

# **AN EVALUATION OF THE IMPACT OF HUMAN CAPITAL DEVELOPMENT INITIATIVES ON ORGANIZATIONAL PERFORMANCE: A CASE OF RURAL DISTRICT COUNCILS IN ZIMBABWE'S LOWVELD**

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## **Abstract**

*Objectives of the study were to examine the relationship between human capital development and organisational performance. Furthermore, the study determined the contribution of human capital development on organisational performance. Therefore the hypothesis Organisational performance is dependent on human capital development was developed. Finally the study examined the most important aspect of human capital development that influenced the ability of the organisation to create a competitive advantage. Adopting an exploratory case study design, the study triangulated both secondary and primary sources of data. Primary data was collected using self –completing questionnaire schedule tool covering 35 employees. Likert-scale questionnaire solicited views from employees, senior officers and managers and at a Low veld Rural District Councils (RDC). These primary sources were complemented with relevant secondary data from the organisation investigated. Data in this study was collected from a sample of 31 managerial and non- managerial staff at the RDCs based on stratified random sampling. The obtained data were analyzed using Microsoft Excel. The study found that human capital development initiatives aspects are related to organisational performance. The study revealed that all aspects of human capital development contributed significantly to*

*organisational performance. The findings indicated that human capital aspects of employees' competency and creativity emerged as the main factor that influenced organizational performance. This implies that competency and creativity have significantly enhanced the firm performance at the RDCs. Moreover results also denote that employee satisfaction is the mediating factor between human capital development and organizational performance.*

*Keywords: Human Capital Development; Rural District Councils; Performance; Talent Management*

## **INTRODUCTION**

Today's business environment is in a state of flux, where competition is the name of the game. Organisations that fail to change may be forced to change from existence to non-existence, hence survival is the panacea. To survive, organisations must explore all available avenues that can bring about competitive advantage (Armstrong, 2006). To attain a competitive advantage or in the case of RDCs for efficiency, it is imperative that organisations leverage the human capital as a source of competitive advantage competitive weapon. A strategy for improving workforce productivity to drive higher value for the organisations has become an important focus in the 21<sup>st</sup> Century. Organisations seek to optimize their workforce through comprehensive human capital development programmes, not only to achieve business goals but most importantly for long term survival and sustainability(Owen, Mundy, Guild, & Guild, 2001). To accomplish this undertaking, organisations will need to invest resources to ensure that employees have the knowledge, skills, and competencies they need to work effectively in a rapidly changing and complex environment (Marimuthu et al., 2009).

In response to the current global market changes, most organisations have embraced the notion of human capital development as one of the differentiating factors that will enhance higher performance. Human capital development becomes a part of an overall effort to achieve cost reduction and efficient organisational performance (Schultz, 1993 and Becker, 1993). Hence, organisations need to understand the importance of human capital development in order to enhance employees' satisfaction through improvement in performance. Although, there is a broad assumption that human capital development has positive effect on organisational performance the notion of human capital development remains largely indisputable.

The constantly changing business environment requires organisations to strive for superior competitive advantages via dynamic business plans which incorporate creativity and innovativeness. This is essentially important for their long term sustainability. Undoubtedly,

human resources input play a significant role in enhancing an organisation's competitiveness (Barney, 1995). There is a plethora of studies carried out on human capital development and its implication on organisational performance is widely obvious, human capital enhancement will result in greater competitiveness and performance (Sanusi, 2003), however there dearth information on the impact of human capital development on rural district councils..

The constantly changing business environment requires organisations to strive for superior competitive advantages via dynamic business plans which incorporate creativity and innovativeness. This is essentially important for their long term sustainability. Undoubtedly, human resource input plays a significant role in enhancing the organisation's service delivery (Barney, 1995). Substantial studies were carried out at the RDCs on human capital development initiatives and their implications on organisational performance. The belief of the response is that, human capital enhancement will result in greater competitiveness and performance (Agarwala, 2003; Guthrie et al., 2002). While, there is a significant relationship between innovativeness and organisational performance under the human capital philosophy (Lumpkin & Dess, 2005), it is concluded that organisational performance is dependent on human capital development.

In a competitive business world where all organisations focus on the efficiency and effectiveness of products and service delivery over others, the human resource has been viewed as the most important assets in the organisation. The success of any organisation depends on the effort and input invested in its human resources. The new world of work puts the importance of employee satisfaction on the centre of failure or success of the organisation. Maintaining quality of work life for all employees is the key to success.

During the year 2012 the lowveld RDCs was awarded a certificate of Excellence in the maintenance of infrastructure namely road networks and community development among other things within its sphere of influence over all RDCs in Masvingo Province. However, during the year 2013 the reports and analysis of results shows that the level of performance has decreased at a drastic rate and is far from satisfactory. The organisation operates in the service sector and is a non-profit making organisation.

From the company documents information recorded shows that the overall level of performance has deteriorated. Financial statements show that the overall budget performance percentage for the year is about sixty percent for the year 2013 while for the past two years it was estimated that it was above seventy five percent. Productivity levels and service delivery are also becoming a problem in terms of revenue collection and service delivery to the community as well as increasing expenditure levels. A deep scrutiny of the possible causes of

performance decline points to a lack of commitment from the management team to impart knowledge, skills and competencies for strategy implementation.

### **Statement of the problem**

To survive in a volatile environment the quality of the human element ought to be continuously upgraded through training and development. Unfortunately most RDCs in Zimbabwe underrate and devalue the need to develop human capital. Some view the development of human capital as a loosely designed classroom training program. Others make use of Training and Development schemes as a means of settling expectations and organisational values. Knowledge and information fuel the engine. The provision of service requires knowledge and information from managers and leaders hence their methods of implementation must change to meet this new strategy. As Fajana (2002) puts it, in most of today's organisations, the ability to learn and change faster than the competitor is the key to survival.

### **Research objectives**

- To examine the role of human capital development in creating competitive advantage in rural district councils in Zimbabwe.
- To assess the effectiveness of human capital development initiatives in RDCs
- To identify the human capital development initiatives put in place at RDCs
- To identify the mediating factors between human capital development and organisational performance.

### **Human Capital Development**

There is a plethora of evidence that demonstrates a positive link between human capital development and organisational performance. The emphasis on human capital in organisations reflects the view that market value depends less on tangible resources, but rather, on intangible ones, particularly human resources. Recruiting and retaining the best employees however, is only part of the equation. The organisation also has to leverage the skills and capabilities of its employees by encouraging individual and organisational learning and creating a supportive environment where knowledge can be created, shared and applied. In this review, the researcher will assess the context in which human capital development is being discussed and identify the key elements of the concept and its linkage to the other complementary forms of capital notably social and organisational capital. The researcher however will then examine the principles of human capital development making an impact on organisational performance for which evidence is now growing and explore mechanism for measuring human capital.

Human capital development refers to processes that relate to training, education and management development initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee's satisfaction and performance, and eventually on a firm's performance. Rastogi (2000) stated that human capital development is an important input for organizations especially for employees' continuous improvement mainly on knowledge, skills, and abilities. Davenport (1999), observes that human capital consists of the intangible resources that workers provide for their employers. He went further to pass the following comments: people possess innate abilities, behaviours and personal energy and these elements make up the human capital they bring to research. And it is they, not their employers, who own this capital and decide when, how and where, they will contribute it. Indeed, they can make choices. Work is a two way exchange of value, not a one way exploitation of an asset by its owners (Adeyeye, 2002).

Training is considered fundamentally important to human capital development. It could be described as the vehicle that takes organizations to their destination within a stipulated time frame.. The current market recently are facing increasingly rapid amount of changes in technology, systems and products. Usually most of the organisations make investments in training of their employees because they believe that it will lead to higher performance and it will give those results (by Alliger, 1997 and Kozlowski, 2000). There has been a lot of debate on the impact of employees training on organisational performance. Devanna and colleagues projected criterion in 1984 that articulates the relation of human resource management (HRM) and performance which describes that training of employees to increase their productivity and performance which as a result increases firm performance.

