



*Journal of Advances and
Scholarly Researches in
Allied Education*

*Vol. VII, Issue No. XIII,
January-2014, ISSN 2230-
7540*

HUMAN CAPITAL MANAGEMENT: PARADIGM SHIFT FROM HUMAN RESOURCE MANAGEMENT

AN
INTERNATIONALLY
INDEXED PEER
REVIEWED &
REFEREED JOURNAL

Human Capital Management: Paradigm Shift from Human Resource Management

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Abstract – The purpose of this paper is to contribute to the understanding of human capital management (HCM) and to make a case that it is much more than a new name for human resource management (HRM). The paper reviews the theoretical and empirical human capital (HC) literature, as well as the literatures regarding strategic human resource management (SHRM), and knowledge management (KM) to develop a framework pertaining to the management of HC. The framework developed will assist researchers and practitioners in the identification and exploration of variables linked to the effective management of HC within organisations. It is concluded that managers of organisations need to understand the complexity of managing HC and must combine their HRM strategy with their KM strategy to leverage their human capital. By integrating several fields of the literature that relate to HC management, the paper suggests propositions that deserve future research consideration.

Keywords: Human Capital; HC; Human Capital Management; HCM; Knowledge Management; KM; Resource-Based View; RBV; Strategic Human Resource Management; SHRM; Human Resource Management; HRM.

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1. INTRODUCTION

The concept of human capital (HC) was initially formulated by Nobel prize-winner and economist Theodore Schultz in the early 1960s as a way of explaining the advantages of investing in education on a national scale. HC, as a concept, is thus anchored in economics rather than management theory. Currently, there are a variety of definitions and ideas associated with the HC concept in a variety of disciplines including economics, accounting, human resource management (HRM), and intellectual capital. However, despite the trendy use of the term HC among business practitioners and consultants, the HC literature remains fragmented with studies differing in the conceptualisation of HC (Unger et al., 2011).

In HRM research and practice, HCM has attracted an increasing interest over the last 15 years from the human resources profession, media, and consultancy firms. However, of all functional areas within the domain of HRM, human capital management (HCM) practices have received very little attention from researchers (Hayton, 2003). One reason for this may be that HCM crosses typical HR functional boundaries, and refers to the measurement and analysis of human resource metrics such as cost per hire, turnover costs, the effectiveness of training interventions, and indicators of overall HRM-system effectiveness such as HC return on investment (Becker et al., 2001). But

is the measurement and analysis of HR metrics is all that HCM is about?

An examination of the HC literature shows that the discourse about HC flows into various directions. One stream of research addresses HC investment and theory (Baron and Armstrong, 2007; Becker, 1962; Hall, 2004; Hansson, 2001; Schultz, 1961). Other scholars address HC as a component of Intellectual capital (Edvinsson and Malone, 1997; Nerdrum and Erikson, 2001; Roos et al., 1997; Stewart, 1997; Sullivan, 1999) and much has been written about HC valuation and measurement (Bechtel, 2007; CIPD, 2006; Gates and Langevin, 2010; Scarborough and Elias, 2002; Whitaker and Wilson, 2007). In the field of HRM, there is growing interest in addressing the impact of HR configurations and practices on HCM (Choudhury and Mishra, 2010; Finn, 2003; Garavan et al., 2001; Van Marrewijk and Timmers, 2003; Youndt and Snell, 2004) as well as their impact on firm's performance (Hall, 2008; Hayton, 2003; Lawler, 2009; Nalbantian et al., 2004; Santos-Rodrigues et al., 2010; Unger et al., 2011).

It can be argued that scholars writing about HC within these various streams of research often belong to various disciplines, publish in different research outlets and know little about each other's work. It seems as if there was little interdisciplinary research about HC that tries to grasp this multi-faceted

concept holistically. There is thus a need for a better definition of this concept in the HRM literature.

In the HRM literature, except for the work of Finn (2003), Merritt (2007), and Walker (2001), the question regarding the difference between HRM and HCM is never asked and the difference between the two concepts is still unclear.

