CHAPTER 3
MODERN MANAGEMENT TECHNOLOGIES

RELATIONSHIP BETWEEN HUMAN CAPITAL MANAGEMENT AND EMPLOYEES' VALUE ADDED IN SOME FEW SELECTED ORGANIZATIONS WITHIN BAUCHI METROPOLIS

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Abstract. *The study was carried out in Bauchi metropolis of Bauchi state (Nigeria) to evaluate the effective role of human capital management towards organizational value added of some selected organizations in Bauchi metropolis.* *The research assessed some selected staffs of five (5) different organizations drawn from both public and private sectors to examine how their employees are systematically selected, retained and maintained at their best. The study also aimed at determining the human capital measurement approach by those organizations to get the workers working as money alone cannot deliver the organizational goal. The research been an empirical study was conducted using structured questionnaire distributed to Staffs of some selected organizations in the metropolis. The sampling method adopted for the study was stratified random sampling technique. The instrument used for data analysis was using SPSS Pearson Product Correlation Method to test the hypothesis. A total number of 55 questionnaires were returned and considered out of the 60 that was distributed. This paper believed that the human capital management should be designed, implemented and assessed by how well it helps organization achieved its strategic results and pursue its mission. It's the overall recommendation of this paper that the long-term survival and sustainability of the organization in the fast moving world is guaranteed with investment in resources that can have different effects on human behaviors with the need to work effectively and how people pursue goals in a fast changing and multifaceted environment most affected by modernity and globalization.*

Keywords*: Bauchi metropolis, Employee, Human Capital Management, Organization, Value added.*
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Introduction. As it is an established fact that, no nation or organization develops beyond the intellectual ability of its human capital. Nowadays, large organizations established Human Capital Management (HCM) structures recognizing the richness of the HCM model to put the right employee to the right job at the right time. Many academic observers of work organizations recognized that the success of human resource management is significance to the survival of the organization and therefore the complexities related with the management process in organizations are huge. Apart from setting the foundation for people management in organization and being a precondition for organizational effectiveness, human capital management leads to emergence of a new paradigm in the organization, helps organizations to allocate resources, determine priority, coordinate control, makes better decisions and determine priorities.

As defined by Baron and Armstrong (2007: 20), human capital management (HCM) is concerned with obtaining, analyzing and reporting on data that inform the direction of value-adding people management, strategic, investment and operational decisions at corporate level and at the level of front-line management. It is, as emphasized by Kearns (2005), ultimately about value. Obviously, organizations become more proactive in anticipating the future of the organization through the human capital indicators: employee morale, applicant/acceptance ratio, development hours per employee, employee competence/flexibility measures, employee suggestions/turnover ratio. It's also leads to extensive and intensive human capital development. Generally, and because of the aforementioned factors, human resources planning enhance organizational performance. This, it does through the effective and efficient pursuit and achievement of objectives.

As a matter of fact that the assenting reason of human capital management is to increase the extent of organizational success, therefore this present would supported the assertion that organizations involved in human capital management achieve better performance on the basis of various performance indicators than those that do not. But following the Nigerian scenario, the culture of human capital management is virtually absent considering the case of educational sector (i.e. ranging from the nursery, primary and secondary schools to the polytechnics and as well as the universities). With the reality on ground, Asiabaka and Odionye (2010) posited that: "available record shows that the number of academic staff in the Nigerian Federal Universities is far below that of non-academic staff. Some of the universities depend on part-time and adjunct lecturers to make up for the deficiencies in the number of academic staff. A good number of the professors are fast approaching retirement age, but there are no comparable ready replacements for them. The younger lecturers appear not to show the level of commitment for older professors exhibited, consequently, the retirement of a professor leaves a big vacuum. On another dimension, the issue of quality of the available academic staff is not adequately addressed, for that reason, Ivowi (2005) emphasized that "there is evidence that some lecturers in tertiary institutions ought not to be there by virtue of their academic background, low integrity, poor attitude to research and teaching, and discipline".

