

# Chapter 51

## Evidence Based Strategic Human Capital Management: A Study on Durgapur Steel Plant (DSP)

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### ABSTRACT

*The concept of human capital considers people as the most important asset for the growth and sustainability of the organization. Investment in people in the form of training and development, improvement of the quality of work life, support of work life balance, general health improvement, among others, improve the asset value of people. The renewed focus on human resources, naming it as human capital, is a major transition from control to commitment approach, as asset percepts legitimize investment on people for incremental benefits in terms of performance and productivity, which can strengthen the organizations. This study explores the legitimacy of strategic human capital management (HCM), first in the context of theoretical support, through relevant literature review, and then examines it in the context of organizational practices. A large steel manufacturing unit of one public sector enterprise in India (i.e., Durgapur Steel Plant [DSP]) with more than a half-century of existence and a track record of growth has been selected for this purpose. The study tries to understand the degree of fit of strategic HCM practices of the sample organization, and assesses whether such practices really contribute to their sustenance and growth over the last 50 years.*

### INTRODUCTION

The economic turbulence is a roller coaster syndrome of the economy characterized by sudden changes, rendering the economic system in total disarray. Although it epitomizes both the economic boom and downturn, but operationally, in recent global economic situation, we observe its use, indicating extreme economic downturn. Turbulent economy among others, affect the performance of the organizations and put their sustenance at stake. While macro level economic adjustments decisions are left with the government and the policy makers; for firms, management has to take the initiatives to balance the situation

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by restructuring and reorganizing their activities. Efficient human capital management to a great extent helps in this direction. Economic turbulence changes the business landscape for the firms, and primarily driven by the globalization and consequent increase in competition. While choices of the firms to adjust with such uncertainties are enormous, like; new product development, lean management practices, new technology, mergers and acquisitions, refocusing the business strategies, etc., primary importance still lies with fighting such ills with the strategic human capital management. Strategic human capital management requires building the capabilities of the people to make them competent enough to cope with such uncertainties.

The concept of human capital considers people as the most important asset for the growth and sustainability of the organization. Adam Smith (1776) for the first time conceptualized the term human capital, although contextually it was for legitimacy for payment of higher wages to those workers who invest time and effort to acquire skill. The concept in management, however, was formalized by Becker (1962), and thereafter by Schultz (1982). Schultz work was more on individual households' decisions on investment in human capital, more in the form of financing the education for the children. Becker could relate such households' decisions with the firms' investment decisions in knowledge creation to develop the people as capital to the organization. Since then we find many scholarly work on human capital, emphasizing on the need for its continuous development for sustainable competitive advantages of the organization. Human capital is differentiated from other assets which we use for the accomplishment of business goals of the organizations. Organizations gain competitive strength leveraging the aggregate knowledge, skill, positive attitudes, and abilities of its people. Hence investment in people in the form of training and development, improvement of the quality of work life, support of work life balance, general health improvement, among others, improve the asset value of people. The renewed focus on human resources, naming it as human capital, is a major transition from control to commitment approach (Bhattacharyya, 2012), as asset percepts legitimize investment on people for incremental benefits in terms of performance and productivity, which can strengthen the organizations. Commitment orientation to HRM requires HR managers to be the facilitators to develop employees to establish link between individual and organizational goals. In achieving the business results, in organizations, people issues often supersede technologies, strategies, and other operational excellence. People issues receive attention only when organizations fail in achieving the positive results of their efforts. Human Capital Management (HCM) is also interchangeably used as Talent Management approach, as HCM process focuses on building the talent of people. We carefully craft the word people replacing our previous thought process, i.e., human resources, as resource concept is constrained by our mindset of exploiting human resource like any other resources for one way gain of the organizations, and we also feel constrained to consider people as an expense item. Considering people as asset, we buy the idea of investment on people to build their capabilities, which maximizes their contribution to organizations.

However, we have also some criticism on the HCM concept, as it equalizes with other resources, and can be owned, bought, sold or traded. The approach is more like considering people as an inventory which is not expandable, rather renewable for improved use in future, when investments are made. Our criticism on HCM further extends to dilution of social enterprise model of the organization, which focuses on achieving the common goal. Considering people as capital at the disposal of the organization, subjugates them as inert disposable assets, when they fail to perform. HCM reduces performance management systems to a more stock taking process for human capital to estimate whose asset values appreciate or depreciate, and accordingly take decisions on investment or divestment. In this process, performance management as a tool for feedback and collaboration loses its importance. Also the criticism

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