

Sustaining enterprise competitiveness – is human capital the answer?

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In today's volatile environment of business, competitive advantages of firms are temporary. Top managements do not, and cannot, have all the answers to increasingly complex and rapidly changing problem situations facing their firms. In such a context, people of an organization constitute its core resource for continuing competitiveness. This resource comprises people's individual and collective learning and knowledge, skills and expertise, creativity and innovation, competencies and capabilities i.e., people's continuous capacity for providing customer-valued outcomes. In terms of their continual enhancement of such a capacity, the people of an enterprise constitute an appreciating resource i.e., its human capital. This paper explicates an inclusive concept of human capital, and specifies its necessary and sufficient conditions. It further highlights the embeddedness of human capital within a dynamic multi-loop nexus of social capital, learning, and management of knowledge. Intellectual capital of a firm is an emergent from this nexus. The framework developed here also helps outline a set of propositions regarding the nature and process of human capital development.

1. Introduction

Shifting customer preferences; changing demographics; mutation and disappearance of markets; shortening life cycle of products; emergence and growth of new service businesses; revolution in retail; emergence of new technologies; new models of business and organization; alliances and joint ventures; mergers, divestments, and acquisitions; networks and consortia of firms; globalized nature of competition; blurring of industry boundaries; expanding range and reach of multinational corporations; emergence and growth of e-commerce; pervasive over-capacity in most industries; currency fluctuations; volatile global monetary flows; and the ubiquitous challenge of complexity, uncertainty, and constant change; characterize the world of business today. In such a milieu, the conventional pattern of business in the form of relatively lim-

ited number of products and stable markets, no longer holds. Intensifying competition based on price, quality, or differentiation entraps companies into an increasingly profitless competition over market-share on the one hand; and makes them vulnerable to competitors with superior substitute products and/or new business designs, on the other.

2. The knowledge imperative

On account of ongoing simultaneous, rapid, incessant, and multiple changes across many dimensions in the business environment of firms; it is virtually impossible for a few persons at the top level managerial positions in companies to obtain a timely and adequate understanding of the dynamic competitive realities confronting their organizations.

They do not have, and cannot be expected to have, the requisite degree, variety, and amount of relevant information and knowledge needed to formulate and design meaningful strategies. Strategy formulation today needs 'new voices, new conversations, and new geographies' [1]. New, innovative, and frame-breaking strategic initiatives cannot be effectively conceptualized, developed, and implemented in the absence of diverse, information-rich, insightful, and knowledge-based inputs from a wide cross-section of organization members. The latter have not only a more intimate knowledge of the ground realities of the market place, but also of internal resources and working of the organization. Cannon's entry into the personal copier business, for example, came from an overseas sales subsidiary; and not from the top corporate planners in Japan.

Knowledge today constitutes the quintessential competitive resource of enterprises [2]. It is acquired through learning. It, in turn, provides the basis for developing skills, capabilities, expertise, and innovation. It thence engenders productivity and growth, streamlining of business processes, visualization of new opportunities, and development of creative strategic initiatives [3].

3. The people factor

Knowledge however, is learned, acquired, developed and used only by people in an organization. They do so both individually and collectively. Knowledge resides in specialized and fragmented form among individuals in a company. A company’s competitive effectiveness thence lies in its managerial ability to develop, provide, pool and integrate the individual and collective specialized knowledge of its people for generating requisite capabilities, skills, innovation and expertise. The latter, in turn, engender superior customer-valued performance. The importance of pooling and utilizing the knowledge of people for the survival of organizations, is highlighted by Matsushita thus:

The survival of firms today is so hazardous in an increasingly unpredictable environment that their day-to-day existence depends on the day-to-day mobilization of every ounce of intelligence. For us, the core of management is the art of mobilizing and putting together the intellectual resources of all employees in the service of the firm Only by drawing on the combined brain power of all its employees, can a firm face up to the turbulence and constraints of today’s environment [4].

The ability of enterprises to compete in today’s highly competitive markets depends on their people’s cultivation of capabilities that are applicable across a wide set of market opportunities. Such capabilities serve as platforms of entry into rapidly emerging and evolving markets. Owing to unstable market conditions; intensity, and diverse forms and modes of competition; it is organizational capabilities, innovation, speedy processes, expertise, and creative approaches to business; rather than the served markets, that become the logico-rational basis for firms’ competitive strategies. To survive and succeed, people in an organization today continually need to identify new opportunities, think and act innovatively, explore and discover new paths to growth, develop required capabilities and deploy them rapidly, face today’s challenges, and prepare for an uncertain future. All of these tasks and activities are knowledge-intensive. As creators, owners, and users of knowledge, people of an organization constitute its most valuable or ultimate resource.

