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Capital, resource or people? Contemporary trends in personnel management

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Abstract

People should be at the centre of attention within knowledge-based economics. The leaders of each enterprise ought to focus on providing the best conditions for their employees' professional and individual development and treat them with respect in terms of their dignity and needs. In contemporary literature two notions in perceiving people in organisations are noticeable. The first one treats employees as 'resources' which have to be properly used or as 'capital' that should bring a decent return on investment. The second notion derives a lot from Christian philosophy and sees the human as a person who treats work as a way to realize his calling and thus is able to take responsibility for the decisions made and actions taken.

Acting in a constantly changing environment, people have to be flexible and able to take advantage of emerging opportunities and avoid threats. Within this process it is not a matter of being a human 'being' but rather becoming, which means that they are incessantly developing their potential. Although it is hard to predict human behaviour, the main task for managers is to lead in a way that will help employees use their full potential for both their own and the company's benefit.

Keywords: personnel management, human capital, human resources management, human capital management, human potential management, personalism

JEL Classification: M54, Z12

1. Introduction

In modern economics there exists a common belief that the success of any organisation depends on its members, their knowledge, experience and the best use of their abilities. Each company tries to build the most effective system of people management by choosing the best solutions from existing concepts. They have different approaches towards employees, motivation, career development and measuring work effectiveness. The most popular notions in personnel management are human resources management, human capital management and human potential management. The questions are: which of these methods are the most popular, which respect people the most and which give the best outcome to the organisation and the staff?

2. Human Resources Management (HRM)

The development of HRM is connected with the works of academics from the University of Michigan and Harvard University. The first model puts emphasis on the strategic role of HR and the mutual correlations between workforce management and the general strategy of the organisation as well as its organisational structure. The main elements of HRM in this approach are selection, performance, appraisal, rewards and employee development. The latest model treats personnel management as the central task of managers, who should take responsibility for employee influence, human resource flow, rewards and work systems. It also underlines that stakeholders' interests and situational factors have a significant influence on the management of HR¹.

Although it is difficult to choose from the multitude of definitions present in the literature, the one which seems to be the most suitable for the analysis conducted within this paper is the definition cited by S.K. Sharma, according to which HRM is

a philosophy of people management based on the belief that human resources are uniquely important in sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies².

¹ H. Król, *Podstawy koncepcji zarządzania zasobami ludzkimi* [in] *Zarządzanie Zasobami Ludzkimi. Tworzenie kapitału ludzkiego*, eds. H. Król, A. Ludwiczynski, WN PWN, Warszawa 2006, pp. 60–63; E. Jędrzych, *Zarządzanie zasobami ludzkimi w organizacji* [in] *Zarządzanie zasobami ludzkimi dla menedżerów średniego szczebla*, ed. E. Jędrzych, Oficyna a Wolters Kluwer business, Kraków 2007, pp. 116–117.

² S.K. Sharma, *Handbook of HRM Practices: Management Policies and Practices*, Global India Publications, New Dehli 2009, p. 80.

This definition shows the 'hard' aspects of HRM, according to which employees are one of the economic factors of growth, so it is important to calculate the costs of the workforce and check its effectiveness. HRM has also its 'soft' face which emphasises communication between workers, motivation, training and development, key values, organisational culture and involvement³.

If people are to be the resource which increases organisational competitiveness, there have to be some indicators showing their value in different aspects of the enterprise's activity. The main concern in this field is whether human resources are helpful in achieving organisational goals. One of the most popular tools for measuring the efficiency of the HRM process is the HR scorecard, which contains various indicators showing people's contribution to the company's outcome and the compatibility of HRM with the general organisational strategy⁴. The first step is to measure all the outcomes connected with employees such as their skills, attitudes, behaviour or motivation. These factors influence the results of a company, like its effectiveness, innovativeness, productivity or quality of work, which in turn influence the ultimate outcome, which is the market value of the company⁵. This chain shows that in HRM workers are important as long as they have a positive impact on organisational performance and economic growth.

3. Human Capital Management (HCM)

Contemporary science has developed many theories on different kinds of capital such as intellectual capital, social capital, cultural capital, organisational capital or psychological capital. Employees are also perceived as a form of capital, called human capital, which can be defined as the key factor in gaining a competitive advantage and achieving success. In the classic *The Wealth of Nations* Adam Smith distinguishes four elements of fixed capital: machines and instruments of trade, profitable buildings, improvements of land and, as the fourth one, *the acquired and useful abilities of all the inhabitants or members of the society*⁶. He notices that

*the improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit*⁷

³ J. Storey, *Human Resource Management Today: an Assessment* [in] *Human Resources Management: A Critical Text*, ed. J. Storey, Thomson Learning, London 2007, p. 11. Some authors say that 'soft' HRM elements are connected with McGregor's Y Theory while 'hard' ones with his X Theory. See E. Houldsworth, D. Jirasinghe, *Managing and Measuring Employee Performance*, Creative Print and Design, London 2007, p. 38.