This paper thus addresses a significant gap in the HRM literature by proposing a definition of HC and a framework for HC management, backed up by the literature on strategic HRM, KM and anchored within the resource-based and rent-based view. I hope that this paper will help open the conversation, in the academic literature on the definitions and contours of the HC concept. I argue that it should be a high priority for HRM research to produce theoretical models as well as empirical work that reflect, support and reinforce the increasing interest of practitioners in HCM issues. Hence, this article aims to advance HC theory building within the HRM discipline by proposing a HCM framework that might be of interest to both scholars and practitioners to better grasp the meaning of both HC and HCM concepts. The main research questions tackled are the following: How can we define HC? What is the difference between HRM and HCM?

To address these questions, I first outline the emergence of HC from a microeconomic perspective and shed the light on how the term migrated from economics to business disciplines. I then introduce the most common definitions of HC and HCM as identified by a thorough literature review, and identify gaps in the literature pertaining to the HC debate. Finally, I develop a HCM framework that adds insight to the current body of knowledge, and discuss its implications for business scholars and practitioners.

2. THE EMERGENCE OF HC THEORY: A MICROECONOMIC PERSPECTIVE

Traditionally, the human labour was considered by classical economists as a pure physical strength input, with little need for knowledge and skills. This idea was challenged substantially in the 1960s, when Nobel prize-winner and economist Theodore Schultz (1961) put forward the concept of HC for the first time in the early 1960s, with the idea that HC includes abilities, knowledge, skills and qualifications possessed by individuals. He proposed using Irvin Fisher's Capital Theory, that effective utilisation of HC will benefit all levels of society: individuals, firms, communities, nations, and regions. Later, Becker (1962) connected HC with the factor of time in a further way, indicating that HC includes time, health and life expectancy in addition to the factors named above. Building on Schultz and Becker's HC theory, Mincer (1962) investigated empirically the relevance of on-the-job training investments to certain patterns of income and employment behaviour. Since the early 1960s, capital theory had developed over the years a fairly consistent theoretical model containing a complete set of tools

and concepts which were applied at HC (Nerdrum and Erikson, 2001). This led to strong and convincing results and provided considerable explanatory power both for micro-economic and macro-economic phenomena. The next section presents the adoption of HC theory by business disciplines.

3. THE ADOPTION OF HC BY BUSINESS DISCIPLINES

The historical basis for the spreading out of the HC concept from economics to the context of business management is to be found in the first efforts to establish the 'Human Resource Accounting' (Flamholtz, 1974; Flamholtz et al., 2002; Hekimian and Jones 1967). Flamholtz et al. (2002) applied Becker's costs and benefits conjecture in a human resource accounting system that is useful for recruitment planning, replacement costs, turnover analysis, and HR value. This transfer of HC theory into real business world starting in the 1960s, rather failed in the first instance due to difficulties in consenting on how to put monetary values on a company's human resource (Bechtel, 2007).

The term HC was later embraced by management disciplines in the early 1990s when Prahalad and Hamel (1990) analysed the competitiveness of organisations and attributed it to the possession of core competencies. They postulated that an organisation can possess unique clusters of factors that allow it to be competitive and HC is one of these. In the mid-1990s, academics and practitioners started to talk about intellectual capital, social capital, relational capital, and HC. This new interest in HC was burgeoning at the same time among practitioners in the business world. It resulted in an increasing awareness for the firm's intellectual capital and its intangible assets. This is particularly reflected in popular publications like the books from pioneers – Brookings (1996), Edvinsson and Malone (1997), Lev (2001), Roos et al. (1997), Stewart (1997) and Sveiby (1997) – dedicated to the valuable intangible assets. These authors define intellectual as the interaction of three elements: HC, social capital and organizational capital.

In 2003, HC again received intensive recognition as a way of looking at HR activities from an economic point of view (Scholz, 2007). The HC concept was thus revived at the turn of the 21st century as we entered the knowledge society era. In the business context, knowledge management (KM) and the concept of organisational learning paved the way for an interest in all facets of knowledge – including the personal knowledge incorporated in individuals and the workforce as a whole (Bechtel, 2007). The realisation that people with their knowledge, experience, education, personality and behaviour constitute the only resource that generates and retains organisational value led to the HC concept in business disciplines (Arthur, 1994; Barney and Wright, 1998; Becker and Gerhart, 1996; Lepak and Snell, 1999).