The foregoing analysis may be synoptically depicted as follows:

Figure 1 brings out the crucial linkage of knowledge (including learning, development, sharing and creative use) with people toward making them an organiza-

tion’s most valuable or ultimate resource. Resources however, as a rule, decline or diminish over time unless replenished, upgraded, enriched, or developed in a regular manner. When however, a resource appreciates in value over time, without being exhausted even through intensive and sustained use; it acquires the character of being a capital resource.

In so far as ‘every business is a growth business’ [5], its growth can come about only through the potential of its people to create, capture, and deliver greater customer value. Whether a business provides sanitation services, or sophisticated semiconductors, its capacity to generate superior customer-valued outcomes in a continuing manner is created only through incessant learning and increasing application of knowledge to work by its people. People’s learning and knowledge in this context must however, also include an understanding of their company’s competitive business environment; besides their capabilities to perform and motivation to excel. The potential of people to constitute appreciating human capital through learning and knowledge, is in this sense, present in every enterprise. In fact, ‘The behaviours that define learning and the behaviours that define being productive are one and the same’ [6].

People of an organization may be its ultimate resource, but the worth or value of this resource may be

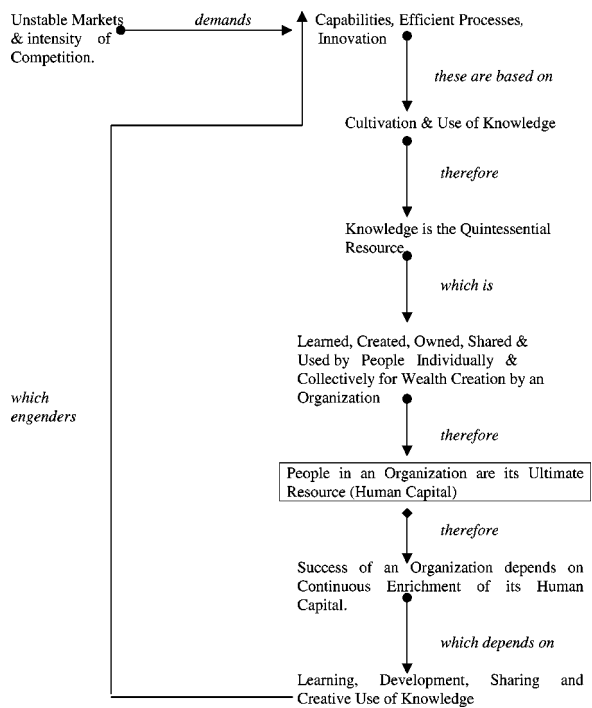


Fig. 1. People as the ultimate resource of an organization.

low, or null, if the organization fails to meet the competitive challenges of change. How may people in an enterprise individually and collectively become its human capital, is an important issue that needs to be analyzed and understood. What is it that is involved and required in transforming people as a resource into appreciating human capital of an enterprise? This issue is taken up next.

4. What is human capital?

The concept of human capital subsumes and goes beyond the conventional concept of human resources. While training and development of employee's skills, motivation, and involvement of employees in decision making, are common to both; the focus of human capital is sharper, broader, and deeper. This focus is on ensuring and sustaining the competitiveness of the enterprise. An example may be useful toward clarifying the difference between the two overlapping concepts.

Suppose a boat is being rowed by a team in a large river. The boat is going fast, the persons are rowing the boat skillfully with practiced economy of effort, and their movements are well coordinated. But what happens if the boat is heading in a wrong direction? It would certainly fail to reach its destination which is the sole purpose of the boat's journey. Skills, training, cooperation, and coordination of the rowers' efforts would be of no avail if they can not identify their correct direction; change their course speedily toward the right direction; learn from past and present errors so as to avoid them; understand fully the nature, purpose, and circumstances of their journey; and are skillful in monitoring and interpreting the signals indicating their course and direction.

The focus of the conventional concept of human resource in this context would be primarily limited to the development and coordination of the rowers' rowing skills. The concept of human capital, on the other hand, would extend further to the cultivation of boatmen's larger capabilities. The latter would be intended to ensure that they understand and reach the journey's destination in the face of expected and even unforeseen problems and difficulties [7].