⁴ The detailed description of the HR scorecard is concluded in the book B.E. Becker, M.A. Huselid, D. Ulrich, *Karta wyników zarządzania zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2002.

⁵ J. Paauwe, *HRM and Performance. Achieving Long Term Viability*, Oxford University Press, New York 2004, p. 55.

⁶ A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, book 2, ch. 1, ed. E. Cannan, Library of Economics and Liberty, www.econlib.org/library/Smith/smWN.html (accessed: 13.03.2013).

⁷ *Ibidem*.

so he simply treats people's talents and abilities similarly to any kind of material means of production. G. Łukasiewicz in his research defines human capital as

*a resource of knowledge, abilities, talents, qualifications, attitudes, motives and health, with its specific value, which is the source of future income and satisfaction. This capital is renewable and constantly increased human potential*⁸.

This definition implies that human capital is measurable, requires taking investments and is also a source of income, so people who put money into their education, qualifications and talent development can expect to gain a decent return on their investment, which might mean a better job, higher wages or other benefits.

The essence of HCM is collecting, analysing and reporting data, which shapes strategic organizational decisions on personnel management. It requires assessment aimed at indicating the connections between investments in human resources and gaining a competitive advantage that can be achieved by employee engagement and retention, talent management and programs of constant learning and development⁹. The profitability of the investments can be measured on three levels: the organizational level (relations between human capital and strategic goals), the level of an organizational unit (changes in service, quality and productivity) and the HCM level (results of HR department on planning, acquisition, rewarding, development and maintaining of human capital)¹⁰. There are plenty of methods of human capital assessment¹¹ that managers can choose from in order to achieve the best results for their companies. Its selection depends on the aim of measurement and expected outcomes. It seems to be that in this approach employees are strictly controlled and all their activities are quantified. Some people may have difficulties in working for an organization in which they are perceived mainly as capital which should bring a certain level of income.

4. Human Potential Management (HPM)

Both of the terms 'human resources' and 'human capital' are perceived by some scholars as derogative and demeaning¹². That is why the attempts to find other ways of naming people management and to change managers' attitude towards their employees are made. One of these ideas is human potential management, which, according to S. Karla, implies that workers should not be treated as a mere

⁸ G. Łukasiewicz, *Kapitał ludzki organizacji. Pomiar i sprawozdawczość*, Wydawnictwo Naukowe PWN, Warszawa 2009, p. 20 (translation of the definition by A. Marek).

⁹ A. Baron, M. Armstrong, *Zarządzanie kapitałem ludzkim. Uzyskiwanie wartości dodanej dzięki ludziom*, Oficyna a Wolters Kluwer business, Kraków 2008, p. 33.

¹⁰ J. Fitz-Enz, *Rentowność inwestycji w kapitał ludzki*, Oficyna Ekonomiczna, Kraków 2001, p. 33.

¹¹ See B. Jamka, *Czynnik ludzki we współczesnym przedsiębiorstwie. Od zarządzania kompetencjami do zarządzania różnorodnością*, Oficyna a Wolters Kluwer business, Warszawa 2011, pp. 213–215.

¹² S.K. Kalra, *Human potential management: time to move beyond the concept of human resource management?*, "Journal of European Industrial Training" 1997, no. 21/5, p. 176.

resource or capital, but as individuals who need proper conditions for personal and professional development¹³.

Pocztowski defines human potential as all the features and characteristics of particular employees, who decide on their current and future abilities and readiness to complete organisational tasks, and on their value on the labour market¹⁴. In addition to that, if people *have potential, they have a natural ability or quality that could develop to make them very good*¹⁵. According to the definitions mentioned above, potential is not something constant and current, but a future ability which might, but does not have to evolve and be used by the person. To support this development, managers have to provide their staff with the necessary assets, motivation system and other nurturing conditions that will encourage them to show their full potential and use it to the advantage of the organisation¹⁶. This is the main aim of human potential management, defined as

*an integrative and continuous process of enhancing human capabilities and capacities by enriching human beings' existing potential and helping them to discover and tap their latent potential through micro-level human development interventions and macro-level systems and policy interventions to create and sustain an environment that facilitates individuals in achieving their full potential to their own as well as the organization's advantage*¹⁷.

