

CONCEPT AND PRACTICES OF HUMAN CAPITAL DEVELOPMENT IN PAKISTAN: A CONCEPTUAL APPROACH

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ABSTRACT

The concepts and practice of Human Capital Development have become prominent in modern management literature especially in this new millennium for one obvious reason: that is because Human Capital Development is one of the most important issues in the developing countries like Pakistan. Human Capital Development plays an important role in overall progress and productivity of an individual, organization and for the country. However, The practice of Human capital development in Pakistan is characterized by the absence of corporate cultures, weak enforcement of rules and regulations, poor financial management, operational inefficiencies, overstaffing, unskilled employees, growing employee dissatisfaction, increasing quality complaints, government interference, and lack of work motivation results in low productivity. This phenomenon has, in turn, become a matter of concern to academics and professionals alike on the field. Consequently, the main objective of this paper is to present an overview of Human Capital Development with particular emphasis on its concepts and practice. A review of the relevant literature was conducted on Human Capital Development and its dimensions (Management supervision and guidance; competency and moral value) for adopted. Hence, this study provides a review of previous studies on the Human Capital Development light to expose on the potential benefits of the concept and its dimensions, HCD emphasized more on the competency development of human capital, i.e., knowledge and skills. Therefore greater attention has to be focused on developing not just the competency of human capital but also on their moral/ethical values. The Human Capital Development should be based on a holistic development change and comprehensive toward surviving in the economic downturn of the country.

Keyword: Human Capital Development, Human Capital, Pakistan, Conceptual Paper

1.0 INTRODUCTION

Over the years, staff and employees in businesses have been recognized as "personnel," "human resources" and further as "human capital" which has been identified as the competitive advantage in today's knowledge economy (Thaib, 2013). With those insights, human capital development or simply HCD has become the topic of discussion in today's corporate and national world. With the current dynamic business environments, "knowledge, competence, and related intangibles have emerged as the key drivers of competitive advantage" (Teece, 2000, p. 30). Accordingly, as the service organizations are mostly reliant on those intangibles for delivering value to the customers (Gronroos, 2000), hence it is crucial to develop both knowledge and attitude, which served as the value for human capital. In respect to this matter, a special research attention must be done towards the development and management of human capital in the developing country. It has been known that the common contemporary HCD emphasized more on the competency development of human capital, i.e., knowledge, skills. However, the moral and ethical dilemmas are also being the main concerns in developing human capital in the corporate world. Thus, contemporary HCD may provide loopholes in equipping the human capital in the developing countries. Hence, the issue of human capital development has now become the topic of attention for the scholars on developing not just the competency of human capital but also on their moral/ethical values (Abdullah, 2012; Hashi & Bashir, 2009). Natt et al. (2010) pointed that the development of knowledge and moral value such as through training is vital to generate well-balanced knowledge workers in the Islamic financial sector. The adoption of strategic HCD has been widespread in recent years whereby a strategy is pursued by the organization to enhance the productivity and efficiency of human capital to deliver greater value for the organization. One important means to support this strategic HCD is through good management and effective leadership at all level of the organization to support the organizational change (Wan, 2007). Hence, instead of using the most common HCD practices of education and training, the management supervision and guidance provided by the leader through coaching and mentoring are also seen to be essential (Preko, 2014).

Therefore to facilitate the objectives of Pakistan Government in economic diversification using competencies in Pakistan human and material resources available in the Asian Region, the issue of competency, moral attitude, research, and innovations must be pursued towards the development of human capital in the economic sector. It has been known that the contemporary HCD emphasized more on the competency development of human capital, i.e., knowledge and skills. Scholars viewed that greater attention has to be focused on developing not just the competency of human capital but also on their moral/ethical values (Abdullah, 2012; Hashi & Bashir, 2009). The Human Capital Development should be based on a holistic development change and comprehensive toward surviving in the economic downturn (Bakir et al., 2015, Fizah, 2017).