The following examples serve to bring out the consequences of the missing focus of human capital. In each of these cases, serious strategic and cognitive failures occurred despite the presence of highly trained, competent, and experienced managers and employees:

- Ford, General Motors, and Chrysler failed to see the impending threat of the Japanese competition before the Japanese auto firms had captured a large market share.
- The rich, powerful, and well-established retail firm, of Sears failed to see the impending threat of Wal-Mart, and understand the implications of the latter's new business design and logic of competition.
- IBM was not only very late in entering in the PC market, but also gave away the huge new wealth to be generated from the PC software market.
- Encyclopedia Britannica came to the brink of disaster owing to its failure to appreciate the implications of printing its product on CD-ROM.
- Xerox missed out the PC revolution even when they had invested so much in their pioneering Altos machine. A then insignificant firm – Apple – capitalized on the Xerox's R&D.
- In the early days of Xerox, IBM turned down the opportunity to acquire it very cheaply. According to IBM's management, the demand for photocopiers was insufficient to justify investment. Later, IBM entered the photocopier market, but had to withdraw after sustained losses in the face of Xerox's entrenched position.
- Compaq missed the opportunity of Just-in-Time assembly of PCs which was exploited by Dell with outstanding success.

Similar examples can be multiplied. High level of human resource management and development practices, and highly qualified and competent managers were present in all these organizations. Their top managements believed that they knew all the answers. These were no 'new voices' 'new conversations', or 'democratization' in strategic decisions [8]. Organization-wide conversations about strategic issues and problems are vital for providing reality checks on managerial thinking, probing assumptions and beliefs, clarifying ambiguities, highlighting inconsistencies, generating alternatives, bringing out new creative options, and developing innovative approaches and ideas for decisions and actions. The payoff from such a democratization of strategy is a wealth of ideas, insights, initiatives and opportunities toward overcoming strategic myopia and minimizing the likelihood of painful strategic surprises.

The foregoing failures could have been avoided if there was scope for a wider cross-section of people knowledgeable about changing business realities, to challenge the prevailing assumptions, beliefs, or rules.

These failures could have been avoided if employees across levels could engage in creative thinking and cross-fertilization of ideas and perspectives. The limited knowledge base, and uncritical beliefs of people in decision-making positions in these firms; limited the options and space of possibilities visible to them. Their cognitive and knowledge-base limitations prevented them from seeing and considering what is now obvious.

The foregoing examples also point out that while poorly performing or failing firms may have well-developed human resources, they do not have any appreciating human capital [9]. Well-developed human resources however, serve to provide the foundation on which an edifice of human capital may be built.

How may human capital be described or defined? In the light of the discussion so far, human capital of a firm may be viewed as consisting of highly skilled, creative, motivated, collaborative and knowledgeable people who understand the dynamic business environmental context, and the competitive logic of their enterprise; and the critical requirements thereof. They understand and realize their own broad role and responsibility for the vision, values, and competitive viability of their organization. For this purpose, they continually learn, develop, share, integrate and use their knowledge both individually and collaboratively to cultivate enterprise competencies/capabilities, innovation, expertise, and speedy business processes in a proactive manner. They are focused on the success of their enterprise in facing the challenges of both today and tomorrow.

The concept and perspective of human capital aver that hard work, skills, motivation, and cooperation, of employees though important; play only a limited role in the survival and success of enterprises today. Best efforts and best intentions by themselves will not produce new and innovative products and services. They cannot create new business or markets. They cannot trigger customer demand. A company may be producing flawless products through its dedicated employees, but would close down if there is no demand for its products. Technology, by itself, is also no solution to the problem of competitiveness. General Motors in the 1980s invested \$40 billion in new machinery and automation. The results of this massive investment were high cost, poor quality, excess capacity, frequent breakdowns, and disrupted schedules. With such a massive investment, GM could have acquired its Japanese competitors. The concept and perspective of human capital stem from the fact that there is no substitute for knowl-

edge and learning, creativity and innovation, competencies and capabilities; and that they need to be relentlessly pursued and focused on the firms' environmental context and competitive logic; for the survival of firms in a milieu of hyper-competition.

Human capital is the fountain-head of vast economic benefits that flow from human creativity and commitment, innovation and discovery, imagination and passion. It has been manifested in the development of electric lights, photography, telegraph, telephone, photocopying, automobiles, air-crafts, facsimile, microprocessors, personal computers and e-commerce. No customer ever asked for them!