It has to be said that to achieve the organisation's full potential, managers have to support all their employees, not only the key ones, because partial development of workers means limited productivity of the company overall¹⁸.

HPM requires a total change in the concept of man, for it assumes that human behaviour is unpredictable. People are in constant movement, they are instantly changing their environment, which means that they not 'are' but 'are becoming'¹⁹, so they have to adjust to each situation instead of using well-known patterns, and take decisions very quickly and sometimes even spontaneously. What is more, employees are not passive observers but active participants who, as parts of many networks of interactions, are able to create a reality in a way that enables them to achieve their own goals. The management of human potential is less bureaucratic and autocratic than HRM and HCM. Its aim is to create opportunities for staff development, to implement their innovative ideas and solutions to problems, and to let them act in their own ways instead of controlling them instantly and forcing them to undergo a multitude of surveys²⁰.

¹³ Ibidem, p. 176.

¹⁴ A. Pocztowski, *Rozwój potencjału pracy jako problem zarządzania zasobami ludzkimi w przedsiębiorstwie*, Akademia Ekonomiczna w Krakowie, Kraków 1993, p. 24.

¹⁵ *Longman Exams Dictionary*, Pearson Education Limited, Harlow 2006, p. 1188.

¹⁶ A. Marek, *Social Capital as a Facilitator of Achieving Employees' Full Potential* [in] *Methods to Improve the Efficiency of Workers*, eds. E. Jędrych, J.P. Lendzion, Media Press, Łódź 2010, p. 87.

¹⁷ S.K. Kalra, op. cit., p. 178.

¹⁸ M.C. Hyter, J.L. Turnock, *The Power of Inclusion*, Wiley&Sons Canada, Canada 2005, p. 113.

¹⁹ M. Adamiec, *Potencjał ludzki w organizacji*, Difin, Warszawa 2011, p. 13.

²⁰ Ibidem, pp. 13–14.

5. The newest trends in people management

Nowadays, personnel management is evolving in two main directions: one is the development of existing models through introducing more and more indicators to assess particular traits and human behaviour, and their influence on the company's success; the other puts emphasis on human dignity and subjectivity, satisfying human needs as well as individual and professional development. The first approach aims at the excellence of the models while the latter focuses on the person rather than the results. Independently from the chosen approach, it has to be said that the personnel function is constantly changing and managers have to look for various methods which will allow them to understand their employees' needs and improve working conditions if they want to maintain the best employees within an organisation.

Returning to the mentioned distinction, knowledge about personnel management is becoming more and more specialised. Scholars are conducting research on different aspects of human behaviour and its influence on organisational performance. The most common research subjects seem to be loyalty and engagement. Employee loyalty, understood as the likelihood that he or she will continue to work for the organisation with lower or higher emotional engagement, might be measured with the use of standard methods of HC assessment, the HR Scorecard, as well as with tools for measuring attitudes and motives of behaviour²¹. Loyalty consists of three dimensions, which are trust, habit and engagement, and it is an important factor responsible for human capital increase, which means that it influences the financial efficiency of the whole company²². It reduces the costs of business and helps to maintain individuals with key competencies within an organisation. Another factor influencing human capital value is employee engagement, seen as a feeling of passion, commitment and energy, which enables a worker to make a greater effort, to be more persistent with more difficult tasks and to take innovative action. The research shows that employee engagement has a positive impact on the company's income, annual sales and expenditure on staff safety²³. In business practice, engagement is assessed through different surveys and models such as attitude surveys, the Development Dimensions International Model, the Hewitt Associates model and others²⁴. Managers want to know the value of the resources or capital they have, so they like different methods of measurement, but from an employee's perspective constant surveys and assessment of their performance on the basis of many indicators might be demeaning and reduce their work satisfaction. According to K. Jaremczuk, the main problem with recognising people

²¹ Polish academics describe a variety of methods used in loyalty measurement in the publication: A. Lipka, A. Winnicka-Wejs, J. Acedański, *Lojalność pracownicza. Od diagnozy typów lojalności pracowników do Zarządzania Relacjami z Pracownikami*, Difin, Warszawa 2012, pp. 34–130.

²² *Ibidem*, pp. 21–24.

²³ D. Dickson, *Fostering Employee Engagement. Practical Tools and Best Practice Techniques*, HRD Press, Amherst 2011, pp. 4-5.

²⁴ M. Juchnowicz describes a few existing methods of employee engagement assessment as well as proposes her own model in *Zaangażowanie pracowników*, PWE, Warszawa 2012, pp. 62–102.

is that managers ask *what* an employee is in the organisation instead of asking *who* the employee is. The consideration of people's role in a company should include their beliefs, feelings and individual values systems²⁵ as those factors constitute their personalities and influence their work.