The importance of human capital development to the survival of modern organizations cannot be overemphasized. For any organization to survive the competitive business world, it must train and retrain its human resources in line with its immediate and remote operational environment. Training of employees results in increased productivity in any organization. It could help council employees attain self- fulfilment in personal goals as they work to achieve an organisational goal. Furthermore, it is pertinent to note that technological growth of any nation depends on the bulk of trained human resources available. John F. Kennedy, as reported by Gary (2001), once said, 'manpower is the basic resource, the indispensable means of correcting other resources to mankind's use and benefit. How well we train, develop, and employ the human skill is fundamental in deciding how we will accomplish as organisations. The manner in which we do this will profoundly depend on the kind of nation we have'.

According to Thaker (2008), “training is an organised procedure by which people learn knowledge and skills for a definite purpose”. Tim and Brinkerhoff (2008) insist that human capital development represents the planned opportunity that is provided for training, education directed and planned experiences, and guided growth. Moreover Zigon (2002) saw training as the overall process whereby an individual’s behavior is modified to conform to a pre-defined and specific pattern. Training is also a process or procedure through which skills, talents, and knowledge of employees are enhanced (Industrial Training Fund, 2006).

The designing and implementation of training programs at RDCs is the responsibility of the human resource manager and heads of departments. Training needs identification and analysis is done by the head of section through performance appraisal and observation. Considering the costs and values, the organisation management determines the training method to be used. Training needs are evaluated, and the company sources the best possible training providers for example NSSA for health and safety wellness programs, objectives are set and the manager plan, design and prepare the training program. The development of training program at RDCs is guided by the budget and the training need.

Management development according to Thaker (2008) is known as a form of leadership training. It is the training in management techniques and development of managerial abilities of a group of middle and top level employees, who already possess skills, abilities and knowledge. This is an important aspect of the training program, which must be widely practiced if the general efficiency of the Rural District Councils is to be improved by a more competent management. When many trainees are involved in learning one skill together at one place, the emphasis is not on production, but on learning. This training technique is an attempt to duplicate, as nearly as possible, the actual equipment and conditions found in a real work place. Theory can easily be represented in a vestibule school than on the job. According to Armstrong (2006), development is an unfolding process that enables people to progress from a present state of understanding and capability to a future state in which higher-level skills, knowledge and competencies are acquired.

The management and leadership development process is flexible and continuous, linking an individual's development to the goals of the job and the organization. Management development programs on campus give you the opportunity to develop a broad base of skills and knowledge that can be applied to many jobs on campus. RDCs management development curriculum is changing. The overarching goal is a comprehensive curriculum for managers and supervisors to develop the necessary core competencies to become excellent leaders. The Employee Relations Unit also provides training for managers and supervisors, along with

performance management tools. Expanding management core competencies will enable the managers to keep pace with the demands of a changing organisation.

Development of an employee's or manager's ability can take place on the job through apprenticeships, coaching, understudy assignments, committee assignments, job rotation. This can occur elsewhere within the working place using training rooms, training work stations or training equipment and it is most frequently supplied by another employee who can completely perform the job that she or he is teaching. Gobbler, et al (2006) and Hemanth (2010) maintain that on-the-job training method is relatively cheap, real work situation is experienced unlike the artificial situation of training from a classroom. It also motivates the employee knowing that the training received will determine his or her success on the job. In the mining sector it is of much importance to undertake such a method because people must be at the real situation so that they will easily accept and understand the training. The difficult mining concepts can be easily understood if the trainees are practising or experimenting on-the-job.

The modern nature of training and development is what can be used to develop today's human capital. Career development is the ongoing acquisition or refinement of skills and knowledge, including job mastery and professional development, coupled with career planning activities. Job mastery skills are those that are necessary to successfully perform one's job. Professional development skills are the skills and knowledge that go beyond the scope of the employee's job description, although they may indirectly improve job performance. Since career development is an ongoing, dynamic process, employees at RDCs are being encouraged and supported in reviewing and re-assessing their goals and activities.

### **Talent management**

As a concept, talent management came to the fore, when the phrase the war for talent emerged in the 1990s (Armstrong, 2004). In order to leverage the owned human capital, a firm must design its strategy to instil the workforce with appropriate KSA (knowledge, skills and abilities), motivation and behaviour for present and future needs (Afiouni, 2009). This gives rise to the concept of talent management, which is seen as a fuel for the engine of human capital management. It begins by the people thinking that investment adds value. Managing talent is the focal constituent for success of an organisation more than capital, market share and proficiency of management professionals (Allen, 2004)

At its heart, talent management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it. Talent management is the process of ensuring that the organization attracts, retains, motivates and develops the talented people it needs. Talent management is defined as the systematic attraction, identification, development, engagement,



retention and deployment of those individuals who possess high potential that creates a particular value to an organization. Another definition is that talent management is about positive things doing things for your best people, investing in developing them, building their potential and assisting people to make the best use of their strengths (Garrow and Hirsh, 2008

Feedback on performance through formal appraisal systems enables employees and supervisors to identify areas for improvement and to set realistic, individually specific developmental goals, which facilitate further skill acquisition like what is being done at RDCs. Changes in work design, such as increasing an employee's responsibilities, shifting from individual to team-based work provide an opportunity for employees to increase their technical and interpersonal knowledge and skills. Skill-based pay reinforces an employee's efforts in building their skills by providing a source of external motivation. The RDCs are characterised by functional flexibility, where employees have the opportunity to be transferred to a different function, department or subsidiary, enable employees to develop in their changed work settings whilst retaining their general and company specific expertise within the organisation hence an improvement on performance.

## **Strategic management approaches to Human capital development**

### ***The best practice approach***

This approach is based on the assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organizational performance. The 'best practice' rubric has been attacked by a number of commentators. Cappelli and Crocker-Hefter (1996) comment that the notion of a single set of best practices has been overstated: 'There are examples in virtually industry of firms that have very distinctive management practices... Distinctive human resource practices shape the core competencies that determine how firms compete.' Purcell (1999) has also criticized the best practice or Universalist view by pointing out the inconsistency between a belief in best practice and the resource-based view which focuses on the intangible assets, including HR, that allow the firm to do better than its competitors. He asks how can 'the universalism of best practice is squared with the view that only some resources and routines are important and valuable by being rare and imperfectly imitable?' The danger, as Legge (1995) points out, is that of 'mechanistically matching strategy with HRM policies and practices'.

### ***The high-performance management approach***

High-performance working involves the development of a number of interrelated processes which together make an impact on the performance of the firm through its people in such areas



as productivity, quality, and levels of customer service, growth, and profits and, ultimately, the delivery of increased shareholder value. This is achieved by 'enhancing the skills and engaging the enthusiasm of employees' (Stevens, 1998). According to Stevens, the starting point is leadership, vision and benchmarking to create a sense of momentum and direction. Progress must be measured constantly. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant learning and development activities, incentive pay systems and performance management processes.

### **Human Capital Theory**

The theory of human capital is rooted from the field of macroeconomic development theory (Schultz, 1993). Becker (1993) argues that there are different kinds of capitals that include schooling, a computer training course, and expenditures on medical care. And in fact, lectures on the virtues of punctuality and honesty are capital too. In the true sense, they improve health, raise earnings, or add to a person's appreciation literature over a life time. In the macroscopic aspects, many researchers present that accumulation of one's human capital on education and training investment largely affects the growth of an individual' wage, firms' productivity, and national economy (Denison, 1962; Schultz, 1961). Microscopically, Lepak & Snell (1999) show that organisation's core competences or competitive advantage is induced by the investment of human capital entailed with value creating potential. Human capital management has being paid more attention in the workplace as well especially at RDCs.

Human Capital Theory suggests that investment in people results in economic benefits for individuals and society as a whole (Sweetland, 1996). The investment in an individual can be made in terms of health, nutrition, education and other development that result in long-term benefits. It is important to clarify that the investor that will benefit his or her human capital in this particular case is the individual who decides whether to invest his or her time, money and other resources into some activity that will benefit her or her human capital (health, education).