4. HC DEFINITIONS IN THE BUSINESS DISCIPLINES

A literature review in the HRM and management literature on HC during the last 20 years is useful to critically examine the evolution of this concept. The HC definitions identified are listed chronologically in Table 1.

Table 1 Most common HC definition

<i>Author</i>	<i>Year</i>	<i>Definition</i>
Snell and Dean	1992	Employees' knowledge, skills and capabilities that are of economic value to organisations
Hudson	1993	The combination of these four factors: your genetic inheritance, your education, your experience, and
Becker	1993	Knowledge and skills embodied in an individual
Edvinsson and Malone	1997	A primary component of the intellectual capital construct
Stewart	1997	A primary component of the intellectual capital
Sveiby	1997	A capacity to act in different situations to create both tangible and intangible assets
Davenport and Prusak	1998	The intangible resources of abilities, effort, and time that workers bring to invest in their work
Bontis	1999	The individual stock of knowledge embedded in the firm's collective
	2001	capability to extract the best solutions from its individual employees
Sullivan	1999	The firm's individual employees who possess skills, abilities, knowledge, and know-how
Mayo	2000	A capability, knowledge, skill, experience, and networking, with the ability to achieve results and the potential for growth
Nerdrum and Erikson	2001	knowledge and skills complemented with productive capacity such as having the time and health
OECD	2001	the knowledge, skills, competences and other attributes embodied in individuals that facilitate the creation of personal, social and economic well-
Walker	2001	The set of skills, knowledge, and capabilities organisations need to succeed in the new knowledge and technology economy

Table 1 Most common HC definition (continued)

<i>Author</i>	<i>Year</i>	<i>Definition</i>
McGregor et al.	2004	Embraces both the broader human resource considerations of the business workforce (traditionally known as the labour market) and the more specific requirements of individual competence in the form of knowledge, skills
Youndt and Wiig	2004	Refers to individual employee's knowledge, skills and Part of intellectual capital. The enterprise's HC consists of the knowledge, understanding, skills, experience and relationships of its employees. HC is the property of
Abeysekera and Guthrie	2005	A combination of factors possessed by individuals and the collective workforce of a firm. It can encompass knowledge, skills and technical ability; personal traits such as intelligence, energy, attitude, reliability, commitment; ability to learn, including aptitude, imagination and creativity; desire to share information, participate in a team
CIPD	2006	The skill, experience and capacity to develop and innovate, that is owned by individuals
Isaac et al.	2009	HC is concerned with the skills, knowledge, innovativeness, capabilities, and overall competence of employees. It represents the goods and services employees produce that bring revenues when there is an investment of their knowledge, skills and other abilities.
Gates and Langevin	2010	HC refers to the knowledge, competencies, experience, and creativity of the workforce as well as their attitudes and motivation. By structuring the management and sharing of this knowledge, the organisation can develop key competencies that are difficult to imitate, and thereby gain a sustainable competitive advantage.
Santos-Rodrigues et al.	2010	It is the value of the knowledge and talent embodied in the people who make up the organisation. It represents the knowledge, talent, competence, attitude, intellectual agility and creativity.
Benevene and Cortini	2010	Human capital (HC) (attitudes, skills and competences of people in the organisation). It is crucial for the organisation to create knowledge.
Choudhury and Mishra	2010	Human capital refers to individual's knowledge, skills, and expertise. It is the ability of the employees to do things that ultimately make the company work and succeed.
Unger et al.	2011	skills and knowledge that individuals acquire through investments in schooling, on-the-job training, and other types of experience

Table 1 indicates that there are a variety of definitions and ideas associated with the HC concept. To some scholars, HC is defined as a component of intellectual capital (Edvinsson and Malone, 1997; Stewart, 1997; Sveiby, 1997; Wiig, 2004). To others, and mainly in the early 2000s, HC is defined by many scholars as employee's knowledge, skills and abilities (KSAs) (Bontis, 1999; McGregor et al., 2004; Nerdrum and Erikson, 2001; Sullivan, 1999; Unger et al., 2011; Walker, 2001; Youndt and Snell, 2004). This definition of HC, in terms of KSAs is rather static and clear-cut. It does not account for any behavioural component and does not specify ways in which it affects and contributes to specific organisational outcomes and objectives. More recent definitions of HC seem to be more dynamic, and outcome oriented as opposed to the former definitions. In addition to employees' KSAs, some authors include in their HC definition a behavioural and attitudinal dimension (Abeysekera and Guthrie, 2005; Gates and Langevin, 2010; Santos-Rodrigues et al., 2010) and others extent the definition and view HC as a major source of innovation and strategic renewal (Choudhury and

Mishra, 2010; Benevene and Cortini, 2010; Isaac et al., 2009; Snell and Dean, 1992).