Literature review. *Human capital defined.* It's apparent that the Human capital consists of the knowledge, skills and abilities of the people employed in organizations. As Wright and McMahan (2011: 101) explained: *Each individual in the organization has characteristics that comprise human capital. He/she also engages in the processing of information, interpretation and reaction to that information in making choices about how to feel and behave. The aggregation of human capital, we propose, constitutes the organization or unit's 'human capital'.*

Human capital constitutes a key element of the market worth of a company. A research study conducted in 2003 by CFO Research Services estimated that the value of human capital represented over 36 per cent of total revenue in a typical organization. The significance of the term was emphasized by Schultz (1961) and it is now understandable that Human Capital Theory has profound influence on employment and the employees' value added and therefore investment in human capital positively produces benefit to both individual workers and organizations. Hence, this ignites the need to analyze the roles industrial sociology in organizational work settings.

Alhaji and Shehu (2012) in their studies noted that youth unemployment is often considered as a social problem and is probably the most feared phenomenon of our times that touches all parts of society; it is also an industrial sociology issue especially as it relates to the supply of, and the demand for labour. The absorption of labour emanating from the interplay between demand and supply create certain structural balances as evidence in Moses (2010) that the Dangote has nationwide staff strength of 12,000 but on completion of on-going projects, it is expected to hit 22,000. Therefore, at this juncture, the industrial sociology is not only concerned with what goes on in an industrial setting, but also how the external socio-economic and political environment shape and reshape behavior and conduct of workers both within and outside their place of work on one hand, and on the other, how industries evaluate and react to external environment as either to continue to operate in such an environment or to relocate to a more favourable one (Alhaji and Shehu, 2012).

Approaches to people management raised by human capital theory. It is obvious that Human Capital Theory has profound influence on the study of labour market. The investment in education and training would produce benefit to not only individual but also to society entirely (Ibrahim, 2012). The return on investment for our collective life will be a skill workforce that will enable comprehensive competitiveness and economic growth, while the return on investment to the individual will be a better career path, increased earning and a better quality of life. According to Fagerlind and Shah (1989) cited in Ibrahim (2012), the notion of human 'capital' proposes that education and training raises efficiency of human resources, and thereby increases their lifetime learning capability.

An approach to people management based on human capital theory involves obtaining answers to these questions:

- What are the key performance drivers that create value?
- What skills do we have?
- What skills do we need now and in the future to meet our strategic aims?
- How are we going to attract, develop and retain these skills?
- How can we develop a culture and environment in which organizational and individual learning takes place that meets both our needs and the needs of our employees?
- How can we provide for both the explicit and tacit knowledge created in our organization to be captured, recorded and used effectively?

Human capital theory helps to determine the impact of people on the business and their contribution to shareholder value. It demonstrates that HR practices produce value for money in terms of, for example, return on investment. It also provides guidance on future HR and business strategies and data that will inform strategies and practices designed to improve the effectiveness of people management in the organization.

The nature and concept of human capital management. Accounting for People Task Force report (2003) affirmed that Human Capital Management (HCM) involves the systematic analysis, measurement and evaluation of how people policies as well as practices create value. The report stressed that HCM should be considered as an approach to people management that deals with it as a high-level strategic issue rather than a matter to be left to Human Resource (HR). However, Wright and McMahan (2011: 102) warned that human capital should not be treated as a form of capital owned and controlled by the firm: ‘To do so would miss the complexity of the construct and continue to ignore the “human” in strategic HRM.’ The defining characteristic of HCM is the use of metrics to direct an approach to managing people that regards themselves as assets and emphasizes that competitive advantage is attained by strategic investments in those assets in the course of employee engagement and retention, talent management and learning as well as development programmes. HCM relates HR strategy to business strategy.