## **RESEARCH METHODOLOGY**

### **Research Design**

A quantitative research approach was taken in this study to establish the impact of human capital development on the performance of employees at the Lowveld district councils. The computations of the gathered data were done on excel. Tools such as bar graphs and pie charts were used to present data. However, in cases where data could not be statistically analysed, content analysis was used.

Babie (1992) noted that a research design is a detailed plan outlining how data is going to be considered in the research. It includes the selection of the appropriate methods, data collection techniques and the chosen methods of data analysis and interpretation. This research therefore took a triangulation approach and utilized both qualitative and quantitative techniques so as to capture as much as possible the views of the research participants. The quantitative research was used to explore the research problem, to get respondents' opinion and to probe for the respondents' suggestions on issues relating to urban agriculture. The technique was employed since some of the data that was collected was predominantly descriptive in nature. The quantitative approach was conducted through a survey, utilising questionnaires to answer key questions relating to how human capital development initiatives impact organizational performance.

### **Data Sources**

The researcher used both primary and secondary data to gather information relevant to the study. Primary data are data gathered at the first time from the field with control and supervision of an investigation. These types of data are original data that has been collected especially for the purpose in mind. Secondary data however are data that has been gathered and recorded by someone else prior to and for a purpose other than the current project hence the researcher used use data from company files and statements.

### **Development of research instruments**

In designing and developing research instruments, the researcher opts for questionnaires. In the instrument Likert scale questions were used in order to permit for a limited number of possible answers. With these types of questions respondents can answer in brief and can qualify and clarify responses and anticipated findings can be discovered. Respondents are more likely to answer about sensitive topics.

### **Sampling**

Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population. Moreover the economic advantage of using a sample in research obviously, taking a sample requires fewer resources than a census .For a sampling procedure; it was composed of non-probability sampling and probability sampling. Probability sampling involves generalization were randomness is the bases for sample selection and insures that the sample is representative of the population whilst non-probability samples ,randomness is not the basis for

selecting the sample thus the researcher choose probability sampling which encourage generalisation.

Table 1. Sample Size

	Total population	Target population	Sample size
Top Management (executive officers)	6	6	6
Line managers (supervisors)	9	9	7
Staff (non-managerial)	85	20	18
Total sample	100	35	31

### **Sampling Group Categories**

This will give a total of thirty-one (31) respondents for the research. To calculate the sample size of the sample specified above, stratified sampling was used .The researcher used sampling formulas to determine how many to select because it is based on the characteristics of this sample that the researcher will make inferences about the population. Stratified sampling is grouping individuals in strata. Thus the employees of Lowveld Rural District Council (LRDC) were divided into managerial and non-managerial employees. Proportion of the subgroups in the sample represent portion of subgroups (strata) in population. The researcher prefers this type of sampling technique because if the proportion of the sub-set is known, it can generate results which are more representative of the whole population. However every member within the subgroup has an equal chance of being selected.

## **ANALYSIS AND FINDINGS**

### **Questionnaire response rate**

The following presents and analyses the data that was collected by the researcher through questionnaires as the primary data from companies as the team leaders, individual employees of LDCs as well as the management of the LDCs. A total of 35 questionnaires were administered of which 6 were given to the Rural District Councils management, 20 to employees and 9 to team leaders.

Table 2. Response rate from questionnaires

GROUP	QUESTIONNAIRES ISSUED	QUESTIONNAIRES RERTUNED	RESPONSE RATE
Employees	20	18	57%
Top management	6	6	100%
Line managers	9	7	78%
Total	35	31	80%

## **Profile of respondent**

Researcher placed great confidence in the reliability of results collected from the field research since all categories have a response rate above fifty percent (50%). According to Leedy, (1989) a questionnaire response rate of fifty percent is considered adequate whereas a response rate of above sixty percent is satisfactory. Wagennar and Babbie (1993) share the same view with Leedy and confirm that a response rate of fifty percent is considered adequate while that of sixty percent is good.

## **Employees**

These included receipting officer/clerks (4), Human resource clerk, environment and tourism clerks, mechanics (4), drivers (5) and system administrator of LDCs. They were chosen because they come into contact with clients and have the potential for development and the researcher was assured of the accurate data pertaining to human capital and how it is related to their overall performance. In this group, 2 questionnaires were issued to the revenue cashiers/clerks, 2 were issued to the billing clerks, 1 to the Human resource clerk, 1 to the project supervisor another 1 to the security supervisor, 2 were issued to the senior mechanics, 1 to the administration assistant, 2 were issued to the senior accounts clerks, 1 questionnaire was given to the system administrator and 1 to the roads supervisor and 2 were issued to the licensing clerks, 2 were issued to the expenditure clerks and 1 to the assistant roads supervisor and the other 1 was issued to the Lance corporal therefore out of 20, 18 were returned making a response rate of ninety percent (90%).

## **Top Management**

At Rural District Councils top management employees were chosen and the Executive Officers including the EO Finance (Treasure), Auditor, EO Environment and Tourism, EO Human Resource and Administrations, EO Community Service and the District Engineer completed the questionnaires. Six questionnaires were issued and all of them returned which made it to be one hundred percent (100%) response rate.

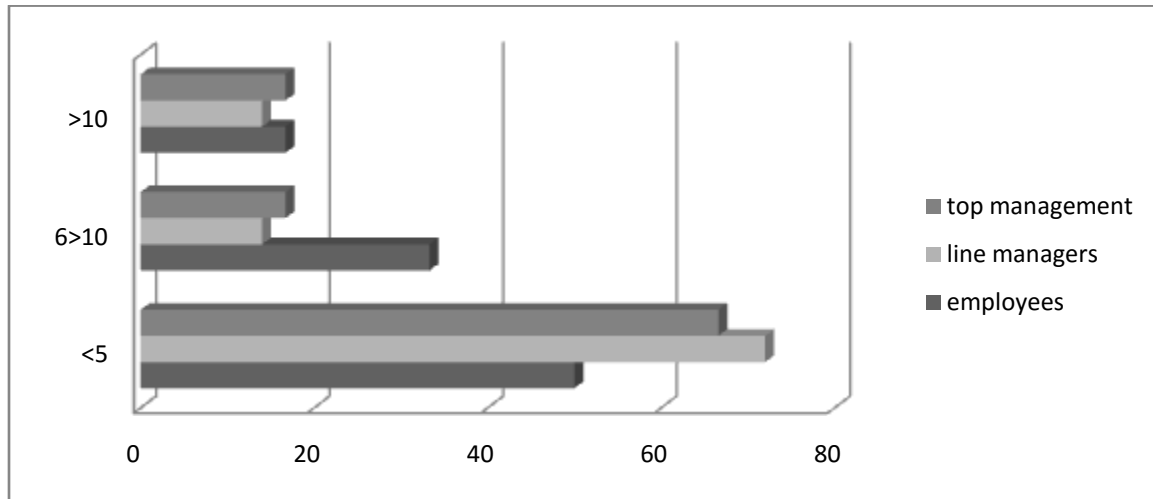
## **Line Managers**

Team leaders/Line managers including the Human resource and admin officer, PA to the Chief executive officer, Account officer revenue, Account officer expenditure, Planning technician, workshop foreman, civil engineer technician, township superintendent and Project manager. Each team leader was given a questionnaire and a specific and responsible department completed the questionnaire. Seven out of nine questionnaires were completed and returned,

giving a response rate of eighty six percent (78%). The project manager and planning technician did not manage to complete the questionnaire.

### Years in service with the organisation

Figure 1. Bar chart showing the length of service of employees in the organisation



#### **Top management**

66.6% of the target population on top management have been with the organisation for 5 years and below meaning some of them are still fresh graduate from the Colleges and Universities. 16.7% have been with the organisation for more than 6 years but below the age of 10 years meaning they saved the organisation for more than five years hence are labelled the owners of the organisation as they are now experienced in every angle of operation within the organisation. Yet another 16.6% of the top management employees have been with the organisation for more than the age of 10 years.