It can be concluded from the various definitions above that the literature offers fragmented definitions of HC and that there is no agreement on what HC means. Hence, my proposed definition, anchored in the existing literature, aims to fill this gap and attempts to clarify and further elaborate the HC concept.

5. HCM DEFINITIONS IN THE BUSINESS DISCIPLINES

Despite the large number of HC definitions in the literature, there is a lack of clarity regarding its management. What does HCM really entail? Is it just concerned with the measurement aspect of HR metrics? Is it the same thing as HRM or is it something else? Despite a thorough literature review on HCM, I found a very limited number of HCM definitions, listed chronologically in Table 2.

Table 2 Most common HCM definitions

<i>Author</i>	<i>Year</i>	<i>Definition</i>
Accounting for People	2003	An approach to people management that treats it as a high-level strategic issue and seeks systematically to analyse measure and evaluate how people policies and practices create value
Finn	2003	HCM is all about ensuring that the enormous potential provided by people is aligned with the mission and strategic objectives of the business, to maximise their value on behalf of the stakeholders
Hayton	2003	The measurement and analysis of human resource 'metrics' such as cost per hire, turnover costs, the effectiveness of training interventions, and indicators of overall HRM system effectiveness such as human capital return on investment
Van Marrewijk and Timmers	2003	HCM is values-driven, striving to bring about dedication, motivation and commitment of employees. It aims at the creation of commitment of employees, a commitment that goes further than contractually exchanging services.
Hall	2004	An umbrella that includes three primary components of corporate knowledge. The first is those human resources functions that influence workforce development. The second is training, and the third is knowledge management
Nalbantian et al.	2004	HCM involves putting into place the metrics to measure the value of HC attributes (accumulated knowledge, skills, experience, creativity and other relevant workforce attributes) and using that knowledge to effectively manage the organisation
Chatzkel	2004	HCM is an integrated effort to manage and develop human capabilities to achieve significantly higher
Kearns	2005	HCM is the total development of human potential expressed as organisational value. It is holistic, organisation-wide and systems- based

Table 2 Most common HCM definitions (continued)

<i>Author</i>	<i>Year</i>	<i>Definition</i>
Kearns	2006	"HCM is only concerned with outputs, results and value and designs its interventions and activities accordingly"
Baron and Armstrong	2007	HCM provides the basis for strategic HRM through measurement and analysis leading to evaluation, diagnosis and action
Merritt	2007	HCM provides decision support by combining business and workforce intelligence to the development of enterprise human capital strategies: how to leverage people and their ideas effectively to achieve bottom-line business goals such as growing the business, increasing market share, margins, share price, and decreasing costs, as well as improving business processes, benefiting from technology investments, and increasing productivity
Hall	2008	HCM is a system for improving the performance of those in critical roles-those with the biggest impact on corporate core competencies
Lawler	2009	Making human capital a source of competitive advantage requires much more than making some quick fixes to a control-focused organisation. It requires attracting and retaining the right people as well as organising and managing them effectively..... It requires the right managerial behaviours as well as the right design of most of an organisation's major operating systems in order to create a Human Capital centric (HC-centric) organisation

Table 2 indicates that there are a variety of definitions and ideas associated with the HCM concept. Some authors consider HCM as similar to strategic HRM, yet larger in scope, an approach to people management that treats it as a high level strategic issue (Hall, 2004; Lawler, 2009). Another stream of research defines HCM as the effort directed towards measuring the contribution of HRM to the bottom line and measures systematically how people, policies, and practices create value (Accounting for People, 2003; Baron and Armstrong, 2007; Hayton, 2003; Nalbantian et al., 2004). Other definitions of HCM present it as an outcome-oriented, value driven construct, concerned with outputs, results and value (Chatzkel, 2004; Hall, 2008; Kearns, 2005, 2006; Van Marrewijk and Timmers, 2003; Merritt, 2007)

It seems as if HCM means different things to different people, and too often, the existing definitions are too broad and do not provide practitioners with an action plan to better manage and add value through their HC. By focusing on the imperatives of a better understanding of HC management, this paper draws the attention to the necessity of building theory that clarifies both the HC and HCM concepts. The main question that arises at this point is: what is the difference between HCM and HRM? Before answering this question, I will introduce the resource-based view (RBV) and the rent-based view as I believe that both theories can offer a useful framework for analysing and theorising how HC can be managed within individual firms.