Human capital is based on igniting the entrepreneurial passions of an organization's people. It involves setting up, supporting, and sustaining dynamic internal webs of the flow of ideas, talent, motivation, and resources toward new high growth opportunities. It involves leveraging a company's competitiveness and resources in novel ways toward new concepts of, and approaches to business; and translating them into credible ventures. It involves and denotes a linking up of entrepreneurial spirit, imagination, ideas, skills, knowledge, and capabilities with resources in the service of wealth creation in and by business enterprises.

The foregoing discussion of human capital toward understanding its nature and significance has been at a rather broad and macro level. In order to understand its nature at a deeper level, as well as, the requirements for its building and development, one needs to examine its structure and composition at a micro-level. This is attempted next in terms of the axes of human performance.

5. The axes of human performance

Work performance of an individual may be observed and appraised along three dimensions as follows:

- (1) an understanding of the context of work, or work situation, in terms of its purpose, nature, conditions, requirements, metrics of appraisal, and so on;
- (2) the ability to carry out the work effectively in terms of the requisite knowledge, skills and capabilities required for performance excellence; and
- (3) motivation to carry out the work in terms of one's commitment and best efforts toward excelling in performance.

These three dimensions may be viewed as three axes of human performance viz., **understanding the context, the ability to be effective, and motivation to excel**. These three axes of human performance may be logically applied and instantiated to explicate the nature, norms, and attributes of the human capital as follows:

The first axis, i.e., understanding the context, implies employees' reflective and critical understanding of the dynamic business environment of their enterprise. It also implies employees' comprehension of their company's vision and strategy, business system design and profit model, competitive logic and core value proposition. More importantly, it implies employees' clarity of understanding regarding their company's processes and mechanisms for the creation, capture, and delivery of value; and the nature and rationale of their own individual and collective efforts toward realizing their company's vision and strategy. The employees' awareness and understanding of their company's business context also orients them toward a better appreciation of the present and potential challenges facing their company; and the requirements of knowledge, skills, and capabilities for coping with them.

The second axis, i.e., the ability to be effective, in the context of human capital implies employees' abiding dedication to work excellence in their broadly defined and non-rigid work roles. More importantly, it implies employees' sustained orientation towards learning, upgradation of skills, cultivation of new and needed capabilities, expansion of expertise, creative thinking and use of knowledge; for both problem solving and innovation; streamlining of processes, procedures, and routines for eliminating non-value-adding activities; and experimentation and initiatives in search of opportunities. This is so, for the concept of performance excellence, or effectiveness, is neither static nor fixed.

The second axis is meaningfully shaped by the first (i.e., 'understanding the business context') in terms of the adaptability of human capital to changes in a firm's business environment. The requirements of learning, knowledge, skills and capabilities of, and by employees, would sharply differ according to the nature of a firm's business, and the life cycles of its organization and industry. The requirements of employees' effective performance would be radically different across disparate organizations like high-technology growth firms, firms in mature or declining industries, or firms caught in industrial shake-outs and consolidation. Even for the same firm, requirements would differ from time

to time depending upon changes in its competitive situation. The focus of human capital along the second axis of performance is on proactive learning, development, and use of knowledge for customer-valued work excellence.

The third axis i.e., 'motivation to excel' implies an organization-wide shared ethos of a high degree of commitment to enterprise goals, and a high level of cooperation among employees toward working together to achieve those goals. These, in turn, imply a high level of trust and goodwill among employees in pursuit of shared objectives. Both commitment and cooperation are vital for individuals with complementary and specialized knowledge and skills to collaborate creatively for solving difficult problems, developing new products and/or services, achieving performance breakthroughs, creating new competencies, and generating value through relentless improvement and innovation. Employees in an enterprise, both individually and collectively, must score high on each of the three axes, and consistently across all the three axes and in an expanding manner over time; in order to constitute the firm's human capital. The ability to meet the foregoing requirements of performance in a continuing manner, raises a basic question. What type of human being stands at the centre of the three axes? What type of person would be capable of scaling the heights of performance, and sustaining the same in a steady state fashion over time?

6. The human in human capital

The issue considered here may be represented as follows (Fig. 2).

At the centre of the three axes of human performance, is an individual human being. What type of mental makeup, worldview, or psychosocial factors he/she needs or possesses to be able to expand and sustain the orbit of his/her organizationally relevant performance?