#### **Line managers**

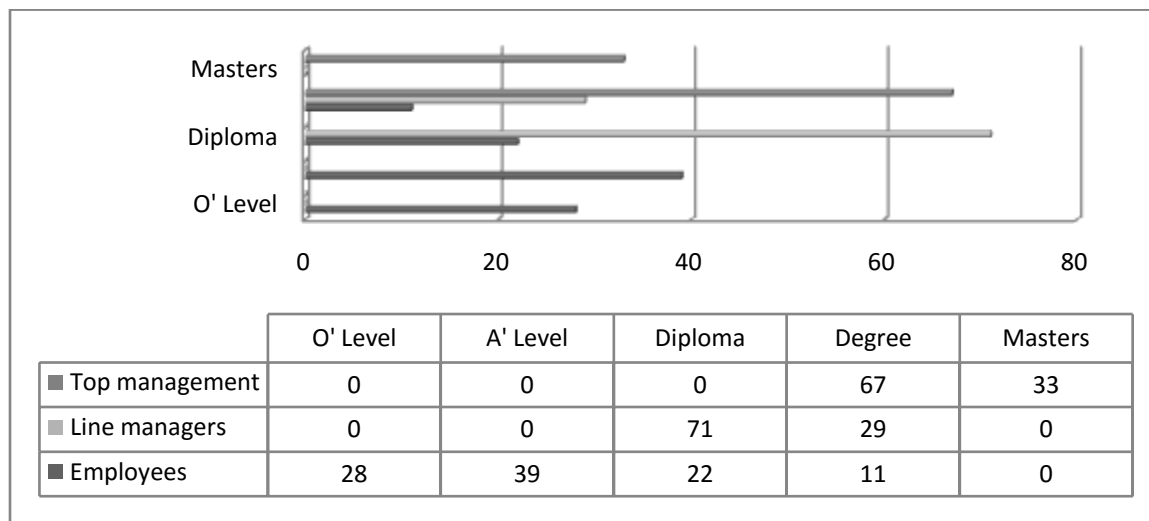
72% of the line managers have been with organisation within the age range of 5 years and below. Thus most of these employees are young and fresh from Colleges/Universities and still have to offer more in terms of new knowledge for instance at RDCs, they are the type of employees who usually performs IT duties as they brand new knowledge from the field. 14% of the line managers have been with the organisation between the age of 6 years and 10 years. The rest 14% have responded that they have saved the organisation for more than 10 years. This proportion includes employees like the senior mechanics and the project supervisors.

**Employees**

50% which involves the majority from the target population on the category employee have saved the organisation for less than 5 years. Hence this means that these employees still have not yet gain enough experience as some of the are still fresh from the labour market.33.3% of the employees have joined the organisation some 6years or more but less than the age of 10years.16.7% served the organisation for more than the age of 10 years and are said to be experienced employees in the labour market.

**Qualifications of the respondents**

Figure 2. Cylinder graph showing qualifications of the respondents



**Top management**

None from the target population respondent is a holder of the first 3 level of qualifications.67% of the top management employees are said to be holders of Degrees. They concluded that they have studied up to degree hence this means that RDCs have well educated managers/leaders who can be transformational leaders and will lead by example to their followers.33% of the top management employees are holders of Masters Degrees. It shows that the employees have the potential for development as they have advanced as far as attaining Master’s Degree.

**Line managers**

71% of line managers are holders of Diploma. Thus they advanced as far as a diploma in order to gain more skills and knowledge on how to perform their jobs. A 29% of the target population are holders of Degree. This are some of those highly qualified employees which makes the

RDCs wins a competitive edge over its rivals because its workforce hold unique skills and competencies as compared to other Rural Councils.

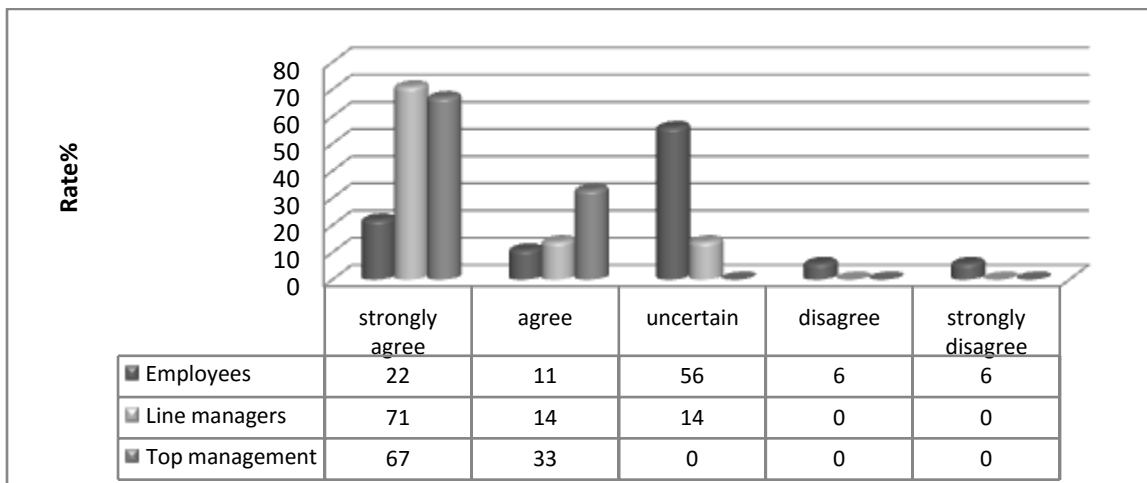
**Employees**

28% of the general workforce from the target population respondent that they are educated up to ‘O’ Level.39% advanced up to ‘A’ Level meaning they are less qualified than the management employees hence sometimes are not targeted for development as development mostly targets the potential managers and leaders.22% however are holders of Diplomas whilst 11% of these employees have advanced up to Degree Level. Hence this concludes that they have the potential for development and become leaders for tomorrow.

**Employees’ perspective towards Human capital development as a source of competitive advantage**

The researcher pursued to ascertain whether there is a relationship between human capital development and competitive advantage through assessing the perspectives of different employees of the Rural District Council. The responses were strongly agree, agree, uncertain, disagree and strongly disagree and they are presented on the table below.

Figure 3. Bar graph showing the frequency rate (%) of employees’ perceptions on the relationship between human capital development and competitive advantage



**Employees**

In this study, 22% of employees strongly agreed to that there is a relationship between human capital development and competitive advantage. The employees agreed that human capital development is the only source for the organisation to gain a competitive edge as through



human capital development its human capital will be unique in terms of skills and competencies hence become competitive. 11% of the employees confirmed that through human capital development an organisation can create a competitive edge over its rivals. Majority of the employees which is 44% were uncertain about the relationship between human capital development and competitive advantage. These employees are not quite sure of how human capital development can contribute to competitive edge of their organisation. 6% disagreed with the fact the two variables have a relationship. Thus these employees are saying despite undergoing development, they never witnessed any positive results that might create a competitive edge for the organisation. 6% strongly disagree to the fact that human capital development create competitive advantage. This simply shows that these employees have no knowledge on how human capital development is being practised in their organisation. Thus in other terms they were not by any chance involved in development program.

### ***Line managers***

71% of line managers strongly agreed that human capital development is a source of competitive advantage. These employees strongly confirmed to the relationship between the two variables because it makes their organisation unique from each rivals through an increase in performance from both individuals and the organisation as a whole. The strategic human resource element or human capital is the means of gaining competitive advantage through one of the most important asset, its people (Richard, 2001) hence developing these assets creates a competitive edge for the organisation. 14% of line managers which included PA to the Chief Executive Office, workshop foreman and the civil engineering technician agreed that human capital development create a competitive advantage for their organisation. The other 14% of the team leaders confirmed that there were uncertain whether human capital development creates competitive advantage. None of the line managers responded with disagrees and strongly disagree meaning that they agreed that human capital development create a competitive edge for the organisation.