6. THE RESOURCE-BASED AND THE RENT-BASED VIEWS

Initiated by the work of Penrose (1959), the RBV was articulated into a coherent statement of theory by Wernerfelt (1984) and largely popularised by the seminal article of Barney (1991). It states that organisational resources and capabilities that are rare, valuable, non-substitutable, and imperfectly imitable form the basis for a firm's sustained competitive advantage. On the basis of this theory, the firm is viewed as the accumulation of unique resources of a diverse nature (Wernerfelt, 1984). These resources can be viewed as bundles of tangible and intangible assets, including a firm's management skills, its organisational processes and routines, and the information and knowledge it controls. Among the firm's resources, intangible resources are more likely to produce a competitive advantage because they are often rare and socially complex, thereby making them difficult to imitate (Barney, 1991; Black and Boal, 1994; Itami, 1987; Peteraf, 1993). Furthermore, intangible resources are difficult to change except over the long term (Teece et al., 1997). Most particularly, HC has long been argued as a critical resource in most firms (Pfeffer, 1994).

The RBV suggests that a firm can secure a sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships, are embedded in a firm's history and culture, and generate tacit organisational knowledge (Barney, 1991; Wright et al., 1994).

Chadwick and Dabu (2009) argue that the rent-based view is better at explaining the HR contribution to a firm's competitive advantage than the RBV. Their argument is that the RBV's criteria enable making judgments about whether the company's resources could generate competitive advantage; however, this does not clarify the causal mechanisms leading from human resources to competitive advantage. They propose the rent theory as an alternative approach to provide a clearer account of the HR's effect on a firm's competitive advantage. Chadwick and Dabu (2009) make a point that the way people feel and think about their working conditions and their firm can affect the way they behave; and their thoughts about a certain HRM practice can influence its outcomes for the firm.

In this paper, I draw on both the resource-based and the rent-based views to design the HCM framework that depicts the managerial actions needed to leverage the value of their HC in a way that might enhance the firm's competitive advantage. I will present my proposed HC definition and HCM framework in the next sections.

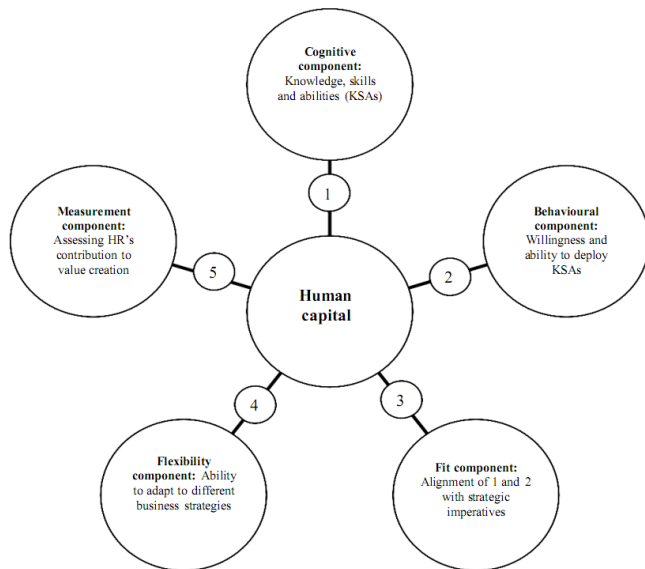
7. HCM: A NEW NAME FOR HRM?

