assets. This includes the knowledge, professional skills, experience, and innovation of managers and employees in an organization.

Human Capital, as the knowledge, skills, competencies, and attributes contained in individuals that facilitate the creation of personal, social, and economic well-being, includes knowledge, skills, experiences, and abilities possessed by humans (Barrett, 2013).

In terms of external reporting, relevant human resource information is an important element for assessing a company. It must be communicated to increase the company's market value and respond to the information needs of different stakeholders.

The most important corporate incentives for human resource disclosure are attracting new employees and retaining high potentials, demonstrating that the company is socially responsible, promoting a reputation for transparent and accurate reporting, and providing important information to

investors who do not include in the mandatory financial disclosures. Extensive and complex overlapping factors such as competitive loss, legitimacy theory, stakeholder theory, and other economic disclosure costs influence the disclosure of intellectual (and human) capital.

Signaling theory is useful for describing behavior when two parties have different access to information. One party, the sender, usually has to choose whether and how to communicate (or signal) the information. The other party, as the receiver, must choose how to interpret the signal. In general, individuals can make decisions based on freely available public information and personal information that can only be accessed by individuals or groups.

When some information is private, information asymmetry arises between those who hold the information and those who make better decisions if they have it. This situation results in information asymmetry because different people know different things.

Signers are generally represented by people or companies and send signals to other parties involved in the exchange.

The signal is the information sent by the sender of the signal to the receiver.

Signals as observable behaviors and attributes that change beliefs, or convey information to, other individuals in the market about unobservable attributes and intentions. Signals can include, for example, the prestige of the board of directors and top managers or the training investment the company wants to make to acquire new talent.

They must have several features, namely signal suitability, signal frequency, and signal consistency, to be reliable and credible for the receiver. The recipient represents the entity that must use the information for decision making.

An individual or group of individuals usually represents the recipient. They represent a key agent because their level of acceptance affects the effectiveness of the signaling process. In turn, the signaling process only works if the receiver is looking for a signal in terms of being concerned with the type of information itself. If not, the process will be lacking.

A key element of this phase is the agent (i.e., the company) sending signals based on the consistency and strength of the agent's previous actions. A good reputation can act as a

positive factor with a different signal from a reputable company from an opportunist company.

The signaling process's final element is feedback, which represents the information the receiver gives back in the form of a reply signal. Feedback aims to improve the quality and future exchange of information between the parties involved. A signaler may decide to signal his human resources to increase interest with stakeholders from a disclosure perspective. A company may decide to use a different type of document to convey human resource information (signals) to different stakeholders (recipients), who can take the lead from management and then make decisions that are more profitable for the company and themselves.

For example, human capital information can be communicated to improve a company's image and reputation to attract potential investors and reduce the volatility of its share price. From an internal perspective, increasing human resource information can better align interests between managers and employees and generate trust in the organization. In this case, the signaling is an annual report and a sustainability report. Signals are represented by human capital information, measured and analyzed in terms of the

type of information, level of information, and quality of information. In contrast, recipients and elements of the feedback are discussed (if possible), drawing on results from previous studies on stakeholders' use of human resource information—interests of interest. The relationship between human capital information, human capital decisions, and firm confidence, human capital disclosures is shown mostly as an option chosen by individual managers, and that formal disclosure requirements are few.

Disclosure of human resource information in a sustainability report as a good document by human resources. Companies that deliberately take stand-alone sustainability reports generally have higher sustainability performance scores than others from a signaling perspective. Sustainability reports are used to publish and signal a stronger social and environmental record to their stakeholders and differentiate themselves from other companies.

# **Chapter 9. Human Capital and Business Performance**

## **9.1. Human Capital and Business**

### **Performance**

Businesses are currently facing a changing scenario caused by the acceleration and increasing complexity of a series of interconnected phenomena such as technological advances, globalization, market internationalization, and, more recently, the global financial crisis.

The need for adequate resources and increasingly diverse capabilities of human resources is an absolute necessity for companies.

Given this situation, the company's survival, especially their success, is very much dependent on their capacity to adapt and develop a sustainable competitive advantage, which all depends on the human capital owned by the company. Therefore, the current response to this challenge is to develop a competitive advantage based on the quality of human resources.

For this purpose, companies need a qualified and skilled workforce. Today, on-site training in companies is one of the

most important human resource development strategies and is very important for maintaining and enhancing workers' knowledge and skills.

Additionally, it is seen as one of the most viable actions a company can take to have properly trained employees. From this perspective, skilled labor is a necessity for businesses. Nothing affects business performance more than human capital.

## **Human Capital Investment Continuous Training and Company Competitiveness**

One of the alternatives available to businesses in training and retraining workers is to carry out and increase training and retraining of company staff.

Ongoing training enables the capacity building and human development of company staff to achieve their goals, which makes training a strategic tool.

Ongoing training is a fundamental aspect of developing human resources for companies so that in the context of a changing and competitive environment, it is a key factor of excellence and success.

Human Resources and knowledge provided through ongoing training in companies are intangible resources, which, together with financial capital, create competitiveness, which is very important for the company.

Managers may ask the question, what is the most important asset in their company? The company's greatest asset is not material capital or money. Nor is it the number of buildings or property, nor is it equipment or products owned by the company.