The scholars representing the second mentioned direction of development of personnel management have a different approach to the role of each individual within an organisation, one which derives a lot from philosophy or different religions. They perceive people not as things which require excellent methods of management but as human beings who like work and are able to control their actions by themselves. H. Alford states that taking into consideration the religious aspects of a person's activities may help to find answers to the key questions in management, as religious dimensions have *the potential to give a more effective and human grounding to management practice*²⁶. She also underlines that religious convictions are a motivation for good behaviour in business for many people²⁷. In the teaching of the Roman Catholic Church, work is seen as the way to realize man's calling, which is clearly stated by Blessed John Paul II in *Laborem exercens*. He wrote that man is a person

*capable of acting in a planned and rational way, capable of deciding about himself, and with a tendency to self-realisation. As a person, man is therefore the subject of work. As a person he works, he performs various actions belonging to the work process; independently of their objective content, these actions must all serve to realise his humanity*²⁸.

According to that view, man is not a passive observer who needs to be controlled but is an active person who may use his or her talents to work and improve the reality. Each person is created in the image of God and thanks to that takes part in His act of world creation²⁹. Religious norms and values, as well as employee's spirituality, are becoming more and more important in management and more often become the subject of conducted research³⁰.

An insight into personalism shows the dualism of man. On one hand, he or she is perceived as an individual, who is part of a greater whole, on the other hand though, he is seen as a person who, although connected with others, is an integral,

²⁵ K. Jaremczuk, *Podmiotowość pracownika w zarządzaniu organizacją*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2012, p. 72.

²⁶ H. Alford, *The Practical Wisdom of Personalism*, 'Journal of Management Development' 2010, vol. 29, no. 7/8, p. 704.

²⁷ *Ibidem*, p. 703.

²⁸ John Paul II, *Laborem exercens*, Wydawnictwo Wrocławskiej Księgarni Archidiecezjalnej, Wrocław 1983, no. 6.

²⁹ *Ibidem*, n. 25.

³⁰ M. Michalski, *Menedżer-katolik poszukiwany, czyli „żniwo wprawdzie wielkie, ale robotników mało”...* [in] *Kultura a rynek*, ed. S. Partycki, Wydawnictwo KUL, Lublin 2008, pp. 394–399; W. Giergiel, *Innowacje organizacyjne w zarządzaniu – benedyktyński model zarządzania sobą i organizacją* [in] *Nowe tendencje w zarządzaniu*, vol. I, ed. M. Pawlak, Wydawnictwo KUL, Lublin 2010, pp. 165–180; idem, *Modlitwa jako składowa zarządzania przedsiębiorstwem* [in] *Nowe tendencje...*, vol. II, op. cit., pp. 317–326.

independent whole. That is why people are able to achieve their individual goals as well as pursue the stated aim, which is the common good³¹. The collective organisation, which combines the ideals of collectivism and individualism, provides acceptance of spiritual needs and respects this dualism. As a whole, such a company builds ties and the feeling of being a member of a group, but at the same time, each and every person has the right to express their individual views on condition that he or she respects others³².

Independently of choosing one path or another of personnel function development, there are some factors which have a great influence on its form. Firstly, it is the organisational culture which gives a symbolic context for human actions, emphasises the most important values and creates the uniqueness of the organisation. Secondly, it fulfils the need for the integration of the organisational strategy of staff management with the strategy of knowledge management. Last but not least, it creates working conditions that will enable people to develop their talents and abilities, cooperate with colleagues in order to achieve common goals and let managers appreciate and reward the work of their employees properly. It is important to remember that people can be creative, willing to take innovative actions and participate in organisational success as long as they are respected and recognised.

6. Epilogue

Taking into consideration all of the above, it has to be said that personnel management is constantly changing. It does not mean that terms such as HRM or HCM have become obsolete, those concepts are also evolving towards models appropriate in modern economics, which notice more and more aspects of human work which influence organisational success and efficiency. It means that next to well-known theories, new ones are emerging, with their origins in philosophy or religious rules, and which put greater emphasis on the dignity and subjectivity of each person. It also has to be said that the literature shows ideal models which are rarely implemented as a whole. In practice, managers usually select some parts of existing theories which are useful and suitable for their organisations. Moreover, financial and procedural limitations are often factors which influence personnel management more than the manager's vision.

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³¹ H. Alford, op. cit., p. 700.

³² M. Kostera, M. Śliwa, *Zarządzanie w XXI wieku. Jakość, twórczość, kultura*, Oficyna a Wolters Kluwer business, Warszawa 2012, p. 291.

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