Today, HCM seems to be replacing HRM or, at the best, is used with it interchangeably. This change has been triggered by the proponents of the RBV, inspired by the characteristics of our global, information and knowledge-based-economy that consider people with their knowledge, experience, education, personality and behaviour as a source of competitive advantage (Barney and Wright, 1998; Lado and Wilson, 1994; Thite, 2004). Researchers have argued that HC may play an even larger role in the future because of the constantly increasing knowledge-intensive activities in most work environments (Unger et al., 2011). In that context, it is a high priority to define the HC concept, and explain how it is different from HRM.

It was apparent from the existing definitions of HCM in the literature discussed in a previous section that there is a lack of agreement regarding the meaning of HCM. While it is a fact that, in many organisations, titles pinned on the doors of HR managers change almost every decade, the change in current practices does not always follow. So what is the difference between HCM and HRM and what has triggered this change in appellation?

In the opinion of Mayo (2000) the essential difference between HCM and HRM is that the former treats people like assets while the latter treats them as costs. However, recent developments in the HRM and the SHRM literature increasingly consider people as an assessment and people expenditures as investments rather than costs. Moreover, both SHRM and HCM focus on the importance of adopting an integrated and strategic approach to managing people. Therefore, the difference between HCM and SHRM remains ambiguous.

According to Walker (2001), the HCM concept is supposed to capture all efforts addressing people issues, not merely to serve as a new name for HRM. It aims to build an understanding that business strategies have people implications, which require their serious attention, investment, and action. In line with Walker (2001), we argue that it would be unfortunate if the HC label were adopted by HR functions, without the broadening of scope, deepening of business integration, rigorous measurement, and accountability, or the development of needed consulting and leadership capabilities. It will then become merely a fad of the new century, rather than a valuable shift in emphasis.

Figure 1 The HC definition

8. BEYOND HRM: A HCM FRAMEWORK AND ITS IMPLICATIONS TO PRACTICE

In this paper, discussions about HC are centred on both individual level competencies and organisational factors that assist in enabling, capturing, and transforming individual level competencies into knowledge-based competitive advantages. I present respectively my proposed HC definition shown in Figure 1 and the HCM framework shown in Figure 2.

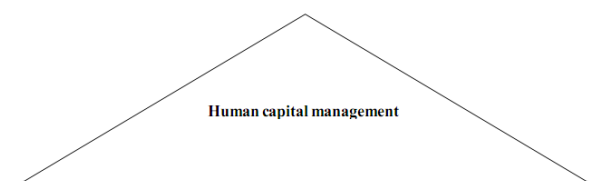
Figure 1 aims to answer the first research question “How can we define HC?” it represents my proposed definition of HC, comprised of 5 components that were compiled from the HC literature, and anchored in the Resource-based and the rent-based views. In almost all definitions of HC listed in Table 1, HC is defined as the set of employee KSAs and is considered, according to the RBV, a source of competitive advantage. I believe that this definition, although relevant, is not complete. I relied on the rent-view (Chadwick and Dabu, 2009) to add a new dimension to the HC definition. The rent-view gives prevalence to how employees feel about the organisation and its practices. Therefore, I deem necessary to enlarge the HC definition to include a behavioural component. Moreover, I rely on the strategic HRM literature that stresses on the importance of fit between HR practices and business strategy (Becker and Gerhart, 1996; Becker and Huselid, 2006; Gratton and Truss, 2003; Wright, 1998) to propose a third dimension to the HC concept that is the fit component. Moreover, in today’s dynamic environment, adaptability is a must, thus the fourth dimension on flexibility. Finally, the fifth dimension on measurement is drawn from a common theme in the HC literature, namely HR metrics and accounting (Flamholtz et al., 2002; Hayton, 2003; Nalbantian et al., 2004).

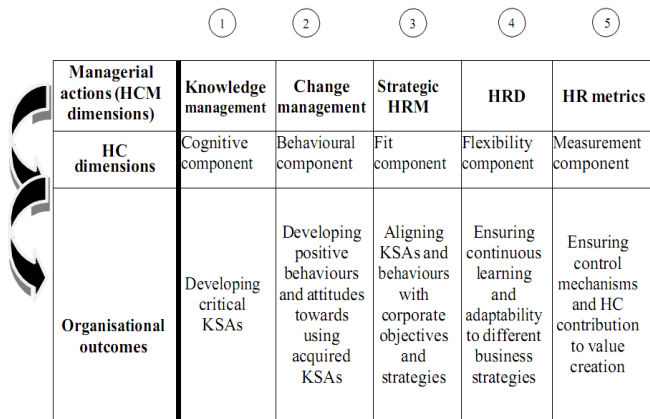
Thus my definition of HC encompasses five dimensions listed below and shown in Figure 1:

