Integrating The Principles of Strategic Human Capital and Strategic Human Resource Management to Improve Organisational Performance

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**Introduction**

**Background Information**

The interest in human capital and human resource management among organizations arose from the resource-based view (RBV) in strategic management. Human capital is among organizational resources highlighted as essential resources likely to help organizations achieve a competitive advantage and higher organizational performance (Van De Voorde et al., 2012). Human capital is a source of competitive advantage because; i) it is a crucial determinant of the quality of outputs and efficiency of operations; ii) the resources are heterogeneously distributed among companies or firms; iii) factors such as social complexity, specialty, and casual ambiguity are likely to hinder the reputation and flow of human capital resources (Boon et al., 2018). Thus, scholars in the strategic management field started focusing their research on human capital as a unique strategic resource.

On the other hand, strategic human resource management (HRM) refers to a planned pattern of HR deployments and activities aimed at achieving organizational goals. Human resource practices are considered a system that collectively improves the skills and motivation of the workforce (Van De Voorde et al., 2012). The human capital pool is developed, maintained, and motivated via several HR practices that would enhance the effectiveness of the HR system. Strategic human resource management focuses on how systems of HR practices such as selection, recruitment, training, performance appraisal, development, and rewards help organizations attain strategic goals and enhance organizational performance. It incorporates several features distinct from the traditional human resource management approach, which affects performance-related outcomes at the corporate level (Boon et al., 2018).

The integration of strategic human capital and human resource management principles has enabled several organizations to enhance their performance at different levels (Boon et al., 2018). Organizations must understand the two aspects to ensure that they integrate the right principles to achieve higher organizational performance. Integration of these principles has proved to have economic value, bargaining power, and, most importantly, an isolating mechanism for gaining a competitive edge over competitors or rivals in the same industry or market. Strategic human capital resources are likely to result in a competitive advantage if they can generate more incredible net income benefits, unlike their competitors (Raffiee & Coff, 2016).

The concept of net economic benefits links to the difference between the created economic value from human capital resources and the cost of the human capital resources such as employee benefits, salaries, and other support practices and structures (Wright et al., 2014). It is noted that broader net economic benefits accrued from human capital resources provide organizations with higher pricing flexibility, providing more opportunities to develop larger profits than rivals or competitors. Most organizations are keen on human capital and human resource management principle, enabling them to increase their organizational performance (Raffiee & Coff, 2016).

Human capital resources are a unique type of resource as individuals comprising these resources can bargain to grab a portion of the value they create for their firm (Wright et al., 2014). For instance, if people can use their human capital resources to help an organization enhance consumers’ perceived value of its outputs, they are likely to negotiate an increase in wages and other organizational benefits. Therefore, integrating the principles of strategic human capital and human resource management would help improve the organizational performance of any organization, irrespective of the market or industry (Raffiee & Coff, 2016).

**The Purpose of the Research/Study**

This study addresses how integrating strategic human capital and human resource management improves organizational performance. Human capital and human resource management have been used interchangeably, whereby organizations don’t know the difference between the two concepts. However, organizations that understand the difference have made significant decisions regarding integrating the principles of human resource management and human capital. Organizations must understand the various principles of strategic human capital and human resource management and, most importantly, how to approach either of the concepts and know when to use them. Moreover, the study also highlights the current status and prominent perspectives regarding the application of strategic human resource management and human capital to enhance organizational performance.

The study also aims to provide the various principles of strategic human resource management and human capital to help the organization understand the uniqueness of the two concepts to ensure that the best principles are selected and integrated effectively. Organizations must understand what principles affect their effectiveness, especially when identifying talented individuals to undertake different tasks. Organizations must also understand the critical areas of integration to achieve the maximum from the two concepts and, most importantly, how the areas would affect or impact organizational performance.

**Research Objectives**

The study’s main objective is to determine how the integration of strategic human capital and human resource management improves organizational performance. However, other specific objectives that the researcher will consider are as follows;

* To determine the various principles of strategic human capital and human resource management. The researcher will access the different resources to understand the multiple principles of strategic human capital and human resource management.
* To determine how strategic human capital and human resource management principles enhance organizational performance. Organizations must understand the various principles of the two concepts and identify which areas to integrate based on the type or nature of the business or company.
* To determine the difference between strategic human capital and human resource management. Most organizations or managements need to understand the difference between the two concepts, which has made some of them have a misconception of the two and thus affecting the entire organizational performance.
* To determine the current status and prominent perspectives regarding applying strategic human capital and human resource management. Organizations must understand and have in mind the current trends when it comes to strategic human capital and human resource management, which are essential aspects when it comes to organizational management and performance.

**Research Scope**

Organizations have always used strategic human resource management and human capital interchangeably; however, they have different meanings, and organizations that are aware approach them differently. Human resource management (HRM) focuses primarily on the core administrative and human resource functions, for example, maintaining employee records and administrating benefits to the organization or business (Wright et al., 2014). On the other hand, human capital management is a broader term, including human resource and strategic functions such as performance and analytics management. Therefore, this research highlights the various principles of human resource management and human capital and how they can be integrated to enhance organizational performance.