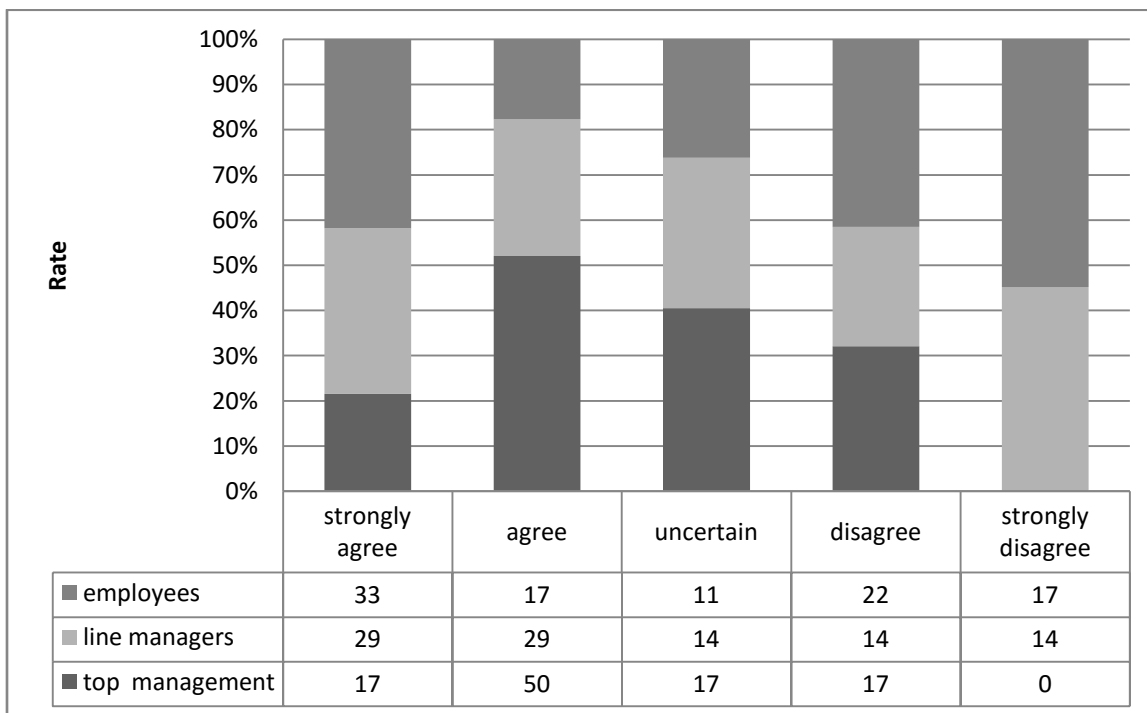
### ***Top Management***

All from the target population responded to the questionnaires. 100% of top management employees responded to the research with 67% strongly agreed and 33% responded with agree. The employees agreed that human capital development is the only source for the organisation to gain a competitive edge as through human capital development its human capital will be unique in terms of skills and competencies hence become competitive. Brown (2007) also concluded that the ability to create a unique team is the most cost effective ways to

create sustainable advantage. The employees are pointing that after carrying out any development program, employees become more skilled and competent as their knowledge and abilities were advanced through the development for instance general management development programs for example Chief Executive Officers and Treasurers’ Forum. These managerial employees will gain knowledge on how to utilise Council resources and run operations in order to become competitive. None of them responded with uncertain, disagree and strongly disagree.

**How effective are the development initiatives implemented at Lowveld Rural District Council**

Figure 4. Bar graph showing how effective are the development initiatives implemented at Lowveld Rural District Council.



**Top management**

Through the questionnaires the researcher sought to find out how effective were the current human capital development initiatives. 17% of top management strongly agreed that the current strategies for developing human capital are effective meaning they have noticed some positive results from the development programs. 50% agreed that the human capital development initiatives currently in place are effective whilst 17% are uncertain about the effectiveness of

human capital initiatives currently employed in the organisation the reason being that they never noticed any positive impact of the development process. 17% of the top management employees disagreed that the human capital initiatives currently in place are effective. Thus this proportion of managers are not motivated by neither the development program nor the initiatives for development as they have to sponsor themselves for the development programs and have never noticed any positive change from the development programs. None of them strongly disagrees with the statement that the current initiatives of developing human capital were effective.

### ***Line managers***

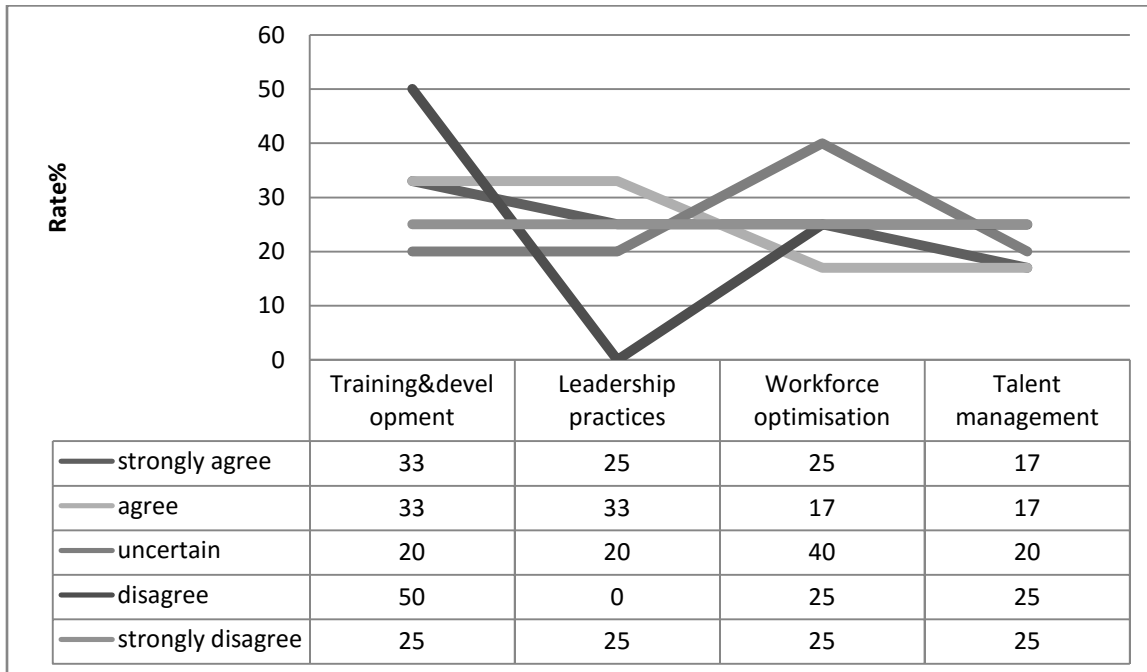
29% of the team leaders strongly agreed that human capital development initiatives currently in place are effective. The other 29% agrees that the initiatives are effective because positive changes are being discerned, both individual and organisational performance increases because through talent management the organisation retains high quality calibre as well training development offers advanced skills and competences to employees hence create a competitive age for the organisation. 14 % of the line managers were uncertain whether the initiatives used for development were effective, this might be because they never witnessed any improvement after the development. 14% again disagreed that the human capital development initiatives were effective. Yet again 14% represented those who strongly disagreed that the current initiatives were effective.

### ***Employees***

In this group 33% strongly agrees with the statement that human capital development initiatives currently in place were effective especially training and development. 17% agreed that the current initiatives currently in place for developing human capital were effective. 11 % of the employees were uncertain, they were not quite sure whether the current initiatives for development were effective because they were never involved in any of the mentioned programs. 22% of the employees did not confirm to the effectiveness of human capital development initiatives currently in place, they disagree because they were never involved in any development program as development is regularly done at management level. 17% of the employees strongly disagreed that the strategies in place from human capital were effective because they have not seen the better results from those involved in the development programs.