Adam Smith, cited by Schultz (1981), originated the idea of human capital (like so many other economic concepts) when he wrote that: ‘The acquired wealth of nations obtains from the acquired abilities of people, that is, their education, experience, skills and health.’ Individuals generate, retain and use knowledge plus skill (human capital) and create intellectual capital. Their knowledge is made better by the interactions among them (social capital) and thereby generates the institutionalized knowledge possessed by an organization (organizational capital). This concept of human capital is explained below. Scarborough and Elias (2002) commented that: ‘The concept of human capital is most usefully viewed as a bridging concept – that is, it defines the link between HR practices and business performance in terms of assets rather than business processes.’ They pointed out that human capital is to a large extent ‘non-standardized, tacit, dynamic, context dependent and embodied in people’. These characteristics make it difficult to evaluate human capital, bearing in mind that the ‘features of human capital that are so crucial to firm performance are the flexibility and creativity of individuals, their ability to develop skills over time and to respond in a motivated way to different contexts’.

It is undeniably the knowledge, skills and abilities of individuals that create value, which is why the focus must be on ways of attracting, retaining, developing and maintaining the human capital they symbolize. Davenport (1999:7) observed that: ‘People own intrinsic abilities, behaviours and personal time. These fundamentals make up human capital, the currency people bring to invest in their jobs. Workers and not organizations possess this human capital.’ The choices they make include how much discretionary behaviour they are prepared to exercise in carrying out their role (discretionary behaviour refers to the discretion that people at work can keep fit about the manner they do their jobs and the degree of effort, care, innovation and productive behaviour they can display). They can also choose whether or not to remain with the organization.

The constituents of human capital. Human capital includes the intellectual, social and organizational capital as elucidated underneath:

Intellectual capital. The notion of human capital is connected with the overarching idea of intellectual capital, which can be defined as the stocks and flows of knowledge obtainable to an organization. These can be considered as the intangible resources linked with people, put together with tangible resources (money and physical assets) comprise the market or total value of a business.

Social capital. Social capital is an additional constituent of intellectual capital. It involves the knowledge resulting from networks of relationships within and outside the organization. Social capital has been defined by Putnam (1996) as the features of social life – networks, norms and trust – that enable participants to act jointly and more effectively to pursue shared objectives. It is important to take into account social capital considerations, that is, the ways in which knowledge is developed through interaction between people. Bontis et al (1999) commented that it is flows as well as stocks that matter. Intellectual capital develops and changes over time and a significant part is played in these processes by people acting together.

Organizational capital. Organizational capital is really the institutionalized knowledge possessed by an organization that is stored in databases, manuals, et cetera (Youndt, 2000). It is frequently called 'structural capital' (Edvinson and Malone, 1997), but the expression 'organizational capital' is favored by Youndt since, he argues, it conveys more clearly that this is the knowledge that the organization actually owns.

The need for human capital measurement. Human capital measurement is about finding links, correlations and, ideally, causation, between different sets of (HR) data, using statistical techniques. The role of human capital measurement is to assess the impact of HRM practices and the contribution made by people to organizational performance. Human capital measurement provides a basis for people management decision-making. It means identifying the people management drivers and modelling the effect of varying them. The recognized significance of realizing human capital advantage has led to an attention in the development of techniques of quantifying the value and impact of that capital because of these reasons: *People in organizations add value and there is a case for assessing this value to provide a basis for HR planning and for monitoring the effectiveness and impact of HR policies and practices.*

The process of identifying measures and collecting and analyzing information relating to them will focus the attention of the organization on what needs to be done to find, keep, develop and make the best use of its human capital. Measurements can be used to monitor progress in achieving strategic HR goals and generally to evaluate the effectiveness of HR practices. You cannot manage unless you measure. The need is to develop a framework within which reliable information can be collected and analyzed such as added value per employee, productivity, and measures of employee behaviour (attrition and absenteeism rates, the frequency/severity rate of accidents, and cost savings resulting from suggestion schemes).