2.0 REVIEW OF RELATED LITERATURE

2.1 CONCEPT OF HUMAN CAPITAL

The term 'human capital' is being employed by economists, as the employees - one of three factors of economic production. This view was driven by Bartel (1989) who claimed that "people" which can be a leader, director, member or an employee are more essential than other physical assets in maintaining the organization's existence and also towards acquiring competitive advantage in the modern knowledge economy. Garavan et al. (2001) quoted that "flexibility, adaptability, and employability are the three specific attributes or characteristics that distinguish the human capital from human resources." According to social psychologists, "human capital" encompasses a wider scope of human capacity and the ability of production and management of life such as the human nature, working skills, learning attitudes and also knowledge embodied in individual (Hashi & Bashir, 2009). With these insights, many researchers today have concentrated a paradigm shift from human resources to human capital as a means of sustaining competitive advantage in the firms (Bontis & Fitz-enz, 2002; McGregor et al., 2004, Birasnav et al., 2010), towards ensuring that the employees can perform all the tasks or functions that they do and may be required to do today and also in the future - when they are promoted or as the organisation takes up new strategy through diversification, expansion, and modernization (Afrin et al., 2015).

Moreover, human capital can be enhanced through the development of the value of human resources (Bartel, 1989). Employees will gain a great human capital benefits such as "high individual return on investment (ROI), being a future leader, opportunity to participate in high profile project, increase in compensation, an increase in status and authority" (Ulrich et al., 1999; Harley, 1999; Bontis & Fitz-enz, 2002; Motley, 2007).

Also, investing in competency's development has been claimed to improve employees' performance, competitiveness and flexibility (Hashi & Bashir, 2009) as well as supporting businesses with profitability and sustainability (Jones et al., 2004; Abdullah, 2012). Acemoglu and Pischke, (1999) also claimed that through proper development in the human capital this also lead to the enhancement of organizational financial performance and productivity. Rastogi (2000) stated that human capital is an important input for organizations thus it is essential for employees to have a continuous improvement mainly on their knowledge, skills, and abilities. Thus, it is inevitable that the development of human capital could provide great benefits to both employees individually as well as to the firm performance and competitiveness. Previous Scholars emphasised that instead of developing the knowledge and skills; the behavioural development of human capital should also be prioritized (Becker, 2009; Hashi & Bashir, 2009; Natt et al., 2009; Abdullah, 2012; Thaib, 2013; Afrin et al., 2015; Bakir et al., 2015). The behavioral elements may include moral, ethical and spiritual development. Fitz-enz (2000) also added that human capital should be based on the development of person's traits, intelligence, fulfilling work energy, positive attitude, reliability and commitment, ability to learn, imagination, and creativity. Social psychology scholars like Sharon et al. (1981) also agreed with Fitz-enz's, such that it looks towards the development of human capital in a wider scope than focusing only on the economic

production of the human capital's competencies. Puhakainen and Siponen (2010) also supported that employees can develop their value capital through their competence, attitude and intellectual agility. Thaib (2013) thus proclaimed that those characteristics possessed by the human capital would make them more productive and also contribute to the increase in the production, prosperity, and well-being of the society, which is the objective of the creation of man (Abduhu, 1984).

2.2 HUMAN CAPITAL DEVELOPMENT

Human capital development has now become a notable, global issue in today's knowledge economy as the organizational success significantly rests on the quality of the human capital (Abdullah, 2012). Wan (2007) stated that HCD represents a "process of helping the employees to become better at their tasks, their knowledge, their experiences, and their lives." Armstrong (2006) considers HCD to be "processes that direct and guides individuals and teams so that they are equipped with the requisite skills knowledge, competence needed to undertake organizational tasks". On the other hand, in the organization context, Gupta (2001), recognized that HCD act as a process by which the employees of an organization are supported in a continuous and planned way to:

- Acquire essential capabilities which associated with their present or expected future roles;
- Discover and develop general capabilities or inner potential of individuals for their own and organizational development purposes;
- Improve the professional well-being, satisfaction, and self-esteem of employees by nurturing an organizational culture that centered on supervisor-subordinate relationships, strong teamwork, and collaboration among sub-units.

