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Organizational Human Resources Capital as important asset

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Abstract
Organizational Human Resources Capital (OHRC) practices to enhance employee satisfaction. The form and structure of an organization's Human Resources System (HRS) can affect employee motivation levels in several ways. This paper considers the capital of workers as an important asset of an organization. The strategic importance of workers is discussed and their interaction, as an asset, with other important organization assets. The basic methodologies for valuing workers are then explained and their limitations are considered. Recognizing the importance of organizational human resources capital in achieving flexibility in an international context expands the types of research questions related to the role of organizational human resources capital functions in organizational performance, such as selection of human resources, training and compensation and performance appraisal.

Keywords
Capitalize Workers, Organizational Performance, Management, Organizational Human Resources Capital

I. Introduction

There is no doubt that valuing acquired intangibles such as brands, patents and workers lists makes a lot of sense rather than placing these organization critical assets in the accounting black hole known as goodwill.

Continuous training, employment security, performance appraisal and alternative compensation systems can motivate skilled employees to engage in effective discretionary decision making and behavior in response to a variety of environmental contingencies. Are the approaches applied by accountants and the resulting capitals, however, equally valid for strategic planning and performance measurement or simply numbers to satisfy the information requirements of investors and efficient tax planning?

Modern approaches recognize that selection of Human Resources Capital (OHRC) is a complex process that involves a significant amount of vagueness and subjectivity.

Important assets as such machinery, building, stocks and shares are pretty straightforward to capital, their visible and corporeal nature makes them relatively easy to define and in most cases there is an active market from which capital can be derived. In contrast, intangible assets are not so easily defined while it is rare that they are actively traded.

II. Organizational Workers

The capturing the wrong organizational workers information, unclear goals, inappropriate selection and use of technology, inability to integrate workers and processes and use of misleading metrics or improper measurement approaches are the major barriers in implementing and managing organizational human resources capital projects systems that seek to identify individuals with the ability to learn and adapt to new situations and markets can provide a firm with competitive advantage. International organizations can adopt various practices to enhance employee skills s follows:

1. Efforts can focus on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or on both. Employees can be hired via sophisticated selection procedures designed to screen out all but the very best potential employees. Indeed, research indicates that selectivity in staffing is positively related to firm performance.
2. Organizations can improve the quality of current employees by providing comprehensive training and development activities after selection.

The more we understand people and their total environment, the more their needs are likely to be met.

When we talk about organizational human resources capital relationships, the scope of definition is expansive. On the one hand, it is simply the value that workers generate for the organization. On the other hand, it is purely the value of the relationship.

Neither definition is more correct than the other; however, the purpose and approach for organizational human resources capital each are different. A positive experience throughout the workers cycle should foster trust and develop loyalty, therefore allowing an organization to generate more revenue for less incremental expenditure. For example:

- Happy existing workers are more willing to operation or services and try new operation or service offerings.
- Making empower workers aware of operation and the cost of operation existing workers can be lower and, operation predicted.

III. Human Capital

Strengthening appraisal as perhaps the most central organizational human resources capital function required to justify a wide range of decisions such as selection, compensation, promotions and training. The concept of workers value discussed above for strategic purposes is very different from the accepted definitions applied by those involved in carrying out technical valuations for financial reporting.

Classifies intangible assets into four categories:

1. Organizational human resources related,
2. Organizational human resources for marketing related,
3. Organizational human resources for technology based,
4. Organizational human resources for empowering.

Fewer organizational human resources under individual incentive plans while greater numbers of individuals work under some type of group incentive system. A substantial body of evidence has focused on the impact of incentive compensation and performance management systems on group performance.

For organizational human resources capital reporting, an organizational human resources intangible asset should be recognized as an asset apart from goodwill if it arises from contractual or other legal rights. Managerial organizational human resources capital strategies differ significantly across organizations, particular with regard to variables.