## Human capital development initiatives currently employed at Lowveld Rural District Councils

Figure 5. Line graph showing the kind of human capital development initiatives



### **Training and Development**

33% of all employees from the target population strongly agreed that training and development are being implemented as a development programs at LRDC. It is because most employees are developed through the programs. According to Tzafirir (2005), training is an important element in developing the human capital. It provides employees with the skills, abilities and knowledge required by the post (Danviladel Valle et al., 2009).33% also agrees that training and development are being implemented at Rural District Council as development initiatives. Generally, on-the-job training programs for employees, as reported by David, W.T., Nicholas, Y., & Fred, F. (2006) may be by way of induction training, apprenticeship training, and supervisory training.20% were uncertain meaning there were not sure of this development initiatives on whether it is being implemented or not the reason being that there usually are not involved in the development programs.50% of the employees including those from top management and line managers disagrees that training and development were being implemented as development initiatives in their organisation. The reason behind being that they were never involved in any sought of training and had never been involved in an development program for instance the General management development program even the managers

themselves. 25% also strongly disagrees that training and development are making an impact as far as employee development is concerned.

### ***Leadership practices***

25% of the employees including management strongly agrees that leadership practices is a currently practice of human capital development at Rural District Council. Leaders are practising their skills hence making the organisation unique in terms of competition. 33% are saying leadership is being practised hence it is well evidenced through the type of leadership present at Rural District Council. 20% were uncertain of whether this strategy was there in the organisation as far development of human capital is concerned. No one disagrees but however 25% of the target population responded negatively towards leadership practises as an initiative of Human Capital Development. The reason is that the leaders are failing to lead as examples but are coaxing the followers to perform better than their rivals.

### ***Workforce optimisation***

25% of the employees strongly agree that employees are given the opportunities to learn new ideas and skills. Since career development is an ongoing, dynamic process, employees are being encouraged and supported in reviewing and re-assessing their goals and activities. Changes in work design, such as increasing an employee's responsibilities, shifting from individual to team-based work provide an opportunity for employees to increase their technical and interpersonal knowledge and skills. Skill-based pay reinforces an employee's efforts in building their skills by providing a source of external motivation. RDC is characterised by functional flexibility, where employees have the opportunity to be transferred to a different function, department or subsidiary, enable employees to develop in their changed work settings whilst retaining their general and company specific expertise within the organisation hence an improvement on performance. 17% of the target population agreed that employees are given also the adequate opportunities to learn new skills and ideas whilst 40% were uncertain. 25% of the target population disagreed that they were given the opportunity to learn new ideas and skills. This might because they were never involved in any kind of workoptimisation programs. 25% strongly disagrees that workforce are given the opportunity to learn new ideas and skills.

### ***Talent management***

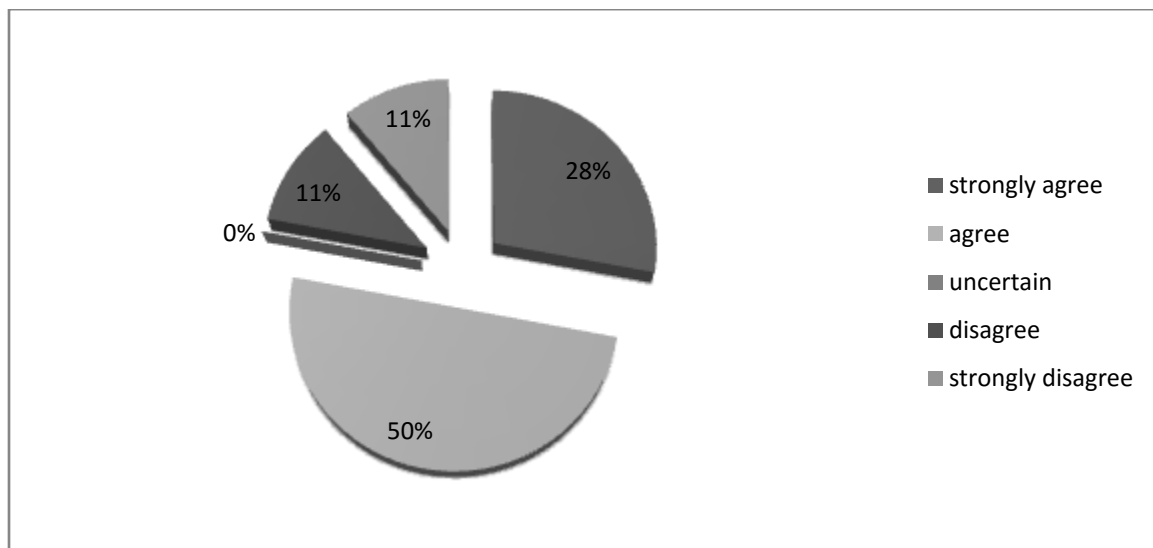
17% of the employees strongly agree that the organisation is practicing talent management as a development strategy. Managing talent is the focal constituent for success of an organisation more than capital, market share and proficiency of management professionals (Allen, 2004).

17% of the target population agree that talent management is being practised in the organisation as far as human capital development is concerned. They agreed that the organisation was practicing the following systematic attraction, identification, development, engagement, retention and deployment of those individuals who possess high potential that creates a particular value to an organization. 20% of the employees were uncertain whether talent was being managed. 25% of the employees disagree that the organisation was managing talent because of the current situation in organisations retaining talent become an invariable cost. 25% of the respondents strongly disagree that the organisation was practising talent management.

## Perceptions on the relationship between human capital development and organisational performance

### Employees

Figure 6. Pie Chart showing the perceptions of employees on the relationship between human capital development and organisational performance

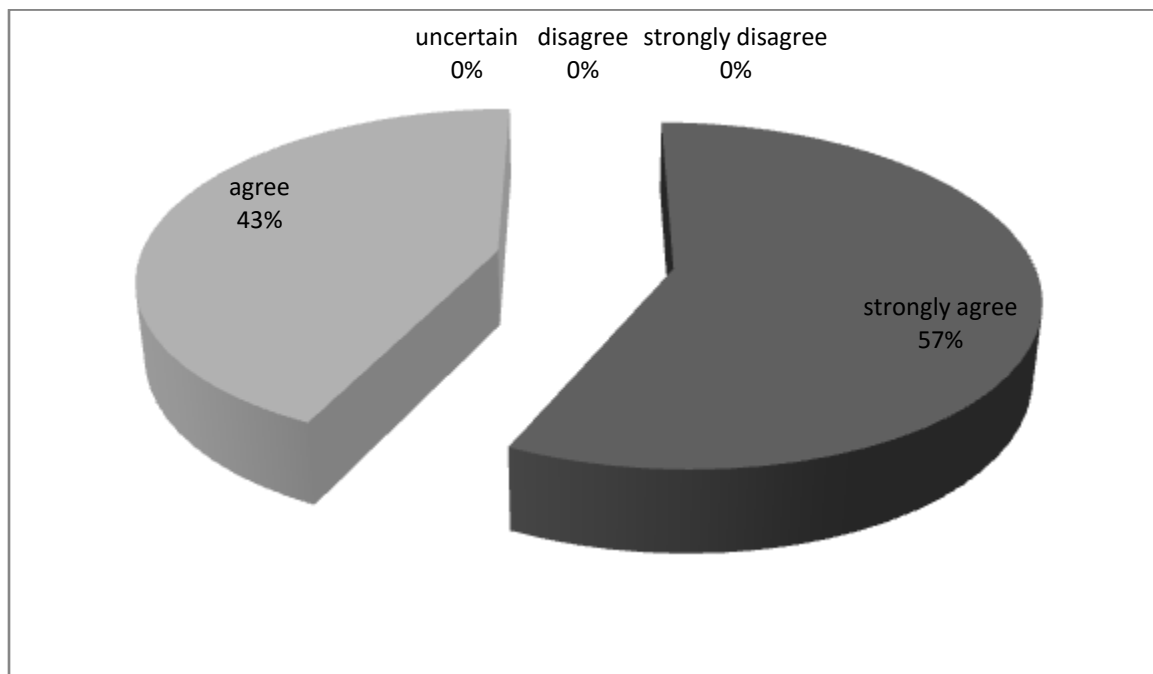


50% of the employees agree that there is a relationship between human capital development and organisational performance. 28% strongly agree that human capital development give rise to organisational performance. At a glance, substantial studies have been carried out on human capital development and their implications on organizational performance results shows that, human capital enhancement will result in greater competitiveness and performance (Agarwala, 2003; Guthrie et al., 2002). Human capital impacted the employee performance hence as a

result will increase the performance of the organisation as a whole. None of them were uncertain of the relationship between human capital development and organisational performance. 11% of the employees disagree that there is a relationship between human capital development and organisational performance and another 11% strongly disagrees with the statement meaning they never any positive impact of human capital development on organisational performance.