- a cognitive component residing in employee KSAs (Becker, 1993; Mayo, 2000; McGregor et al., 2004; Nerdrum and Erikson, 2001; Snell and Dean, 1992; Sullivan, 1999; Unger et al., 2011; Walker, 2001; Youndt and Snell, 2004)
- a behavioural component residing in employee willingness and ability to deploy those KSAs (Abeysekera and Guthrie, 2005; Benevene and Cortini, 2010; Choudhury and Mishra, 2010; Gates and Langevin, 2010; Hudson, 1993; Isaac et al., 2009; Santos-Rodrigues et al., 2010).
- a fit component residing in the alignment of the cognitive and behavioural component with strategic imperatives (Becker and Gerhart, 1996; Becker and Huselid, 2006; Finn, 2003; Gratton and Truss, 2003; Wright, 1998)
- a flexibility component assessing the ability for HC to adapt to different business strategies and create value at the present and future time (Isaac et al., 2009; Macan and Highhouse, 1994)
- a measurement component assessing HC’s contribution to value creation residing in the appropriateness of the alignment between the cognitive and behavioural approach on one hand, and the strategic imperatives on the other hand (Flamholtz et al., 2002; Hayton, 2003; Nalbantian et al., 2004).

As a result, to increase the value of their HC, we recommend managers to ask themselves the following questions: How can I ensure that my employees are knowledgeable, skilled and able to perform the current required tasks? How can I ensure that my employees are motivated and willing to deploy their KSAs to achieve stated objectives? How can I ensure that my employees’ KSAs and behaviours are aligned with our strategic objectives? How can I ensure that our employees will continue to display the necessary KSAs and behaviours to meet future (and perhaps different) strategic directions?

The HCM framework shown in Figure 2 proposes answers to the questions above and serves as a guideline for managers to leverage the value of their HC through various managerial actions. It also helps answer the second research question “Is HCM just a new name for HRM? In other terms, what is the difference between HRM and HCM?”

Figure 2 The HCM framework



The five dimensional HCM framework shown in Figure 2 indicates how each HC dimension should be managed and outlines the respective organisational outcomes. The power of the proposed HCM framework comes from the integration of many distinct initiatives and advocates for the breakdown of traditional departmental barriers. Based on my framework, HCM is a concept that is much wider in scope than HRM and its effectiveness lies in the proper integration of many different disciplines, namely SHRM, KM and OB that is reflected, operationally, by the need for a better coordination across various business departments, most importantly between HRM and KM. As Currie and Kerrin (2003) advocate, I also believe that employee's unwillingness to share knowledge with others is crucial in determining the contribution HR practices can make to managing knowledge. Thus, the successful implementation of KM initiatives is dependent on the efficient management of human resources. On the other hand, research indicates that intellectual assets and resources can be used much more efficiently and effectively if organisations apply KM techniques for leveraging their human resources and enhancing their personnel management (Soliman and Spooner, 2000).

Moreover, many authors argue that value is added to organisations by installing employees' knowledge into KM systems that organisations create and use (Garavan et al., 2001). Thus, we propose a definition of HCM that encompasses five dimensions listed below and shown in Figure 1. The main arguments pertaining to Figure 2 are the following:

- KM strategies leverage the cognitive component of HC and allow both tacit and explicit knowledge to be created and shared among employees. This leads to an increase in employees' knowledge, skills and ability to perform the current required tasks, which leads to the development of critical KSAs (Afiouni, 2009; Hall, 2004; Ng and Feldman, 2010; Robertson and O'Malley Hammersley, 2000; Soliman and Spooner, 2000).
- Change management initiatives leverage the behavioural component of HC and can

increase employees' motivation and willingness to deploy their KSAs to achieve stated objectives (Isaac et al., 2009; Santos-Rodrigues et al., 2010).

