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ABSTRACT

The concept of human capital is concerned with the added value people provide for organizations. It has been well said by Chatzkel (2004) that “it is human capital that is the differentiator for organizations and the actual basis for competitive advantage”. Human capital theory, as stated by Ehrenberg and Smith (1997), conceptualizes workers as embodying a set of skills which can be “rented out” to employers. The knowledge and skills a worker has – which come from education and training, including the training that experience brings – generate a certain stock of productive capital. Human capital is an important element of the intangible assets of an organization. The significance of human assets explain why it is important to measure their value as a means of assessing how well they are used and of indicating what needs to be done to manage them even more effectively. Human capital concept is viewed as a bridging concept and defines the link between HR practices and business performance in terms of assets rather than business processes (Scarborough and Elias, 2002). The purpose of this research is to establish a model by which we measure human capital and to what extent it determines an organization's performance.

KEY WORDS
Human capital, performance, assets, return on investment.

1. Introduction

The world is experiencing a revolution in information technology, innovation, and telecommunications, which is driving the emergence of the knowledge-based economy. This requires successful organizations of the twenty-first century to recognize the importance of human capital as a source of sustainable competitive advantage. The field of human capital has developed in two phases. The first phase started in the 1990s and focused on raising awareness, defining concepts, reviewing case studies and developing initial conceptualizations (Sveiby, 1997; Stewart, 1997; Brooking, 1997; Bontis, 1996, 1998, Ashour, 1997; Edvinsson and Malone, 1997; Ross et al., 1997; Davenport and Prusak, 1998; Nahapiet and Ghoshal, 1998; Kennedy, 1998; Sullivan, 1999). The second phase, which started in the year 2000, addressed measurement, modeling, international cases and various levels of analysis (Ashour, 2000; Bontis, 2002, 2003, 2004; Harrison and Sullivan, 2000, Guthrie and Petty, 2000; Petty and Guthrie, 2000).

The purpose of this study is a literature review who wants to highlight the difficulty, but many factors that influence human capital in order to obtain organizational performance in terms of profit company and company goals achievement.

2. Definition of Human Capital

The approach of human resources in terms of economic growth was a pioneering work of Schumpeter on entrepreneurship and has been studied in detail by Theodore Schultz, based on empirical observations of growth of agriculture in the U.S. in the first half of the 20th century.

Before starting our approach we conceptualizes intellectual capital term as the sum of all knowledge and knowing capabilities that can be utilized to give a company competitive advantage (Nahapiet and Ghoshal, 1998; Stewart, 1997). We focus on two aspects of this popular conceptualization. One, intellectual capital is the sum of all knowledge, implying that knowledge that exists at different levels both within or outside the organization has to be taken into account for intellectual capital. And two, intellectual capital requires utilizing knowledge for competitive advantage; implying that knowledge has to be leveraged to be considered as intellectual capital. Thus, for the purposes of this study, we define intellectual capital as “the sum of all knowledge an organization is able to leverage in the process of conducting business to gain competitive advantage.”

Edvinsson and Malone (1997), for example, view intellectual capital as being comprised of two primary components: human capital (i.e. the knowledge skills and experience of employees) and structural capital (i.e. the embodiment, empowerment, and supportive infrastructure of human capital). The authors then sub-divide structural capital into two smaller components: organizational capital (i.e. the systems, tools, and operating philosophy that speed the flow of knowledge through the organization) and customer capital (i.e. relationships a company has with its customers).
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