Garavan (1999) highlighted three distinct theoretical perspectives on HCD have been identified which includes capabilities driven, psychological contract and collective learning/learning organization. As development refers to the growth of realization of a person's ability, through conscious or unconscious learning, most scholars emphasized that HCD practices are through providing training and development activities and pursue development processes which aim at developing the capacity of the employee as well as organizational effectiveness (Preko, 2014).

Strategic HCD as defined by Beer and Spector: "Is a proactive, system-wide intervention, linked to strategic planning and cultural change." The organization has to focus on pursuing a strategy to radically improving the human capital's productivity to drive higher value (McCracken & Wallace, 2000). Bakir et al. (2015) also support the argument that: the practice of human capital development should be based on holistic development change, comprehensive in nature, the balance of conduct, positive goals and realistic approaches (Bakir et al., 2015). HCD practices can have a positive influence on the capacity to learn (Lei et al., 1999). The reason for this is because it is the individuals who acquire a new knowledge and being a valuable human capital specific to the organization. This further inducing towards the organizational teaching (Kang et al., 2007). However, Boxall (1996) highlighted that "human capital might lose its value if it is ill-managed. With this understanding, Lopez-Cabrales et al. (2009)

encouraged that certain actions like team work and participative policies shall be pursued to enhance organizational learning.

2.2.1 Human Capital Development Practice of Management Supervision & Guidance

Management and Supervision Guidance by the leader is another strategic HCD practice which takes the form of coaching, mentoring and Career guidance and counseling (Preko, 2014). As far as management's supervision and guidance are concerned. Wan (2007) claimed that the Human Capital departments of organization required to establish a strong role in aligning individual goals with the business strategies.

Coaching

Haslinda (2009) defined coaching as “the art of facilitating the enhanced performance, learning and development of others.’ It takes the form of a personal (usually one-to-one) on-the-job approach to helping people develop their skills and levels of competence”. According to Hirsh and Carter (2002), “coaching is aimed at the rapid improvement of skills, behavior, and performance, usually for the present job.” Armstrong (2006) posited that “the need for coaching may arise from formal or informal performance reviews, but opportunities for coaching emerge during normal day-to-day activities.” Coaching becomes most effective when the coach (leader) understands that his or her role is to assist people to learn and be motivated to learn.

As a part of the managerial process, coaching process involves evaluating a person's performance through gaining feedback, making sure that the individual is aware and understands what is expected of them and have insight into how to complete a task successfully (Armstrong, 2006; Haslinda, 2009). This puts a structured and purposeful dialogue at the heart of coaching to provide clear objectives and gain employees' continuous feedback. Afterwards, leaders will give initial guidance guiding as to what to learn, to find solutions to difficult problems as well as to promote learning. However, guidance shall not be given later as it may be considered as an interference (Armstrong, 2006). Wan (2007) also highlighted the importance of having leader or manager to whom the people could go for help when there are work-related problems. Furthermore, since learning is not a passive but active process leader should be more proactive in building on their capabilities, experience, and engagement with the employees (Preko, 2014).

Agho et al. (1993) also highlighted that supervisor who is actively assisting in solving their job-related problems could serve as the elements of employee's satisfaction especially for new, young recruits who have lack of experience. If left unsupervised, this younger employee may face difficulties to get on with the job and thus are more likely to decide on leaving the organization for another job that offers better prospects. This would be a loss for the organization as potential young workers may provide substantial impacts to the company in the long run. Also, leaders who show their concern would probably have a more cooperative and motivated workforce – attributes that may make a difference to the bottom line. In short, leaders need to coach and provide assistance to their subordinates to enhance the human capital as well as the organization (Wan, 2007).