Some recent writers have highlighted the importance of 'emotional intelligence' in this context. For

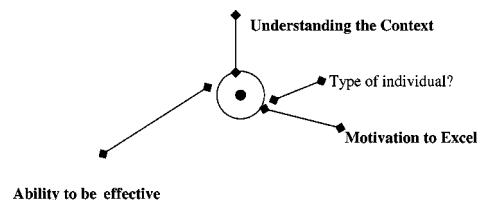


Fig. 2. The centre of the three axes of performance.

Table 1

Constituent values of pronoia	Corresponding polar set of disvalues
Compassion, Empathy, Care for Others, Selflessness	Egoism, Envy, Jealousy
Giving, Sharing, Generosity	Greed, Selfishness
Loyalty, Integrity	Disloyalty, Slyness, Deviousness
Belief in Equality, Fairness	Favouritism, Nepotism
Transparency, Openness, Honesty	Dishonesty, Lying, Evasion, Secrecy
Friendship, Warmth	Enmity, Disregard for Others
Joyfulness, Pleasantness	Joylessness, Unpleasantness
Respect, Humility, Modesty	Disrespect, Arrogance, Pride
Placidity and Balance	Angry, Hateful
Patience, Thoughtfulness	Impatience, Dismissiveness, Impetuosity
Courage, Character	Cowardice

example, Goleman argues that IQ constitutes only about 20% of the factors that determine success in life [10]. The remaining factors making up the other 80% pertain to ‘emotional intelligence’. The latter is defined as the capacity for recognizing one’s own feelings and those of others, for motivating oneself and in one’s relationships. Five basic dimensions of emotional intelligence are specified as: **self-awareness, self-regulation, motivation, empathy, and social skills**. The relevance of emotional intelligence as a source or driver of performance excellence however, appears to be limited and tangential at best.

Performance excellence and effectiveness in organizations, apart from an individual’s ability and motivation, depend primarily on the individual’s ability to effectively collaborate with others. Collaboration is a purposive relationship based on trust, mutual regard, and sharing of ideas, information, knowledge, resources and responsibilities. It involves working together to learn, solve problems, innovate, meet tight times schedules, cope with obstacles, deal with unforeseen difficulties, and strive to achieve and exceed organizational goals every day. The nature and range of collaborative activities may vary; the collaborating persons, or team members, may be different from time to time; and job rotation assignments may engender new forms and modes of interpersonal and group interactions across organization levels, space and time. But the imperatives of doing one’s best in cooperation with others, helping others when needed, and pursuing stretch goals of the enterprise, remain unchanged.

The wide range of roles an able and motivated employee may have to play in his/her diverse work situations, may include not only being a talented and full participant in teams; but also being at various points

in time and place, a teacher, a coach, a mentor, a coordinator, a team leader, an example setter, a project in-charge, an exemplar, a manager of linkages across teams, a goal setting guide, a cheer leader, a counselor, a facilitator, an active supporter, a monitor, an evaluator, and so on. Such a wide spectrum of roles and range of interactions, can capably and in a committed manner, be played only by a person who inherently believes in, and practices human values, as a very part of his/her human nature. Such a person holds goodwill, helpfulness, honesty and sincerity in himself/herself and others as the natural elements of human outlook and behaviour. Such a person is characterized by an orientation of pronoia as opposed to paranoia. The latter views others as inherently selfish, unfriendly, distrustful, and exploitative.

The nature of pronoia in terms of its composition of human values, and a corresponding set of polar disvalues which constitute the dark side of human nature, may be outlined as follows (Table 1).

From the above table of values and disvalues, it is obvious that only a person characterized by a developed orientation of pronoia would be able to engage effectively in multiple types and modes of productive collaborative interactions with his/her fellow members of an organization; and build up the organization’s long-term social capital.

Only a person with requisite psychosocial disposition and behaviour infused by the values of pronoia, may be a part of an appreciating human capital. Those characterized by the foregoing set of disvalues may not be able to do so in a sustained manner, unless and until their outlook and behaviour change toward pronoia.

We have so far explicated the nature and attributes of the concept of human capital at both a general level

and individual level. The real locus of human capital however, lies within enterprises. The dynamics of this ultimate resource at the enterprise level are examined next.