However, the Institute for Employment Studies (Hartley, 2005) emphasized that reporting on human capital is not simply about measurement. Measures on their own such as those resulting from benchmarking are not enough; they must be clearly linked to business performance. It was established by Scarborough and Elias (2002: *x*), on the basis of their research, that: *Measures are less important than the activity of measuring – of continuously developing and refining our understanding of the productive role of human capital within particular settings, by embedding such activities in management practices, and linking them to the business strategy of the firm.*

As described by Nalbantian *et al* (2004) the organizational performance model developed by Mercer HR Consulting is based on the following elements: people, work processes, management structure, information and knowledge, decision-making and rewards, each of which plays out differently within the context of the organization, creating a unique DNA. The statistical tool 'Internal Labour Market Analysis' used by Mercer draws on the running record of employee and labour market data to analyze the actual experience of employees rather than stated HR programmes and policies. Thus gaps can be identified between what is required in the workforce to support business goals and what is actually being delivered.

Methods. The Bauchi metropolis served as the study area and it's the headquarters of Bauchi state of Nigeria which was chosen for this study and the choice was deliberate because the state is endowed with many public and private organizations spanning different sectors of the economy. Adaba (2006) considered that the Bauchi state is located between Latitude of 9.3 and 12.3 North of the Equator and Longitude 8.5 and 11 East of the Greenwich Meridian. The state is bordered by seven states, Kano and Jigawa states to the North, Taraba and Plateau states to the South, Gombe and Yobe states to the East, and Kaduna state to the West. It occupies a total land area of 549,259.01 sq. kilometers, which signify 5.3 percent of the landmass of Nigeria.

The descriptive survey design was adopted for the study so as to get exact and full information about the major characteristics of variables associated with this study. This is because it's the suitable technique for depicting exactly the characteristics of a situation and so describes the state of affairs as it exists as of present. It also allows the unearthing of causes and effects of phenomenon even when the variables cannot be controlled (Kothari, 2004). The population for this research work comprises staffs across public and private organizations to include 27 staffs from Abubakar Tatari Ali Polytechnic at Wuntin Dada area of Bauchi metropolis, 15 from Federal Polytechnic at Gwallameji area of Bauchi metropolis, 4 staffs of Professor Iya Abubakar Community Resource Centre at Abdulkadir Ahmed Road of Bauchi metropolis, 3 staffs of Union Bank (Nigeria) PLC at Abdulkadir Ahmed Road of Bauchi metropolis, 6 staffs of the National Teachers' Institute at Federal Secretariat Complex at Bauchi metropolis, all in the metropolis and making up to a total number of 55 staffs engaged in the study. A sample is a manageable section of a population but elements of which have common characteristics. It is the elements making up the sample that are actually studied and generalization or inferences about the population are made. This generalization of result based on the sample on the population is the major purpose of sampling and a major concern in any specific investigation.

The instrument for collection employed for this research was indeed a structured questionnaire. A structure questionnaire asks a question and supply a number of responses options intended for the respondents to pick. An overall fifty-five questionnaires was distributed and all returned. The questionnaire is of the liked type; each questionnaire 5 options, namely; Agree, Disagree, Undecided, Strongly disagree, Strongly agree of which respondents would select. The scale/score of the responses are: Strongly agree stand for 5, Agree stand for 4, Undecided stand for 3, Disagree stand for 2, and Strongly Disagree stand for 1. To analyze the data gathered in this study, the researcher uses table representations to present data and analyze using simple percentage for easy interpretation using SPSS Pearson Product Correlation Method to test the hypothesis is employed to enhance understanding.

Results and discussion. The research adopted the descriptive statistics as well as the Pearson Product Correlation Method to analyze the results and test the hypothesis so as to give the tentative prediction about the nature of the relationship between the research variables. The perception on the significant roles in hypothesis involve the following elements: people, work processes, management structure, information and knowledge, decision-making and rewards, each of which plays out differently within the context of the organization.

Hypothesis: *There are significant roles performed by human capital management towards enhancing adding value in organization across the Bauchi metropolis.*

The Table 1 below just discloses the result of the respondents' perceptions on the human capital management in relation to enhancing adding value in the study area. To measure the relationship between human capital management and value added to the organization the correlation was computed using the items on the research questionnaire and the below table results are given following the usage of SPSS statistical package.