Following the competitive business environment, organizations must make the right decisions when dealing with human resources because they are critical to their performance at any given organizational level (Wright et al., 2014). Organizations must understand the type of human capital and human resource management and how they are unique toward achieving higher organizational performance. Organizations must ensure that they get it right, especially when it comes to talent for specific organizational tasks or activities. Businesses or companies must understand the skill they need, their availability, and how they can manage them to achieve enhanced organizational performance irrespective of the market and industry.

**Methodology and Approach**

**Research Methodology**

The study is qualitative research using the systematic literature review as methodology. A systematic literature review (SLR) determines, selects, and critically appraises research or studies to respond to a formulated research question (Xiao & Watson, 2019). The qualitative research approach incorporates collecting and analyzing non-numerical data such as audio, video, or text to help understand different concepts, experiences, or opinions in a broader context. Qualitative research helps collect in-depth insights into a problem or issue, thus, generating new ideas for research or study. A systematic literature review follows a clearly defined protocol or plan where the criteria are stated before the review is performed. The systematic literature review follows a title, abstract, introduction, methods, results, discussion, and, most importantly, references providing the literature or sources used to meet the research goals or objectives (Nightingale, 2009).

The systematic literature review comprises four components: structuring a research question, searching and appraising the literature, data extraction, analysis and synthesis, and, most importantly, reporting the results (Nightingale, 2009). It involves a comprehensive, transparent search performed or undertaken over multiple databases and grey literature that can be replicated and reproduced by other researchers. SLR involves planning a well-thought-out search strategy with a specific focus or answers to a defined research question. The use of SLR enables the researcher to identify the type of information searched, critiqued, and reported within known timeframes (Xiao & Watson, 2019). The search strategies, terms, and limits must be incorporated into the review to ensure that the systematic literature review responds to the research questions and meets the study's objectives and aims.

However, the research or study will be based majorly on the literature search, meaning the researcher will consider secondary data, not primary data. Secondary data will be collected or generated using secondary sources. The secondary sources used in this research include journal articles commenting on the research or topic of interest, newspaper editorial/opinion pieces, dissertations or past case studies, and research by different researchers. The secondary data would be collected and analyzed through a qualitative analysis approach. The qualitative analysis considered by the researcher will consider the case study approach (Xiao & Watson, 2019). Case studies will enable the researcher to explore the principles of strategic human capital and human resource management via multiple data sources and undertake the exploration using several lenses to help reveal several facets of the subject of study.

**Approach/Key Areas to Consider**

The research highlights how integrating strategic human capital and human resource management improves organizational performance. The researcher, to achieve this aim or objective is by conduct a detailed literature review on the topic or subject area focusing on the definition of human capital and human resource management, the principles of strategic human capital and human resource management, and most importantly, the impact of the integration of these principles to enhance organizational performance. The areas are highlighted briefly as follows;

**Strategic Human Capital (SHC) and Human Resource Management:**

Strategic human capital in any organization will likely help organizations or firms achieve a competitive advantage and higher organizational performance. In other words, human capital is the embodied knowledge, abilities, skills, and other attributes of employees or workers that are likely to be brought together toward productive use. Strategic human capital has the potential to be a source of competitive advantage because: (1) an organization's stock of human capital can be a crucial determinant of output quality and operations' efficiency; (2) human capital resources are heterogeneously distributed among firms or organizations; (3) factors such as specificity, casual ambiguity and social complexity that can interfere with the flow of human capital resources.

On the other hand, strategic human resource management (SHRM) is a process that helps the human resource department maximize its workforce potential via talent management, strategic planning, leadership development, performance management, and, most importantly, organizational design. It is always the responsibility of the human resource managers to ensure that the organization has the right people in the respective departments or sectors within the organization that helps improve performance and ensure it meets its objectives and delivers on its mission. SHC involves developing and implementing strategies to attract, retain, motivate and manage talented people who contribute significantly to the organization's success.

**Principles Of Strategic Human Capital (SHC) and Human resource management (HRM):**

Some of the principles of SHC include workforce planning, performance management, compensation, development and training, time tracking, and, most importantly, recruitment and retention. Human capital allows organizations to use data to help predict work patterns and labor needs, thus, leading to efficient handling of staff or workforce. Performance is a vital aspect of human resource operations and among the essential principles of strategic human capital (SHC). On the other hand, the principles of strategic human resource management (SHRM) include comprehensiveness, coherence, credibility, control, communication, and commitment, among others, such as creativity, change competence, and cost-effectiveness. Therefore, the integration of human capital and human resource management principles would impact organizational performance as they aim to achieve a positive goal in any given organization, irrespective of the industry or market.

**The Inclusion/Exclusion Criteria**

The literature review or search on the various aspects such as strategic human capital and human resource management, principles of strategic human capital and human resource management, and the impact of the integration of strategic human capital and human resource management will include articles or journals, not below ten years. The journals or reports will be between 2010 and 2022. This will enable the researcher to collect up-to-date data and information regarding the research topic or subject area: strategic human capital and human resource management. The literature search will also be within the management field and not in any other sector and give an in-depth relationship between strategic human capital and human resource management.