Organizations tend to make different decisions about organizational human resources capital contingency, or variability. In general organizations implement incentive compensation systems that provide rewards to employees for meeting specific goals. An

organizational human resources intangible asset may also be recognized only if it is separable, that it is capable of being sold, transferred, licensed, rented or exchanged.
Traditional human capital theory (Becker, 1964, 45; Mincer, 1974, 97) explains differences in the human capital of workers as a result of differences in their observed ability of level and type of formal education, experience and training.
A variant of human capital theory is the human capital model in which ability and competence are not observable at the time a worker enters the labor market, but can be learned by employers from what is observed from the way the job is performed (Harris and Holmstrom, 1982, 198). Human capital can therefore change over time for two reasons:

- Employees acquire new abilities.
- The information about their ability improves and they can be better matched to job positions.

IV. Human Capital Approach

Human capital approach are playing an increasingly greater role in the study of labor markets, but there is the impression (Baker et al., 1994;, 139; Gibbons and Waldman, 1999, 258) that more empirical work is needed for better evaluation of the relevance of comprehensive human capital theories in explaining human capital and careers in organizations.
Some of the research in this area assumes observed and unobserved ability interact and affect managerial decisions. For example, formal education can be a signal of hidden innate ability (Salop and Salop, 1976, 182; Spence 1976, 197). Hidden ability (Gibbons and Waldman, 1999, 211) increases the rate of human capital accumulation with labor experience, or it provides new capabilities (Farber and Gibbons, 1996, 91) from those acquired through education and training.
Other research demonstrates the need to design short term performance based incentives, taking into account that high powered incentives may distort the information content of the output about the hidden ability of the employee, introducing career concerns (Holmstrom, 1982, 83; Gibbons and Murphy, 1992, 452; Andersson, 2002, 351; Auriol et al., 2002, 45) in the design of incentives.
Finally, the labor market may be distorted because employees, aware of the signaling effect of the outcome of their decision for example, on the decision whether to promote them can act strategically in choosing which projects to implement (Chevalier and Ellison, 1999,273), or in preparing earnings forecasts (Hong and Kubik, 2003,27).
On the other hand, employers reveal information about the ability of workers when making job assignments and, because this may increase salaries with retained workers (Waldman, 1990, 83; Bernhardt, 1995, 61; Gibbons and Waldman, 1999, 67), job assignments may be strategically delayed by the employers.
This paper contributes to this field of study by providing a new prediction for and empirical evidence of the relevance of human capital about hidden ability in explaining work assignments and wage formation in hierarchical organizations.
One of the earliest empirical supports for human capital theory comes from the evidence that human capital dispersion is higher for employees with more work experience and more years of schooling (Mincer, 1974, 384). Human capital enables better matching of employees to jobs over time and, therefore, the observed dispersion of salaries should converge with the true dispersion of hidden ability among employees that enter the job market at the same time (Harris and Holmstrom, 1982, 37). Also this article provides empirical evidence that appears to contradict this stylized fact, because find that the human capital dispersion of the managers in research sample decreases with work experience and increases with job tenure.
In other words, within the current job, human capital dispersion decreases with work experience in previous jobs and increases with tenure of the current one. This result as evidence that workers enter a particular job a hierarchical position with similar expected abilities, equal to those required to perform the job, but with different levels of precision in the estimation.
In the new hierarchical position, human capital continues but at a rate that is inversely related to the information available about the worker's ability at the time of being promoted. Precision in the estimated ability at the time of being assigned to a new job increases with the worker's formal education and work experience at that moment in time.
The reason for this is that formal education helps improve the process of sorting workers into jobs when they enter the labor market, and greater experience implies more previous performances, which subsequently reduces the noise of the information used to infer ability.
When capital dispersion is estimated across job positions, the variance of human capital reflects the dispersion in beliefs about the distribution of the hidden ability of workers in those jobs. Older workers will be better matched to jobs and dispersion of capital across jobs for workers of a given age will increase with age. Within jobs, however, observed salaries correspond to the estimated ability required for those jobs and the human capital dispersion, observed that inversely reflects the precision with which such estimation is made.
If the human capital dispersion within a job decreases with the information available at the time of entry, there is evidence that employers learn about the hidden abilities of individual workers.