### ***Line managers***

Figure 7. Pie Chart showing the perception of line managers on the relationship between human capital development and organisational performance.

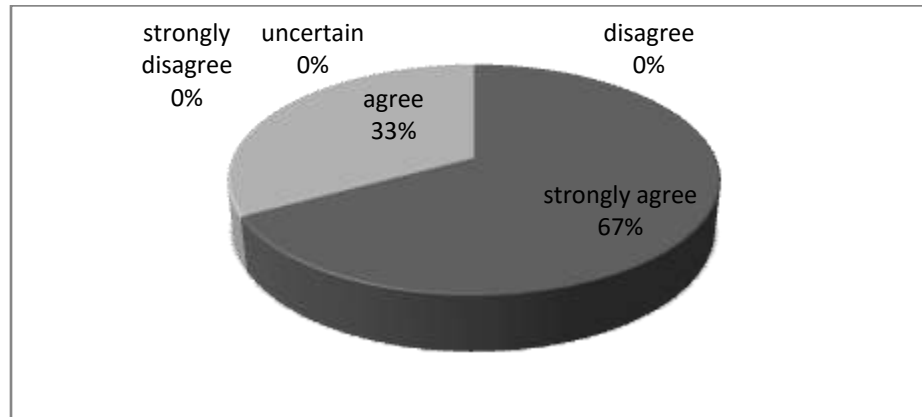


57% of the line managers strongly agreed that human capital development impacts a firm's performance. 43% of the line managers agree that there is relationship between human capital development and firm performance. In order to achieve success in the future and business surety, highly skilled and competent individual employee, firm, and nation are important features. This view and concept is derived from the fact that learning and gathering knowledge, being innovative and creative and having competencies are characteristics that cannot be substituted; they need to be learnt ferociously within the firm for continued success (Rastogi, 2000).



## Top management

Figure 8. Pie Chart showing the perspectives of Top management on the relationship between human capital development and organisational performance.



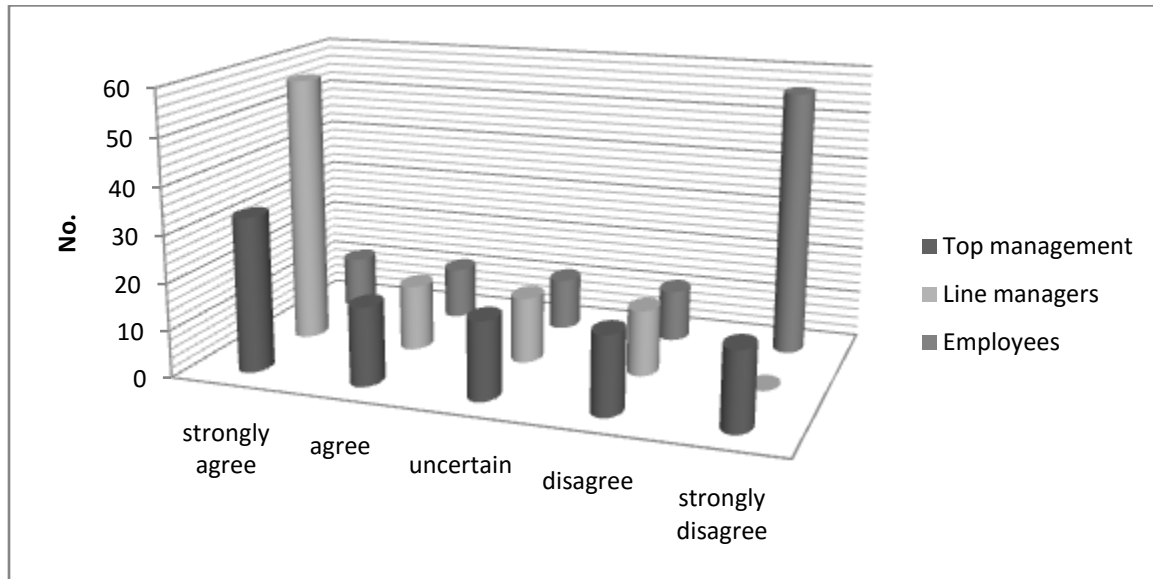
67% of the top management employees strongly agree that there is a relationship between human capital and organisational performance. Thus the hypothesis organisational development is dependent on human capital development. 33% of the Executive Officers agreed that human capital development impacted the overall performance of the organisation. This means that there is a correlation between human capital development and firm performance. Human capital development create a competitive edge for the organisation hence the organisation will outperform its rival in terms of market share as a result become profitable. In the meantime Human capital enhancement can also be viewed in the context of top management team (TMT). Heterogeneity or sometimes is called diversity in TMT will tend to lead to greater performance because the argument is heterogeneity promotes various characteristics to be absorbed into the workforce team ,this includes people of different age groups ,functional backgrounds ,education backgrounds ,tenure and gender. These characteristic have a positive impact on an organisation's performance as argued under the upper echelon theory (Hambrick and Mason, 1984).

Table 3. Relationship between human capital development initiatives & poor employee performance

Column1	Top management	Line managers	Employees
strongly agree	33	57	11
Agree	16.7	14	11
Uncertain	16.7	14	11
Disagree	16.7	14	11
strongly disagree	16.7	0	56

## The relationship between human capital development and poor employee performance

Figure 9. Graphic representation of relationship between human capital development and poor employee performance



### **Employees**

33% of the employees strongly agreed that poor performance triggers human capital development. 16.7% agrees that human capital development is as a result of poor performance. 16.7% also were uncertain about the relationship between human capital development and poor performance of employees. The other 16.7% of the proportion employees disagree with the relationship. 16.7% of the general employees strongly disagree with the relationship because they were never involved in any type of development.

### **Line managers**

57.5% of the line managers strongly agree that it is poor performance of employees that triggers human capital development. Some employees perform poor because they lack skills and knowledge to perform their duties and responsibilities. 16.7% agreed also that human capital development sometimes is as a result of employees performing poor due to lack of knowledge for instance majority of employees at RDCs they lack some knowledge on how to operate Information Technology gadgets hence fails to perform up to standard. Yet again as shown on the graph 16.7% were uncertain whether poor performance triggers human capital development. 16.7% of the line managers disagree with statement whilst another 16.7% strongly disagree that human capital development is triggered by poor employee performance because

not all employees are targeted for development hence cannot conclude that those being developed are performing poor.

### ***Top management***

11% strongly agree that poor performance triggers human capital development whilst 11% also agree that human capital development is as a result of poor performance. Yet another 11% were uncertain whether the 2 variables can be linked together. 11% of the Executive Officers disagree that poor performance of employees triggers human capital development. However the majority of them (66%) strongly disagree that poor performance triggers human capital development.

### **SUMMARY**

The purpose of this study was to examine the relationship between human capital development and organizational performance. The questionnaire response rate of employees was above 50% and was satisfactory according to. This shows that the research was valid because all the respondents from different strata responded so well. Top management employees responded with a 100% rate meaning all from the target population have participated in the research which shows as Executive Officers they have a better perception towards the relationship between HCD and OP. In addition to that the line managers and the general employees also participated so well with line manager's response rate 78% and 90% of the general employees that makes the research more satisfactory.

The researcher found out that age is a bad predictor of performance. Being in service for many years does not mean the employee can be the best performer ever yet again can be true the employee will be experienced as compared who are coming in recently to the organisation. Majority from the target population have been with the organisation for less than the age of 10years, most of the respondents fall under the period of 5years and below meaning some of the employees are freshly from the colleges or universities and the organisation is expecting the punching and implementation of new knowledge and skills for the security of the organisation.