The secondary sources must give insights regarding the subject area or topic and how integrating strategic human capital and human resource management enhances organizational performance. The journals and articles must be peer-reviewed newspapers or articles that give a credible human resource management background. Additionally, the search terms will include strategic human capital and human resource management. Considering all these terms in the search will provide various data or information about the subject or research question. The variety of searches allows the researcher to select the most appropriate and up-to-date information, which provides insights into the research problem or question. Moreover, the inclusion and criteria are shown in the table below:

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| **Inclusion criteria** | **Exclusion criteria** |
| Peer reviewed articles from 2010 to 2022 | Focus on other areas not related to strategic human capital and strategic human resources. |
| English language | Other languages apart from English. |
| Focus on human resources management and organizational performance | No primary data is included or used. |
| Raw data provided to illustrate themes in human capital and resources management | Focus of study does not answer research question. |
| Qualitative and quantitative research methodology | Re-reporting raw data in a synthesized form. |
| Focus on the literature search on the human capital and human resource management | Articles and journals more than 10 years. |

**Databases To Be Used**

The researcher will focus on databases such as ScienceDirect, Directory of Open Access Journals (DOAJ), Academic Search Complete, and JSTOR. ScienceDirect as a research database is more resourceful as it gives access to millions of academic articles and journals, which gives the researcher more informed data and information regarding the subject area or topic. For instance, the database provides or gives access to about 2,500 journals and more than 40,000 e-books, which can be searched via a single interface. In addition, it is a multidisciplinary database and gives users free access options. JSTOR is another important multidisciplinary database that will be used in the research. It provides numerous resourceful journals ranging from medicine to education and business. Moreover, the database also provides access to more than 12 million items or articles, and its access is free, enabling the researcher to access resources.

The other research database is the Directory of Open Access Journals (DOAJ). DOAJ is a unique academic database since all the journals and articles are indexed and are open to free access. It covers more than 4.3 million items and a multidisciplinary. DOAJ allows the researcher to understand the subject area or the topic under investigation, for example, the principles of strategic human capital and human resource management to help improve organizational performance. The other research database is the Academic Search Complete, which gives access to multiple disciplines. It allows researchers to search for peer-revied and scholarly articles or sources based on the topic, keyword, or author. Researchers can use additional filters to their search, which include the year of publication, book excerpts, newspapers, and journals. With such ability, the researchers can access more articles or journals relevant to their subject area or topic.

Given that the researcher is likely to access various resources from the databases, there is a need for the inclusion and exclusion criteria to be more precise to address the specific objectives and answer the research questions as highlighted. The advantage of having several resources and databases prevents one from being biased regarding what type of data to use in the study or research. Most researchers focus on the data and information that favours their research questions and hypothesis, thus, reporting inaccurate data. However, access to various data allows the researcher to relate and integrate several data and information regarding the topic or research subject. It gives the researcher the courage to understand the topic better and achieve or meet the objectives of the research or study and, most importantly, the research questions.

**The Articles/Journals:**

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| **No.** | **Journal/Articles** | **Author** | **Date of publication** |
| 1. | Integrating strategic human capital and strategic human resource management. *The International Journal of Human Resource Management, 29*(1), pp.34-67. | Boon, C., Eckardt, R., Lepak, D.P. and Boselie, P. | 2018 |
| 2. | Micro-foundations of firm-specific human capital: When do employees perceive their skills to be firm-specific? *Academy of Management Journal, 59*(3), pp.766-790. | Raffiee, J. and Coff, R. | 2016 |
| 3. | Strategic human capital: Crossing the great divide. *Journal of Management, 40*(2), pp.353-370. | Wright, P.M., Coff, R. and Moliterno, T.P. | 2014 |
| 4. | Human resources and the resource-based view of the firm. *Journal of management, 27*(6), pp.701-721. | Wright, P.M., Dunford, B.B. and Snell, S.A. | 2021 |
| 5. | Strategic human resource management: where have we come from and where should we be going? *International journal of management reviews, 2*(2), pp.183-203. | Boxall, P. and Purcell, J. | 2017 |
| 6. | The complex resource-based view: Implications for theory and practice in strategic human resource management. *Academy of management review, 29*(3), pp.341-358. | Colbert, B.A. | 2014 |
| 7. | Strategic human resource management in context: a historical and global perspective. *Academy of Management Perspectives*, *26*(2), pp.6-11. | Marler, J.H. | 2012 |
| 8. | Beyond strategic human resource management: is sustainable human resource management the next approach? *The international journal of human resource management, 25*(8), pp.1069-1089. | Kramar, R. | 2014 |
| 9. | Strategic human capital management in the context of cross‐industry and within‐industry mobility frictions. *Strategic Management Journal, 39*(8), pp.2226-2254. | Starr, E., Ganco, M. and Campbell, B.A. | 2018 |
| 10. | Strategic human resource management, human capital and competitive advantage: is the field going in circles? *Human Resource Management Journal, 27*(1), pp.1-21. | Delery, J.E. and Roumpi, D. | 2017 |

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