

# The Impact of Human Capital on Enterprise Management

Boyu Chen

Florida International University, Miami, Florida 33181, United States

**Abstract.** China is the country with the largest population in the world. It has abundant human resources, but it is very scarce in terms of human capital, which is lower than that of the most developed countries. The scarcity of human capital directly affects the enterprise growth. Human capital plays a key role in the operation and development of enterprises. Giving internal employees of businesses full credit for the value of their human capital may act as a powerful engine for their growth. Human capital indicates the market's demand for labor and the value that labor may provide to the economy, whereas human resources reflect the number and caliber of laborers in a nation. It has to do with how supply and demand on the market are changing. Investment in human resources produces human capital. This paper discussed an all-encompassing notion of human capital, as well as its required conditions of transformation of human resources into human capital. It also emphasizes the integration of human capital within a dynamic multi-loop nexus of social capital, learning, and knowledge management. In addition, the characteristics of human capital management in modern enterprises and the feasibility of human resource transforming into human capital were also discussed. The transformation of human resources into human capital shows that labor has played its own role in the production system. The employee is not only an important condition for enterprise growth, but it can also promote the progress of science and technology and increase the efficiency of the productivity.

**Keywords:** Human capital; Human resource management; Enterprise management; Human capital theory.

## 1. Introduction

Human capital refers to the economic value of a worker's experience and skills. Human capital includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality [1]. Therefore, the capitalization of human resources is to allocate the human resources based on a new pattern and conduct research on human resources optimization under this paradigm. Theodore Schultz, an American economist, and a Nobel Prize winner, believes that human capital is the skills and knowledge with economic value which are embodied in individuals [2]. He advocates promoting economic growth through the development of human capital. The continuous development of this theory has become a breakthrough in the traditional human resource management theory. In traditional human resource theory, people and capital are two independent production factors. In enterprise management, human labor is often regarded as a labor cost, which could cause one of the factors that needs to be controlled. Therefore, human resources with a high skill and well education become more and more important in market.

Human capital should include two parts, one is the employees engaged in technical work, and the other is managers with excellent management experiences. Nowadays, human capital plays a more and more

important role to enterprises. Figure 1 shows the potential factors affecting human capital management [3]. In 1984, Michael Beer of Harvard Business School advocated to treat human capital as the capital of enterprise and to focus on how to improve production efficiency through the transformation of human resources into human capital [4]. Veltri and Silvestriand believe that the capitalization of human resources is the application of capital in human resources [5], which is the indirect pricing of human resources. Dubra thinks enterprises should build their own core resources to improve their competitiveness [6]. Resources such as individual and group learning, knowledge, skills, and expertise, as well as creativity and innovation among employees can help the enterprises to accumulate human capital and provide valuable outcomes to customers. Figure 1 shows a typical model of human capital theory which describes the main relations in this theory and the core assumptions underlying these relationships [7]. Human capital management is not a new concept, it is built based on human resource management, combining the two analysis dimensions of "return on capital investment" in economics by converting the people in the enterprise into capital for investment and management to obtain returns. As a result, enterprises can ensure that there are suitable employees to implement the business strategy of the enterprise.

Academia lacks the reasonable explanation of impact of human capital on enterprise management. Strong human capital practices can deeply affect enterprise operations management. For the majority of occupations and all companies, employees' knowledge and skills are critical. They are essential to a company's ability to run effectively, which means they are also the driving force behind your company's capacity for profit. As a result, one of the finest ways to invest in your business is to invest in your employees. On the other hand, employees can directly get benefits from human capital, thereby increasing their satisfaction. One of the most alluring outcomes is an increase in Return on investment (ROI), which is accomplished by your staff members working hard and producing in a motivated and contented manner. In addition to helping with client and customer interactions and fostering greater communication across official and informal networks, excellent human capital procedures also raise a company's retention rate. The objectives of this study are to: 1) examine the characteristics of human capital management in modern enterprises; 2) discuss the feasibility of human resource transforming into human capital; 3) discuss the role of human capital management and its importance to enterprises from the perspective of how enterprises can achieve success.

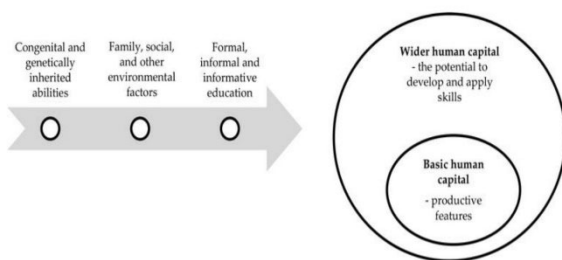


Fig. 1 Factors affecting human capital management

## 2. The Significance of Human Capital to Enterprises

### 2.1 Conditions of Human Resource Transforming into Human Capital

There are two reasons for transforming human resources into human capital: internal reason and external reason. The internal reason is people are willing to accept the transformation of the capitalist mode of production. In the capitalist mode of production, people get payments through production behavior. The labor in this production process will have more rewards when they produce more. Capitalist mode of production has a moderating effect on the employment relationship between workers and the company.