The research established that organizational performance is dependent on Human Capital development. It reveals that human capital development as a Human resource management strategy plays an essential role as far as firm success is concerned with the response from the majority of the target population showing that they either strongly agree or agree with the relationship between the two variables. The study shows that employees at the Rural District Council have a better perception towards the relationship between human capital

development and competitive advantage. However the advantages of being in the organisation for so long is that there are traditional defined pension plans that cover nearly all state and local government employees generally retirement benefits to long-tenured public servants but little retirement to those with shorter tenures.

The results generally support this notion that organizations with a higher level of human capital have better performance (Carmeli&Tishler, 2004; Choudhury, 2010; Colombo &Grilli, 2009; I. Hsu, 2008; Marimuthu et al., 2009; Youndt, 2004; Youndt, Snell, Dean, &Lepak, 1996). The result is consistent with the resource based view theory which suggests that firms' resources such as human capital have the potential and promise to generate entrepreneurship behavior and organizational performance (Barney, 2001; Sirmon, Hitt, & Ireland, 2007). This result also confirms the notion that human capital enables employees' inclination to obtain entrepreneurial skills such as the expertise to strategically manage resources, creativity, and agility (Alvarez & Barney, 2002). This finding is consistent with Seleim, Ashour, and Bontis (2007) and Maditinos, Chatzoudes, Tsairidis, &Theriou (2011) who found that human capital indicators had a positive relationship with organizational performances. The findings are also in accordance with Carmeli (2004) who concluded that human capital is significantly and positively related to organizational performance

Findings from the study shows that Human Capital Development initiatives implemented at the Rural District Councils are targeting mostly management employees both staff and line managers for them to be well equipped and lead as examples to their followers, the general employees. As a human resource strategy, human capital development has been found to improve the knowledge level of a number of employees especially those given the opportunity to advance their knowledge in terms of skills and competencies. From the study, it has been evidenced that the initiatives for development currently in place were moderately effective basing on the respondents from the population under study. Thus capacities of people developed through learning at all levels to support performance improvement.

Findings from the study shows that the human capital development initiatives counting from training and development, talent management, workforce optimization and leadership practiced are being implanted. Training and development, talent management and workforce optimisation have found to be the most effective tools for development with the respondents showing that a large number from the sample population were agreeing on their level of effectiveness. From the respondents it clearly shows that through implementing development programs, the organisation is also fashioning a good brand image through competitive advantage. Developing employees result in them being unique as they are always sincere with new skills and ideas as far as competition from rivals is concerned. Furthermore, it is evidenced

that employee satisfaction is a mediating factor between organizational performance and human capital development. Top management employees are saying human capital leads to employee satisfaction hence as a result perform better and improve the overall performance of the organisation.

it is found that majority of the general employees strongly disagrees that poor performance does not lead to human capital development because the development which is presently implemented is targeting those with potential for development as well those who happen to be doing jobs requiring specific skills. Yet again the majority of the line managers are saying poor employee performance leads to human capital development. This is because employees perform poor because they lack skills and competencies when performing their duties and responsibilities.

## CONCLUSIONS

The aim of this study was to investigate the mediation effect of employee satisfaction in the relationship between human capital development and organizational performance. Based on the findings, the conclusions of the paper is that lowveld RDCs can attain significant improvement in its performance levels if effort is made to develop human capital through a three prong strategy of on-the-job training, formal education, and participation in seminars, conferences, and workshops. Despite the productive valance of human capital, it is a matter of substantial interest for researchers that what standard of human capital and to which extent is it essential to provide the organization with competitive advantage (Starbuck, 1992 and Hassen,1995).

The findings provided empirical evidence that employee satisfaction not only directly has significant relationship with organizational performance, it has mediated the relationship between human capital and organizational performance based on based on Baron and Kenny (1986) approach.

The main conclusion to be drawn from this study was that employee satisfaction partially mediated the relationship between human capital and organizational performance. Therefore in order to achieve high performance, organizations should focus on employee satisfaction. In addition, to improve employee satisfaction behaviours, organisation should try to utilize their human resources.

Although this study confirmed that employee satisfaction has mediated the relationship between human capital and organizational performance, further studies need to be done to establish this relationship.

## POLICY RECOMMENDATIONS

The focus is on the organization of excellence. The strategy is broken down into eight sections: employee relations, recruitment and retention, training, performance management, pay and benefits, health and safety, absence management and equal opportunities hence the organisation has to dwell much on the best practices of human resource management as suggested by Guest (1990), the organisation has to embark on selection and the careful use of selection tests to identify those with potential to make a contributions, implement training and in particular a recognition that training is an on-going activity and practice job design to ensure flexibility ,commitment and motivation including steps to ensure that employees have the responsibility and autonomy fully to use their knowledge and skills. The organisation has to go on board with Employees share ownership programmes to increase employees' awareness of the implications of their actions for financial performance of the firm.

The organisation needs to improve the core competencies of staff and management by promoting an integrated approach to Human Capital Development. Synchronising the nature and content of training offered by the different stakeholders contributing RDC human resource development capacity building. The organisation needs to target all employees as far as human capital development is concerned. This is so because through human capital development employees will be equipped with unique skills and competencies which will enhance them to out- perform their rivals. People must be provided with opportunities to make full use of their skills and abilities; be valued and rewarded according to their contribution.

The organisation needs to put in place some proper talent management initiatives in order to sustain a competitive edge as well as maximizing on performance. The organisation must implement the following programs which include the Checkpoint 360 degree which is a management system for assessment used primarily to evaluate the effectiveness of managers and leaders and help them identify and prioritise their own development opportunities. Another initiative is the Step One Survey which is a brief pre-hire assessment that measures an individual's basic work-related values and is primarily used as a screening tool early in the selection process. Workplace Engagement Survey is another strategy the organisation can use. The strategy measures the degree to which the employees connect with their work and feel committed to the organization and its goals. This gives the employer and the management teams a detailed view of what influences engagement across all of your workforce segments.

In the research about 50 % of the respondents pointed that whenever there is provision of organisation support it is clearly conducted along political lines that is why they respondent that they sponsor themselves for development. Therefore there is need to come up with a clear plan to avoid political implications as far as development of human capital is concerned. This

will help the overall development process to cascade down to the general employee and ultimately achieve development mitigation in the Local Authorities.

In light of this, the understanding of firm performance in relation to human capitals should not be regarded as a phenomenon that only adds 'more zeros' in a firm's profits; it is rather transforming the entire workforce as the most 'valuable assets' in order for the organisation to pave ways for greater achievements via innovativeness and creativity. Hence, organisations should therefore, come up with some effective plans especially in investing the various aspects of human capital as not only does it direct firms to attain greater performance but also it ensures firms to remain competitive for their long term survival.

Furthermore, according to Dabalén, Oni, and Adekola (2000), employers complain that graduates are poorly prepared while academic standards have fallen considerably making most university degree holders mere certificate holders as opposed to being competent and skilled manpower resources. This view is in line with that of Olaniyan and Okemakinde (2008) who have also noticed similar trend and recommended improvement in the quality of human capital produced in the country. Thus, it is my recommendation that the development of new educational curricula in line with national manpower needs be made a national priority in our institutions of learning. Such new educational curricular should be the joint responsibility between the educational institutions and the industrial sector of the economy. This collaborative approach to the solution of manpower problem is expected to be a benefit to the entire economy and therefore enhance the expected national growth.

This study contributes to the body of knowledge by investigating the mediating effect of employee satisfaction in the relationship between human capital and organizational performance. The verification of the proposed research model has the potential to assist managers to better understand how employee satisfaction mediates the relationship between human capital and organizational performance.

By demonstrating the role of human capital dimensions in this study, top leaders, managers, and HRD departments should focus on human capital in their strategies and policies to improve organizational performance. They should concentrate their effort on enhancing their companies' intangible resources. To increase the level of human capital quality in their companies, this study demonstrated that HRD departments and managers should focus on the competency and flexibility of the employees. They should select and employ employees having appropriate degrees and work experience to accomplish their job successfully. They should also ensure that their employees are up to date with the new development in the related industry. In addition, the results of this study showed that in order to be successful in their jobs, employees



should be flexible in their work practices. Therefore, managers should help employees to develop multiple skills in order to do different jobs whenever needed.

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