Mentoring

Mentoring is the process of making use of unique and trained personnel to guide, advice and give continuing support to assist individuals who are made to learn and develop their expertise. Clutterbuck (2002) defines mentoring as a help form superior to the employee through the sharing of knowledge, work or ideas. Hirsh and Carter (2002) perceived mentors as individuals who prepare others for optimum future performance and groom them to advance in their career. Whereas for Harris (2008), mentors act as advisors in the creation of self-development and learning programmes, who guide others in the acquisition of knowledge and skills on a new job; giving administrative and technical advice as well as solutions to initial problems in career advancement; projecting corporate culture and shaping values and behaviour in the organisation. Although there are no standard procedures for mentoring, it is necessary to select, brief and train mentors who adopt supportive roles rather than directive one in the process of helping and dealing with others. Mentors may also act as parental figures who lend sympathetic ears to the concerns and aspirations of individuals and assist others to tackle projects or tasks in the right direction. Likewise, mentoring should be taken as it has an important role in helping employees progress in their career and encourage their professional development, such that, it is the mentor who can help mentees develop realistic career goals and strengthen motivation. (Preko, 2014).

Career guidance and counseling

Career guidance and counseling that is genuinely in the best interests of employees will likely to increase commitment. As part of the communication process, mentor and mentee could also share success stories. With the current advances in technology, e-mentor could be pursued through the development of web-based resource thus more employees could be guided simultaneously. Additionally, the implementation of Quality Control Circles or simply QCC could also be introduced (Wan, 2007). Nevertheless, Preko (2014) states that coaching and mentoring are different regarding its aim whereby coaching aims to assist people to learn while mentoring look into increasing a person's competence.

2.2.2 Human Capital Development Practice of Perceived Delivery of Competency

Competence is reflected as an implicit knowledge and skills which embodied in the individuals which are the employees which driven towards the development of intellectual capital (Birasnav et al., 2010). This stock of capital can assist an organization to identify and gain added-value from the employees in the process of turning their knowledge and experience into product and services for the organization (Puhakainen & Siponen, 2010; Masoud, 2013). However, if intellectual employees are not utilized by the organization, the knowledge and skill in their mind may not be activated or may not be turned into market value. Hence, it could be said that competence includes individual's knowledge and skills - intangible resources which create company value (Puhakainen & Siponen, 2010).

Masoud (2013) argued that human capital served as the competency of human capital in performing jobs/tasks, solving organizational problems, reconstructing strategies and also as a source of innovation in an organization. The knowledge and skills which later lead to competency may provide the individual with creativity, experiences, professional and occupational skills of the individuals which served as an added value to the employees in the process of turning their knowledge and experience to the creation and optimization of products and service for the organization (Masoud, 2013). Moreover, with the collection of professional knowledge, leadership ability, risk-taking and problem-solving abilities, this will enhance the productivity and competency of an individual to be a good leader (Hashi & Bashir, 2009).

Thaib (2015) stated that with the knowledge and specific skills of human capital, this could provide economic returns and maximization of profits for company or country. Hence, developing the competencies of human capital should be a primary activity to be focused by any organization to take enormous efforts to overcome their competitors on product quality, customer service, and new product development (Birasnav et al., 2010). Baron and Armstrong (2007) claimed that human capital is an important element of the intangible assets of an organization towards developing another intangible asset such as the ability to innovate and establish copyright, support good customer relations, establish company's brand or image and also to respond to the ever-changing market place. The significance of human capital stocks of KSAs has been known to provide an ability of know-how, imagination and creativity for employees. Those are the 'hard' intangible assets which are critical to the business success.

2.2.3 Human Capital Development Practice of Moral Development

On the other hand, previous scholars like Becker (2009); stated that moral value is a component of human capital which cannot be isolated from people like their physical assets. Morality refers to the ability to differentiate between right and wrong conduct at the individual level (Wart, 2003), whereas, ethics are principles and values that guide right and wrong behavior (Menzel, 2007). Hence, Kanungo and Mendonca (1996, p.33) view that morality and ethics are two interchangeable terms "what is ethical is moral, and what is moral is ethical."