Regarding the external reason, in order to convert human resources into human capital, it is necessary to provide the knowledge and skills contained to human labor. It can facilitate employees continuously participate in complex work and training, otherwise such human resources cannot be efficiently transformed. The employee with a higher skill and well education background has a higher human capital attribute. Therefore, external education, learning, and training are important factors of transforming human capital. Nowadays, the popularization of universal education and public education has made human capital sufficient. Health care and social security can also make human capital more stable.

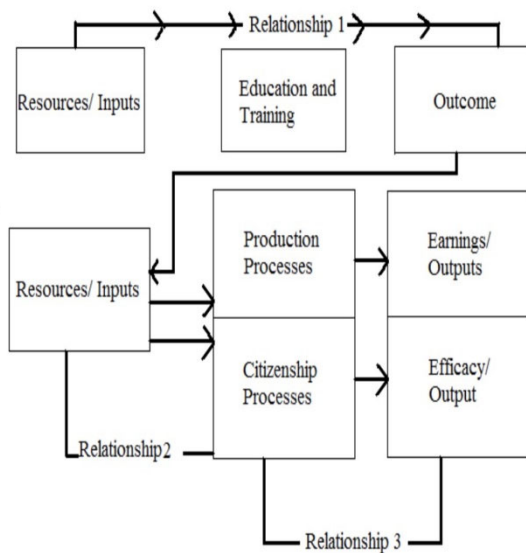


Fig. 2 A typical model of human capital theory

## 2.2 The Role of Human Capital in Modern Enterprises

Among the components of intellectual capital, human capital is the most basic carrier of intellectual capital and the source of knowledge value creation. Sparrow and Makram (2015) believe that the human capital is the main carrier in the value creation process of knowledge creation, transformation, accumulation, and innovation, and is the main participant in various value creation activities. Human capital is the main source of enterprise's competitive advantage and value creation. Therefore, it is the key to enterprise's success. Human capital cannot be directly converted into enterprise value. The knowledge and experience of entrepreneurial entrepreneurs are valuable, rare, and difficult to replicate and replace corporate strategic resources, and are an important source of corporate innovation. In addition, the self-quality, talents, knowledge and skills, practical ability, experience, and attitude of employees are also indispensable for human capital. They are the necessary resources for enterprises growth. With the increase of human capital, the continuous accumulation of knowledge and skills of enterprise employees will facilitate communication, reduce decision-making mistakes, and improve work efficiency. The effective use of human capital can further promote the value creation activities of enterprises.

## 3. Features of Human Capital in Enterprises

The features of human capital in enterprises include two parts, i.e., specificity and exclusivity. Specificity refers to the property is difficult to be used for other purposes, after it is used for a specific purpose. The specificity of human capital refers to the employee's practice in a specific enterprise, and it is an investment in persistent knowledge and skills specifically designed to support the production of a specific team. It emphasizes the relationship between the employees and the enterprise environment.

Exclusivity means that if an employee with a certain kind of specialized human capital investment quits from the enterprise, it will not only have a negative impact on the enterprise, but also cause losses to the employee. Because the value formed by the specific investment or training will not be fully reflected outside the enterprise. In other words, exclusivity of human capital in enterprises is the basis for the emergence, existence and development of an enterprise or organization, and it directly affects the size of the enterprise or the value of other team members.

## 4. Conclusion

According to the discussion, the management of human capital plays a key role in the operation and development of enterprises. Therefore, the importance of enterprises' human capital has become increasingly prominent. Giving full play to the value of human capital for internal employees of enterprises can provide an effective driving force for the development of enterprises. Human resources reflect the quantity and quality of laborers in a country, while human capital reflects the market's demand for labor and how much benefit labor can bring to the economy. It is related to the changes in market supply and demand. Human capital is obtained through investment in human resources. The conversion of human resources into human capital shows that labor has played its own role in the production system. The employee is not only an important condition for enterprise growth, but it can also promote the progress of science and technology and increase the efficiency of the productivity. China is the country with the largest population in the world. It has abundant human resources, but it is very scarce in terms of human capital, which is lower than that of the most developed countries. The scarcity of human capital directly affects the enterprise growth.

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