## **Human Capital is the Most Important Asset**

The biggest asset a company has is its employees. Human capital acknowledges that people in organizations and businesses are important and essential assets that contribute to business development and growth. Similarly, physical assets such as machines and human money are also important factors of production in the business.

The collective attitudes, skills, and abilities of people who contribute to the organization's performance and productivity are the human capital that the organization has.

Any expenditure on training, development, health, and support is an investment in human capital, not just an expense.

The importance of human resources has increased rapidly in the last few decades. Human capital is now considered the most important factor in an organization towards success.

In fact, nowadays, talent is no longer dependent on employers, but employers are increasingly dependent on talent. Human resources are considered the most important organizational asset because, without people, no one would sell the company's products/services, manage the company's daily operations, or handle customers effectively.

Any organization will only be able to go as far as the people who drive it. The shift towards a solid team of human capital investment returns is paying off for many organizations that are doing well. If we look at some high-performing

organizations like Cisco, Google, and others, they promote cooperation and networking within their organizations.

A series of new challenges have emerged. While many organizations understand the opportunities that a shift to teams presents, there is still a lot of work.

Managing people and working online isn't just a matter of creating an agile workplace and scheduling standup and scrum meetings. It also means changing the way organizations allocate budgets, train people, and reward workers. This means fostering greater collaboration at a senior leadership level. And that means radically changing career models to facilitate employee mobility in organizations to place the right people on the right team at the right time wherever they sit.

To address this challenge, organizations need to instill team-based thinking internally and the broader ecosystem in which social enterprises today exist. To help achieve this, there are five layers in which team-based thinking must be instilled:

1. Ecosystem. Define purpose-driven teams in the context of the missions they serve in the organization and

externally relative to customers, partners, and the wider community.

2. Organization. Design a network of "leading" teams that promote multidisciplinary collaboration and empowered decision making.

3. Team. Build teams that demonstrate new agile and collaborative ways of working.

4. Leaders. Select and develop team leaders who have a growth mindset that creates teams' conditions to be repeatable, open, inclusive, and effective.

5. Individuals. Challenge conventional talent management interventions, from succession and performance management to rewards and learning, to enable individuals to shift their focus from "climbing the ladder" to developing from experience to experience.

One way to reward and pay people for their performance on a team, although not without challenges, is to reconfigure performance management around team-based goals.

The global trend toward team-based organizations is developing for a reason: It is a more effective model for operating in the dynamic and unpredictable business environment that is usually seen today.

In the long term, we believe there will be no leading organization that does not work primarily on a team basis. However, we realize it will be a gradual journey for many.

Striving for a culture of collaboration and aligning incentives with team performance can enable organizations to take the first steps, build adaptive muscle and confidence, and embark on their journey to becoming a truly team-based culture.

# Bibliography

Barrett,F.J. (2013).Yes to the Mess: Surprising Leadership Lessons from Jazz.Boston : Harvard Business Review press

Brewer,D.J., Picus, L.O.(2014).Encyclopedia of Education Economics and Finance.New Delhi : SAGE

Chatterjee,B.(2019).Human Resource Management A Contemporary Text. New Delhi : Sterling Publisher

Clayton,B Dalal., Sadler,B.(2014).Sustainability Appraisal: A Sourcebook and Reference Guide to International Experience. London : Routledge

Denisi,A., R Griffin.(2015). HR4. Boston : Cengage Learning

Ford,R.C., Sturman, M.C.,,Heaton, C.P.(2011). New York : Cengage Learning

Gaol,F.L., Kadry,S., Taylor,M., Li,P.S.2014.Recent Trends in Social and Behaviour Sciences.London : CRC Press

Hill,L.H.(2020).Assessment, Evaluation, and Accountability in Adult Education.Virginia :Stylus

Joslyn,E.(2015).Resilience in Childhood: Perspectives, Promise & Practice. New York : Macmillan

Keller,S., Meaney,M.(2017).Leading Organizations: Ten Timeless Truths.New York : Bloomsbury

Marr,B.(2012).Perspectives on Intellectual Capital.Amsterdam : Elsevier

Merriman,K K.(2013).Valuation of Human Capital: Quantifying the Importance of an Assembled Workforce.Cham : Springer

Nyberg,A.J., Moliterno,T.P.(2019).Handbook of Research on Strategic Human Capital Resources.Cheltenham : Edward Elgar

Pablos,O., Patricia.2013.Strategic Approaches for Human Capital Management and Development in a Turbulent Economy.Hershey :IGI Global

Rouse,W B.2011.The Economics of Human Systems Integration: Valuation of Investments in People's Training and Education,safety and Health ,and Work Productivity.Hoboken : John Wiley and Sons

Sargiacomo,M.(2019).ECIIC 2019 10th European Conference on Intangibles and Intellectual Capital.London :Academic Conference and Publishing International\

Sanghi,S.(2014).Human Resource Management.New Delhi : VIKAS

Schwab,K.(2017).The Fourth Industrial Revolution.London : Penguin

Ward,J & McMurray, R .(2016).The Dark Side of Emotional Labour.New York : Routledge