Apparently, whether it is a Muslim or non-Muslim, to be professional is equally important as having good moral and ethical standard to function as a well-balanced knowledge worker in any organization (Natt et al., 2009). Hashi and Hareed (2009) thus argued that acquiring knowledge and skills is not enough without moral values, thus moral education is vital.

Abdullah (2012) stated that the moral quality of trust is vital towards guiding the human capital to be sincere in fulfilling all kinds of commitments, duties, and responsibilities and to preserve other person's right. Besides that, with the value of being in fairness and do righteousness in all times and situations, individuals will tend to impose restrictions or warning to prohibit others from being unfair or injustice. Hence, the development of human capital notably includes moral and ethical development. With the teaching of morality, Islam subsequently obligates every individual to practice moral behavior in every aspect of their lives.

This is crucial such that, the lacking of moral and ethical behavior originates dishonesty, injustice, corruption, crime, chaos, and clash among the people who are the barriers towards achieving growth in business as well as economic in a country (Abdullah, 2012). With moral value, Ibn Khaldun (1979) stated that this would guide people to be free from corruption and doing destruction to the society. Scholars also view that the importance of moral should be emphasized to develop the best quality people with morality and intellectuality (Hashi & Bashir, 2009; Natt et al., 2009; Abdullah, 2012; Thaib, 2013; Afrin et al., 2015).

Despite that, Bakir et al. (2015) also emphasized on developing and maintaining the moral and ethical practices of the employees towards achieving the organizational performance. This is because, the significance of the behavioral elements of human capital will crucial towards improving the quality of customer service, business relationship and developing employees to be the future quality and moral leader. Those are the 'soft' intangible assets which are crucial for the sustainable growth of today's businesses, society, and nation as a whole. With those insights, both the 'hard' and 'soft' intangibles assets have emerged as the key values of competitive advantage for the human capital. This could be said that the development of both competency and moral of human capital appears to be necessary.

Thus, for this study, the term 'human capital' will be defined as per Bartel (1989) 'employees.' This employee is someone who has the stocks of human capital or assets of both competency and behavioral elements. This later develops into a more productive stock of capital that can be the 'hard' and 'soft' assets of an organization respectively. Service organizations are particularly dependent on such intangibles for the creation and delivery of value to the consumers (Gronroos, 2000). With the recognized benefits of those intangibles or values of the human capital for today's organizations, hence development of human capital are certainly be crucial (Wayne et al., 1999).

3.0 CONCLUSION

In summary, though, many agree that it is necessary to develop knowledge and skills of human capital for achieving economic development in the twenty-first century, there is no doubt that the development of ethics or moral values is of vital importance in today's business. Thus, for this study, the term 'human capital' will be defined as per Bartel (1989) 'employees.' This employee is someone who has the stocks of human assets or capital which later develop into a more productive stock of capital that can be the 'hard' and 'soft' assets of an organization. As per the literature, the development of both competency and moral of human capital appears to be necessary for which this may relate to the management supervision and guidance of leader and guided by his/her leadership styles. This seems to be true such that, to some extent, the direct manager or supervisor is very supportive of the team, however conversely the head of the department may not be keen on changes and lacking in supporting the team. Thus, this supports the important role of Human Capital departments of companies as mentioned by Wan (2007) which act as the main agent of guidance towards aligning the individual goals with the business goals and strategies. The managerial commitments are vital on

realizing the value of learning in the organisation and also in supporting at the very best towards creating the learning-enabling atmosphere (Mcgill et al., 1992). Finally, it is worth mentioning that about development of human capital performance, this should be regarded beyond profit-making goals; rather it should also be seen as a tool for transforming the whole workforce of the organization and helping it attain greater heights of achievements through innovation and creativity (Preko, 2014).

The role of employees' immediate supervisors is crucial in transforming the employees especially the front line into a valuable human capital. Recommendations are also provided for the firm to support this concept by providing training, leadership development and better exposure or experience in nurturing the servant leadership behavior. Furthermore, the HC departments and managerial commitments are also vital to ensure an effective alignment of both servant leadership and HCD practice in the organization.

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