- Strategic human resource management (SHRM) ensures the fit component of HC and can ensure that employees' KSAs and behaviours are aligned with the company's strategic objectives (Baron and Armstrong, 2007; Becker and Gerhart, 1996; Becker and Huselid, 2006; Finn, 2003; Gratton and Truss, 2003; Wright, 1998).
- Human resource development ensures the flexibility component of HC and can ensure continuous learning and employee adaptability to different business strategies. This means that employees will continue to display the necessary KSAs and behaviours to meet future (and perhaps different) strategic directions (Gilley and Maycunich, 2000).
- HR metrics ensure the measurement component of HC and ensure that proper control mechanisms are in place to monitor HC's contribution to value creation (Hayton, 2003; Kearns, 2005, 2006; Mayo, 2000; Nalbantian et al., 2004).

When the five dimensions of the HCM framework are properly applied, I argue that HC will become, as advocated in the RBV (Wright et al., 1994, 2001) and the rent-based view (Chadwick and Dabu, 2009), a source of a sustainable competitive advantage.

However, to date, such integration of initiatives is not well established. Although many executives believe that finding and developing the right talent should be one of their top priorities, and that their company's HC is one of their most important assets, Lawler (2009) argues that few corporations are designed to operate in ways that recognise the importance of HC. Moreover, he adds that rather than encouraging people to be important contributors, most of the systems in organisations are designed to control their behaviour (Lawler, 2009).

"If we really took human capital seriously, we'd run companies in a very different way." [Lawler, (2009), p.1]

In line with Lawler's proposition, the HCM framework provides practitioners with an action plan to link their managerial actions with both employee and organisational outcomes. It proposes that companies need the right managerial behaviours as well as the right organisational infrastructure and vision in order to create a competitive advantage through people.

Moreover, in line with the work of Santos-Rodrigues et al. (2010), the HCM framework shows that competitive advantage can be created through people, if managers link their action plans to their employees and organisational outcomes. In fact, a group of highly motivated and capable employees represents a firm-specific, rare, and inimitable resource and ingredient of competitive advantage. It is the managers' responsibility to encourage their employees and motivate them to manage their knowledge and capacities in a way that is in line with the firm's objectives to contribute to organisational gains (Santos-Rodrigues et al., 2010).

Moreover, the HCM framework is well supported by the work of Becker and Huselid (2006) which discuss the challenges facing SHRM and the new directions in SHRM research and practice. They argue that strategy implementation is the mediating factor between HR and firm performance, and consider strategy to be a source of building sustainable competitive advantage. According to them, it is the fit between the 'HR architecture' (composed of the systems, practices, competencies, and employee performance) and the firm's strategy that is the foundation of HR's impact on the firm's performance and its contribution to the firm's competitive advantage. This idea is well echoed in the proposed HCM framework.

9. CONCLUSIONS

Economists have long known that people are an important part of the wealth of nations. Measured by what labour contributes to output, the productive capacity of human beings is now vastly larger than all other forms of wealth taken together (Schultz, 1961). However, in the business context, it is only during the last three decades that managers started considering people as key in a company's endeavour to realise and develop its business ideas (Hansson, 2001; Sveiby, 1990).

Today, in business disciplines, the prevalence of HC is set to increase as organisations become more focused on managing intangible assets, as senior management becomes more interested in the impact on bottom line results, as technology evolves and analysts and investors demand improved information relating to the management of people as a contributor to shareholder value (Whitaker and Wilson, 2007). Moreover, knowledge is becoming increasingly important in promoting a firm's sustainable competitive advantage; and that both the creation and management of intangible assets contribute to a firm's wealth (Santos-Rodrigues et al., 2010).

The main contribution of this paper is that it addresses a significant gap in the HRM literature by proposing a definition of HC and a framework for HC management, backed up by the literature on strategic HRM, KM and anchored within the resource-based and rent-based view. It is hoped that the paper will contribute to opening the conversation, in the academic literature on

the definitions and contours of the HC concept and will help advance HC theory building within the HRM discipline. For business practitioners, The HC definition and the HCM framework proposed in this paper help clarify an action plan to leverage the value of their HC. In sum, I argue that HCM is not merely a new name for HR. I strongly believe that it is the beginning of a new era for HRM, an era where HR is more strategic, more business oriented, more integrated with other functions, more flexible and more future-oriented as shown in the proposed HCM framework.

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