Thus, the Pearson product-moment correlation coefficient was work out using the SPSS to assess significant association between the human capital management and the organizational value added. The main HCM data used for measurement are: Basic workforce data – demographic data (numbers by job category, sex, race, age, disability, working arrangements, absence and sickness, turnover and pay). People development and performance data - learning and development programmes, performance management/potential assessments, skills and qualifications. Perceptual data - attitude/opinion surveys, focus groups, exit interviews. Performance data - financial, operational and customer: From the table above there were positive correlations between the variables as revealed in the table and Cohen (1988) established that correlation coefficient $r<0.5$ represents a strong relationship. Given that the correlation is statistically significant at 95% confidence level, the null hypothesis (H0) is for that reason rejected and the alternate hypothesis (H1) is accepted. This indicates that there is significant relationship between human capital management and organizational value adding sustaining the human capital monitor model of Andrew Mayo.

Table 1. Computation of Statistical Correlations

		Organization performance is directly affected by the HCM	Good HCM enhances quick responses to organization demands	HCM enhances the organizational performance	There is relationship between HCM and added value in an organization
Organization performance is directly affected by the HCM	Pearson Correlation	1	.716**	.592**	.725**
	Sig. (2-Tailed)		.000	.000	.000
	N	55	55	55	55
Good HCM enhances Quick responses to organization demands.	Pearson Correlation	.716**	1	.888**	.871**
	Sig. (2-tailed)	.000		.000	.000
	N	55	55	55	55
HCM enhances the organizational performance	Pearson Correlation	592	.592**	1	.832**
	Sig. (2-tailed)	.000	.000		.000
	N	55	55	55	55
There is relationship between HCM and Organizational performance	Pearson Correlation	725	.871**	.832**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	55	55	55	55

***Correlation is significant at the 0.01 level (2-tailef)*
Source: developed by authours

Therefore, Andrew Mayo (2001) has developed the 'human capital monitor' to identify the human value of the enterprise or 'human asset worth', which is equal to 'employment cost × individual asset multiplier'. The latter is a weighted average assessment of capability, potential to grow, personal performance (contribution) and alignment to the organization's values set in the context of the workforce environment (i.e. how leadership, culture, motivation and learning are driving success). The absolute figure is not important. What does matter is that the process of measurement leads you to consider whether human capital is sufficient, increasing, or decreasing, and highlights issues to address. Mayo advises against using too many measures and instead to concentrate on a few organization-wide measures that are critical in creating shareholder value or achieving current and future organizational goals.

He believes that value added per person is a good measure of the effectiveness of human capital, especially for making inter-firm comparisons. But he considers that the most critical indicator for the value of human capital is the level of expertise possessed by an organization. He suggests that this could be analyzed under the headings of identified organizational core competencies. The other criteria he mentions are measures of satisfaction derived from employee opinion surveys and levels of attrition and absenteeism.

Conclusion. To sum up all therefore, it should be noted that for many organizations in the study area, human capital management represents a neglected area of opportunity. Though, it is indeed an essential factor in an organization's ability to innovate and grow profitably, and then human capital is something organization executives can no longer afford to take for granted. Human capital management has a critical role in these turbulent times of global economy where effective organization management, productivity, efficiency and performance have critical role. So do skills, knowledge and talent. Showing the employee performance added value per employee are important more than ever. This will go a long way to adds value to sustainable competitive advantage. This goes to buttress David M. Walker (2000) that earlier believed that, enhancing the value of employees is a win-win goal for employers and employees alike. Therefore the more the organization be aware of the intrinsic value of each employee, the more it make out that this value can be improved with fostering and investment, the more it knows that employees vary in their talents and motivations, that is, a variety of incentive strategies and working arrangements can be shaped to add to each employee's contributions to organizational performance, the more probable the organization will be there to appreciate the diversity of employee needs and circumstances as well as to act in ways that make sense in both business and human terms. It's therefore the overall recommendation of this paper that the long-term survival and sustainability of the organization in the fast moving world is guaranteed with investment in resources that can have different effects on human behaviors with the need to work effectively and how people pursue goals in a fast changing and multifaceted environment most affected by modernity and globalization.

Author contributions. The authors contributed equally.

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