V. Human Capital Promotion

Human capital promotion to a higher hierarchical position may be the result of an optimal assignment of abilities to jobs or the consequence (Lazear and Rosen, 1981) of the incentives established by the organizations, as in tournament models.
The observed "convexity" between hierarchical position and reward, together with the fact that job positions have more explanatory power for differences in reward than do human capital variables, is interpreted as evidence of tournament-type explanations for the human capital differences between hierarchical positions.
Nevertheless, this explanation ignores possible differences in productivity between hierarchical levels due to differences in information about innate ability not captured by such observable variables as education and experience.
Organizational managers promoted to higher job positions receive higher than average human capital increases, but these increases are lower than the differences in average reward between levels (Baker et al., 1994, 307). Managers who have held their job positions for a longer period of time will have acquired more human capital, and on the job human capital acquisition increases with the innate ability of the managers (Gibbons and Waldman, 1999, 155).
If managers who need less work experience to reach their current hierarchical position are also those with higher innate abilities the marginal return from one year of job tenure should decrease with the age of the manager.

The evidence suggests that better assignment of managers to job positions because of human capital competes with incentive/ tournament reasons for explaining the promotion of managers to higher-level jobs, something that has often been ignored in previous empirical tests of human capital model (Eriksson, 1999, 81; Conyon et al., 2001, 301).

The empirical results of the paper con organization that the assignment of a manager to a particular job reveals the information employers have about the manager's hidden ability at the time of the assignment.

The fact that human capital continues after the assignment suggests that the assignment is made with imperfect information. This conclusion agrees with previous explanations (Murphy, 1986, 482; Foster and Rosenzweig, 1993, 392; Baker et al., 1994, 621; Poppo and Weigelt, 2000, 411) for why reward dispersion increases with job tenure, but our analysis expands on previous results in two ways. It provides new testable predictions.

If promotions are based on the estimated ability of the individual worker, workers assigned to a given hierarchical level at the same moment in time will have similar expected abilities, albeit assessed with different levels of precision. Consistent with human capital models, there will be less to human capital in the future for those workers whose ability has been better assessed at the time of promotion.

The empirical prediction coming from this is that within-job reward dispersion will be lower among those workers for whom the assessment of their ability was more imprecise at the time of the promotion. If work experience and formal education improve the precision of the assessment, then within human capital dispersion should decrease with experience and education, whereas between job dispersion is expected to increase with these two variables. This distinction, new in the literature, is formalized in the paper and empirically supported by a large sample of data for managerial human capital.

VI. Capitalize Workers

Innovative selection systems that seek to identify individuals with the ability to learn and adapt to new situations and markets can provide a firm with competitive advantage. International organizations can adopt various practices to enhance employee skills s follows:

1. First, efforts can focus on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or on both. Employees can be hired via sophisticated selection procedures designed to screen out all but the very best potential employees. Indeed, research indicates that selectivity in staffing is positively related to firm performance.
2. Second, organizations can improve the quality of current employees by providing comprehensive training and development activities after selection.

What is important is the need to continuously review and update plans for career development and to acknowledge that individuals have varied and different perceptions. The more we understand people and their total environment, the more their needs are likely to be met. When we talk about valuing workers relationships, the scope of definition is expansive. On the one hand, it is simply the capital that workers generate for the organization.

On the other hand, it is purely the capital of the relationship. Neither definition is more correct than the other; however, the purpose and approach for valuing each are different.

A positive experience throughout the workers cycle should foster trust and develop loyalty, therefore allowing a organization to generate more revenue for less incremental expenditure. For example:

- Making new workers aware of operation.
- Happy existing workers are more willing to operation or services and try new operation or service offerings.
- The cost of operation existing workers can be lower and, operation predicted.
- Security of future revenues, which is much higher with happy workers.

VII. Human Resources Management and Development

Human resources management and development as organizational ssupport activities, organizations tend to be highly decentralized and use informal means of coordination and control. The reasons have to do with human bounded rationality. Employees are one of the most valuable resources and organizations have to remain competitive. Modern organizations might achieve this by using organic Human resources management and development as organizational ssupport activities, organizations tend to be highly decentralized and use informal means of coordination and control. The reasons have to do with human bounded rationality that promote the development of a human capital pool possessing a broad range of skills and that are able to engage in a wide variety of behavior. One way of considering how workers relationships create capital is within the framework of Porter's capital chain. In according with Porter organizational activities categories to support and main as fig. 1, we know that organizational goal attachment is depend on all of them.