7. The dynamic nexus of human capital at the enterprise level

Human capital as an appreciating resource of an enterprise does not exist and develop as an isolated entity. Its growth, development, and evolution are inextricably bound up with its multilateral interactions with certain other salient factors in an enterprise. The state of human capital in an organization is simultaneously the cause and consequence of its interactive relationships within a dynamic nexus of a set of determinate factors. The nature, interrelationships, and dynamics of these factors may very briefly be outlined as follows:

Business environment of a firm as its dominant driver influences the firm's vision and values, shapes the firm's business model, and logic of competition; and directs its organizational learning. The firm's business environment, and vision and values, together help shape its social capital i.e., the nature and strength of its internal collaborative structures.

Organizational learning and social capital of the firm together help determine the quality of its human capital. Organizational learning and human capital, in turn, shape the firm's knowledge management system. They also determine and facilitate the knowledge management system's outputs in terms of fostering innovation, developing the firm's competencies/capabilities, streamlining of its processes, and cultivation of relevant expertise in domains of competitive importance. These outputs of the firm's knowledge management system, in turn, serve to enhance and enrich the quality of the firm's human capital. The latter, enables and engenders a flexible orchestration of the firm's innovative prowess, competencies/capabilities, streamlined processes, and expertise; and leverages them for addressing the challenges and opportunities facing the firm. Such a flexible orchestration of the firm's total stock and flow of knowledge constitutes its intellectual capital [11].

The firm's intellectual capital is its high order meta-level capability to cope with its extant and emerging challenges and opportunities. It determines the firm's overall business performance. The latter is also affected by the random events and developments taking place in the firm's business environment. The firm's

business performance, in turn, also affects its business environment in a reverse manner, and leads to a periodic review and appraisal of the firm's business model and logic as well as, vision and values. The outline of the dynamic nexus of human capital of a firm is complete at this point.

Human capital of an enterprise is embedded in a dynamic nexus of its organizational learning, social capital, and knowledge management. Its thrust and focus emanate from the firm's business model and strategic logic of competitiveness in the context of its business environment and vision. As the core of this nexus, human capital engenders the firm's intellectual capital i.e., its overall macro-level capacity and meta-capability for sustaining its competitiveness and business performance. Intellectual capital represents a firm's holistic capacity and capability for mastering the challenge of constant change. Without human capital, however, there is no intellectual capital.

8. Social capital as the base of human capital

Social capital is the base of human capital. When there is a shared vision and a shared value system, and an ethos of help and care; unimagined resource capabilities for wealth creation and excitement emerge in an organization. Social capital's development rests on a core belief in the innate goodness of man (i.e., a worldview based on *pronoia*), and which should govern the processes of social interaction in the workplace. Social capital requires reaching out to others, and creating bonds of empathy, regard, trust, understanding, care and help on the one hand; and establishing clarity of high performance expectations, and ambitious, unambiguous stretch goals; on the other. It requires infusing the firm's structures, systems, and processes with values of trust and cooperation on the one hand; and fostering an unity of purpose, meaning, integrity, and a sense of shared destiny; on the other. When this endeavour is made relentlessly, consistently, creatively, and in a dedicated manner; the coveted organizational objectives of flexibility, complementarity of activities, synergy, and resilience are apt to be realized in a natural manner. They are slowly but steadily apt to be reflected in the people's quality of interactions and behaviour.

Development of social capital for developing human capital implies the creation of an organizational climate where people are able to devote their intelligence, talent, creativity, and energy, fully to productive

or value-adding work only. People's talent, energy and work capacity are not misspent or wasted in protecting turf, in interpersonal tensions and conflict, in factionalism and political games, in pursuing or responding to hidden agendas, or, in other dysfunctional and emotionally draining negative activities. Social capital provides the source spring of the emotional energy, a pervasive spirit of help and cooperation and an ethos of optimism among people in an enterprise.

9. Some core propositions

The nature and significance of human capital on the basis of the discussion, analysis, and reasoning so far; may very briefly be summarized in the form of a few propositions as follows. They serve to further clarify our understanding, and orient our thinking about human capital as the quintessential source and resource of enduring competitiveness of enterprises.