Table 1: Organizational Activities Categories

Organizational support activities	Infra Structure (IF)				
	Human Resources Management and Development (HRMD)				
	Technology Development (TD)				
	Organizational Resources Procurement (ORP)				
Organizational primary activities	Input Activities	Process Activities	Output Activities	Marketing Activities	Services Activities
Ref: (Feghhi Farahmand, 2004; Schmitz & et al, 2004)					

Bounded rationality refers to the fact that since human's resources management and development have not limited capacity, organizations can always find the absolute optimal solution by it. (Jain & et al, 2007, 43; Feghhi Farahmand, 2004, 201; Schmitz & et al, 2004, 235).

The chain of activities gives the products more added capital than the sum of added capitals of all activities. It may be reasonable to suggest that it is the workers direct or indirect relationship with each of these activities that creates capital for the organization.

Adjusting to an international assignment can provoke feelings of helplessness in unprepared manager, who may have difficulty sorting out appropriate from inappropriate behavior. Expatriate managers are removed from the comfortable environment of their parental culture and placed in a less familiar culture. A management style that works at home may fail to produce the desired response abroad, or it may be even counterproductive.

As all activities create capital from and contribute to the workers relationship, it follows that the capital of the organization and the capital of the workers relationship could be considered to be the same.

The capital chain is often criticised as a dated framework that is only applicable to manufacturing industries and considers marketing in a silo rather than encompassing the whole enterprise.

Many organizations are becoming aware of the need to provide continued hands-on training rather than just pre-departure awareness training. In contrast to pre-departure training, post-arrival training gives global managers a chance to evaluate their stressors after they have encountered them.

Documentary and interpersonal training methods have additive benefits in preparing managers for intercultural work assignments.

Workers relationships appear to be similar; there are enough subtle differences to discount using brand capital as a substitute for the capital of a workers relationship. In contrast, there are operation drivers that cannot be attributed to the brand but can have a significant influence on the workers relationship with a organization. For example, inertia is considered to be the single biggest driver of workers retention in the banking industry; clearly, this is not attributable to brand and therefore could be considered as part of the workers relationship capital.

VIII. Organizational Human Resources Capital (OHRC)

Human resources management and development practices in general and compensations systems in particular have been shown to be highly related to organizational performance.

Compensation is the linkage between human capital and employee satisfaction. Human capital systems are concerned with two major issues: performance and human capitals. Performance includes defining and evaluating performance and providing employees with feedback. Human capitals include bonus, salary increases, promotions, stock awards, and perquisites.

Overall, from the point of view of performance measurement and strategic planning, the capital and definition of a organizational relationship with its workers may not be particularly relevant. It is more practical and beneficial to determine the capital generated per workers from the assets employed in the organization to measure performance and plan for the future.

International organizations have considerable discretion in the design of pay policies and the choices made have consequences for organizational performance.

Organizations that are similar in terms of types of employees and jobs, product market, size, and so on may choose compensation system designs that differ in their effectiveness for attaining similar goals. Performance appraisal as perhaps the most central Organizational Human Resources Capital (OHRC) function is required to justify a wide range of decisions such as selection, compensation, promotions and training.

Performance appraisal is defined as the process of identifying, evaluating and developing the work performance of the employee in the organization so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance.

XI. Organizational Human Resources Capital strategy

The terms performance assessment, performance evaluation and performance management are also used to describe the process. The concept of workers capital discussed above for strategic purposes is very different from the accepted definitions applied by those involved in carrying out technical valuations for financial reporting. Classifies intangible assets into five categories:

- Marketing related
- Contract based
- Technology based
- Workers related
- Artistic based

For financial reporting, an intangible asset should be recognized as an asset apart from goodwill if it arises from contractual or other legal rights. An intangible asset may also be recognized only if it is separable, that it is capable of being sold, transferred, licensed, rented or exchanged.

Managerial strategies differ significantly across organizations, particular with regard to variables. Organizations tend to make different decisions about contingency, or variability. In general organizations implement incentive compensation systems that provide human capitals to employees for meeting specific goals.

Fewer employees work under individual incentive organizational human resources capital plans while greater numbers of individuals work under some type of group incentive system. A substantial body of evidence has focused on the impact of incentive compensation and performance management systems on group performance.

X. Organizational Human Resources Capital Management

Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior. Organizational human resources capital management feedback is essential in gaining the maximum benefits from goal setting. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance.

Managers have too many successful measures, and a simplified set with fewer yet more important metrics would lead to superior successful. Successful management systems are hindered by too many low-level measures.

The key issue is whether the organization wants to make use of these relationships in the way it manages customers or not, and whether a given customer wants to be an actively managed relationship with the service provider, or not.

Organizations compete with the quality level of their organizational human resources capital.

An organization, which can not manage operations competition, will have problems surviving. In order to be able to do this successfully, the organization has to view its business and its customer relationships from a service existence by organizational human resources capital.

A significant finding from this study and own experience is that many issues remain unrecognized for far too long after they are first identified. Valuing intangible assets as organizational human resources capital, in particular workers-related intangibles, is clearly not a straightforward exercise. Each organizational human resources capital method prescribed by accountants has different strengths, weaknesses and complexities and yet none are able to provide an indisputably accurate and reliable value.

Although these organizational human resources capital are not as robust as we would hope, it is certainly better to attempt to attribute value to intangible assets than classifying everything as goodwill.

Moreover, organizational human resources capital management feedback is essential in gaining the maximum benefits from goal setting. Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior.

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The common organizational human resources capital approaches for valuing intangible assets, including workers-related intangibles, are as follows. Each method is based on strong, rational theory and yet, in practice, each method may produce starkly different values:

1. Effective organizational human resources capital management approach; the historic cost is distorted by the time human resources capital and evolvement of the competitive environment. How much did it cost to create the asset or how much it would cost to replace it? Estimating human resources capital under the historic cost approach is simply a case of summing all capital invested in creating the asset in question. In the case of a human resources capital base, the historic cost could be considered as equivalent to the total amount of marketing investment expended.
2. Management of organizational human resources capital approach; the amount paid for the asset or similar assets as human resources capital. In a new product or service market with relatively few competitors, economic theory suggests that workers acquisition human resources capital should be relatively low before gradually increasing as the market for new workers becomes more competitive, forcing companies to capture market share from rivals in order to realize growth.
3. Strengthening approach; the present value of future cash flows, that is, how much income the asset will generate throughout its useful life, accounting for the time human resources capital and associated risk.

At all hierarchical levels and across all departments in a modern organization effective organizational human resources capital management means managing the above activities successfully in an international context.

The Strengthening of organization by organizational human resources capital management functions is essential to a human resources manager job.

The strategic areas and unit's level: where decisions are made by the general manager of the official organization unit and the other top organization leaders, and measures undertaken concerning the entire particular official organization and especially the future competitiveness of the organization and management of the whole organization system are addressed.

Very often in corporations there are different official organization areas that may be at different development stages.

Anyhow, the common approaches for valuing intangible assets, including workers-related intangibles, are as follows. Each method is based on strong, rational theory and yet, in practice, each method may produce starkly different capitals:

1. Organizational human resources capital as cost approach; how much did it cost to create the asset or how much it would cost to replace it? Estimating capital under the historic cost approach is simply a case of summing all capital invested in creating the asset in question. In the case of a workers base, the historic cost could be considered as equivalent to the total amount of marketing investment expended. The historic cost is distorted by the time capital of money and evolvement of the competitive environment.
2. Organizational human resources capital as market approach; the amount paid for the asset or similar assets. In a new product or service market with relatively few competitors, economic theory suggests that workers acquisition costs should be relatively low before gradually increasing as the market for new workers becomes more competitive, forcing companies to capture market share from rivals in order to realize growth.
3. Organizational human resources capital as income approach; the present capital of future cash flows, that is, how much income the asset will generate throughout its useful life, accounting for the time capital of money and associated risk.