- The concept of a firm's human capital posited here is meaningful only with reference to its sustained competitiveness. If the firm does not display sustained and superior competitive performance over a long term period, it does not have human capital; even though it may have skilled and trained employees, and an organized system of human resource management. The concept of human capital starts off from the concept of sustained competitiveness, and must return to it for its validation and appraisal.
- Work excellence (i.e., skills and abilities), commitment and cooperation of employees toward realizing organizational vision, values, and goals; are only the **necessary conditions** of human capital. They are, by themselves, inadequate to define the nature, significance, and role of the human capital. Two **sufficient conditions** are also needed in this context. One of them relates to the employees' clarity of understanding of the firm's dynamic business context and competitive logic of value creation. The other condition relates to a relentless pursuit of learning and managing knowledge toward developing capabilities, achieving incremental and radical innovations, and recasting business processes for speed and economy. The second sufficient condition is bound up with the first i.e., the firm's business environment and model. Synergy, flexible orchestration, and leveraging of capabilities, processes, and innovation; are the distinguishing attributes of the second sufficient condition.

- Human capital is not an isolated, or independent asset, or resource. It is engendered, sustained, enriched, or diminished within a highly dynamic and interactive nexus of factors. These factors are social capital, learning, and knowledge management. Knowledge management fosters and includes innovation, creation and development of skills, competencies/capabilities, and expertise; and streamlining of business processes in a continuing manner. All these factors are simultaneously the causes and consequences, determinants and determinates of the nature and effectiveness of the human capital.
- Intellectual capital is the superordinate, macro level, meta-capability of a firm. It underlies the firm's managerial effectiveness and performance. It is an emergent from the dynamic nexus of factors that embed the firm's human capital. It is essentially an efflorescence of the firm's human capital. It is the overall intellectual capability of the firm which is constituted of the continuous collaborative integration and orchestration of the continually developing level of intellectual capabilities of the firm's employees.
- Development of human capital is inextricably bound up with the development of its social capital. Social capital provides employees the spiritual moorings of meaning and purpose. It provides employees the psychosocial anchors of trust, help, care, and cooperation. Social capital fosters boundaryless collaboration of people in an organization. It leads to the whole organization working as a team. Without social capital, there is no human capital. And without human capital, there is no intellectual capital.

10. Developing human capital

The concept of human capital as viewed here, constitutes the cutting edge of an organization's sustained and superior performance. In today's complex, uncertain, and volatile environment of business, the requirements of enterprise effectiveness however, shift rapidly over time. As such, the nature of an organization's human capital can neither be stable, nor static or fixed. Human capital of an enterprise needs to be continuously enhanced and enriched in terms of learning and knowledge, skills and capabilities; toward being and becoming an appreciating resource over time. It needs to be continuously developed and focused toward en-

abling an organization to cope with competitive challenges of constant change and uncertainty.

Development of human capital is based on the premise that people are galvanized around lofty vision, stretch goals, and high aspirations. They are not aroused by the goals of making more money for themselves and the company's shareholders. Non-financial rewards like organizational approbation, peer recognition, the opportunities to develop oneself personally and professionally, participation in challenging work that stretches skills and abilities, and sense of doing important and meaningful work; matter more than the purely financial rewards. Development of both social and human capital also crucially depends on the managerial leadership's ability to provide a clear and commanding sense of purpose, meaning and direction with which the employees can emotively identify themselves. A spirit of 'me' needs to be replaced by a spirit of 'we' in the same context.

Participation of a wide cross-section of employees across levels in the formation and development of a firm's strategy, or strategic initiatives, is highly beneficial for the firm, as well as, for the development of human capital. Such a participation helps develop, clarify, and sharpen the logic of a firm's strategic thinking; facilitates the strategy's wider diffusion, understanding, and sharing across all levels in the organization; and helps ensure the strategy's flexible and effective execution. Employees' participation in the development of strategy enables the thinking through of various relevant issues from plural perspectives, and helps generate new options and creative insights. It makes possible extensive mental experimentation with new ideas, concepts, and approaches. It enables paying attention to a wider spectrum of inputs toward influencing the shape of emerging arenas of opportunity. It helps escape the trap of competing for market share in profitless or commoditized markets. It clarifies the distinction between inefficiency and irrelevancy of a business.

Such a mode of strategy formulation is much more productive and effective than the usual practice of collecting and analyzing a large mass of noisy data and information. It also helps an organization in another powerful way. Hundreds of eyes and ears of the employees now begin to monitor the events and developments in the firm's business environment continuously and diligently.