The above organizational human resources capital management functions are essential to a human resources manager job. At all hierarchical levels and across all departments in a modern organization effective organizational human resources capital management means managing the above activities successfully in an international context.

XI. Result

In a mature market it is likely to cost considerably more to replace the workers base than it cost to develop originally. For this reason, the replacement cost of the asset may be deemed to be a more reasonable proxy for capital.

Estimating the organizational human resources capital required to replace an intangible asset, however, would be an extremely subjective exercise and would hinge on the estimated effectiveness of the marketing activities.

Regardless of the basis for calculating organizational human resources capital, it is almost always true to say that the organizational human resources capital of something rarely reflects its worth. Valuing workers as organizational human resources capital on the basis of historic cost demonstrates the effectiveness of the marketing team rather than providing a robust indication of workers capital.

Different organizations have different priorities and varying amounts of funding to invest in organizational human resources capital management. Many of these organizations have sustained their organizational human resources capital management systems focus over time, although these investments may or may not be considered part of a long-term organizational human resources capital management strategy. For example, one major international bank defines its organizational human resources capital management systems as the marketing databases and campaign management and considers distribution channels to be a separated systems investment area.

The principal weakness of the multiple excess earnings approach is that it is complicated to carry out. For this reason, the replacement organizational human resources capital may be deemed to be a more reasonable proxy for value.

Estimating the costs required to replace an intangible asset as organizational human resources capital, however, would be an extremely subjective exercise and would hinge on the estimated effectiveness of the marketing activities.

Many of organizations have sustained their strengthening of organization by organizational human resources capital management systems focus over time, although these investments may or may not be considered part of a long-term strengthening of organization by organizational human resources capital strategy.

Valuing workers as human resources capital on the basis of historic cost demonstrates the effectiveness of the marketing team rather than providing a robust indication of workers value. For example, one major hospital defines its organizational human resources capital management systems as the marketing databases and campaign management and considers distribution methods to be a separated systems investment area.

Regardless of the basis for calculating costs, it is almost always true to say that the cost of something rarely reflects its worth. The principal weakness of the multiple excess earnings approach is that it is complicated to carry out.

Furthermore, correctly identifying all the value drivers operating functions and intangible assets employed and calculating their respective functional returns and present values is open to distortion and inaccuracy due to the sensitivity of the valuation to key assumptions and source data.

In the case of an acquisition, the excess returns will also include the value of any synergies resulting from the organization combination. Different organizations have different priorities and varying amounts of funding to invest in organizational human resources capital management systems.

Many of these organizations have sustained their organizational human resources capital management systems focus over time, although these investments may or may not be considered part of a long-term organizational human resources capital management strategy. For example, one major international bank defines its organizational human resources capital management systems as the marketing databases and campaign management and considers distribution channels to be a separated systems investment area.

XII. Conclusion

The key issue is whether the firm wants to make use of these relationships in the way it manages customers or not, and whether a given customer wants to be an actively managed relationship with the service provider, or not.

A significant finding from this study and own experience is that many issues remain unrecognized for far too long after they are first identified. Valuing intangible assets as organizational human resources capital, in particular workers-related intangibles, is clearly not a straightforward exercise.

Each valuation of organizational human resources capital method prescribed by accountants has different strengths, weaknesses and complexities and yet none are able to provide an indisputably accurate and reliable capital. Although these organizational human resources capital are not as robust as we would hope, it is certainly better to attempt to attribute capital to intangible assets than classifying everything as goodwill.

Organizations compete with the organizational human resources capital level of their operations. An organization, which can not manage operations competition, will have problems surviving. In order to be able to do this successfully, the organization has to view its business and its customer relationships from a service existence by organizational human resources capital.

Furthermore, correctly identifying all the capital drivers operating functions and intangible assets as organizational human resources capital employed and calculating their respective functional returns and present capitals is open to distortion and inaccuracy due to the sensitivity of the valuation to key assumptions and source data. In the case of an acquisition, the excess returns will also include the capital of any synergies resulting from the organization combination.

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