Human capital development is a highly demanding, crucially important, and continuously operating management process. Its salient dimensions may be briefly summarized as follows. Human capital development is a management process which:

- Focuses people's attention on their company's business system design, and logic of value proposition or competitiveness.
- Motivates people by relentlessly communicating the company's vision and values, assiduously practicing an ethics of care and employees' development, and incessantly fostering a shared sense of common destiny.
- Expects, encourages, and enables work excellence and creative contributions from individuals and teams through boundaryless collaborative structures.
- Uses the company's business environmental context, and the logic of competitiveness, to guide and drive organizational learning, knowledge management, capabilities building, and resource allocations – both in terms of 'fit' and 'flexibility'.
- Expects and enables the employees to think like owners, or managers, in understanding the nature and significance of their present and potential contributions to organizational growth and goals.
- Fosters the people's ceaseless development of skills and capabilities, creativity and innovation, by engaging them both intellectually and emotionally, and leveraging their creativity, skills and capabilities creatively and collaboratively to achieve stretch goals.
- Emphasizes the acceleration of learning to build new competitive advantages faster than the competition, and the rate of change in the firm's industry, or field of business.
- Concentrates on developing people to be the best they can be, and getting the best possible people to work together effectively in a boundaryless manner, keeping in view that titles, status, rules, roles, functions, and geographic differences do not separate and divide people in the company's abiding quest for the generation of customer-valued outcomes.
- Strives to bring people together with each other, and with the company's customers.
- Requires CEO and company's top managers to develop leaders at every level of the organization by investing a lot of time and effort in imparting ideas, ideals, and emotional energy; and telling stories to employees.
- Engages the employees' talents, skills, knowledge, creativity, and capabilities to rewrite the rules of competition through innovation, and flexible orchestration of the company's tangible and intangible resources; and a continuous develop-

ment and deployment of its human capital towards making the organization the best in its class, globally.

- Converts the whole organization into a symphony orchestra, where different players capably play their different instruments and tunes, but all according to a common musical score; or into a fast, focused, and flexible sports team where each member possesses different but complementary skills; and which restlessly searches for, seizes, or creates opportunities for winning.

The goal of human capital development may in essence be viewed as maximizing the overall quality or excellence of a company's coordination of its products and/or services, policies and processes, marketing and sales, supply chains and distribution channels, and financial and technological resources. All of them are in a constant state of change and flux. The goal is to ensure the firm's sustained and superior competitive performance over space and time. This would however, depend on the firm's self-enriching and appreciating human capital in the form of A players. B and C players are coached to become A players, or moved out: The process of evaluation and development of employees including managers, is relentless and unending. Says Colvin,

“... the infotech revolution is stripping away the protection that used to let companies sail along without facing the problem of B and C players. The revolution is lowering entry barriers in virtually every industry and arming customers with information and speed, destroying the friction, ignorance, and delay that used to protect mediocre companies. **You're naked out there – just you and your people. They're the only competitive advantage you have got**” [12].

11. Conclusion

The question about sustained competitiveness of an enterprise posed at the beginning, may now be answered. The answer is: Yes! Human capital is the ultimate resource for sustaining the competitive performance of an organization over time. But this ultimate resource is not a static or fixed stock. It needs to be continually developed and sharply honed in the light of a firm's changing business environment, and the dynamic logic of creating customer-valued outcomes. It

needs to be infused with entrepreneurialism, and appreciate in value over time.

Human capital rich organizations unceasingly evolve toward being and becoming a storehouse of business expertise; a growing pool of cutting edge competencies, skills, best practices, techniques, and tools; a collaborative collectivity of autonomous and peak performing employees; an exemplar of speed and brain power in all domains of its activity; an agile player responding rapidly to market shifts; and a bearer of a culture of constant innovation and value creation.

Development of human capital does not signify, or lead to a terminal goal or destination. It is rather an unending journey along a pathway of unceasing uncertainty and change. The purpose and direction of this journey are shaped by the shared vision and values of people in an organization. They are sustained by the organization's output of intellectual capital.

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¹There is a wide awareness of the need to broaden the conventional focus of human resource management. This is reflected in a growing emphasis on 'The strategic management' of, and a 'new mandate for human resources. See for example [7].

- [9] D. Ulrich, J. Zenger and N. Smallwood *Results-Based Leadership*, Harvard Business School Press, Boston, 1999.²
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²They define human capital as the employee capability multiplied by employee commitment. Employee capability is viewed as consisting of technical and social know-how, and commitment is equated with average length of service. Such a definition is incongruous in our context. In terms of this definition, many of the average or below average performing companies (i.e., those with low ROI and/or market valuation) may indeed be rich in their human capital!