Chapter 9
Using Modeling and Simulation Techniques to Improve the Accountability and the Performance of Human Resource Management

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ABSTRACT

The analysis of human resources function and its contribution to obtain performance dates back to the 1920s. Now, the HR is an equal partner on the board of the companies, having a strategic role in obtaining performance, thus we try to show that compensating appropriately, the human capital it will be motivated to obtain performance. This paper examines the two different visions of different managers in which the human capital is perceived as a major cost for organization and the others which perceive it as an investment on long run. In this article, we analyse the impact could have the direct costs of human capital on individual and organizational performance using samples of some variables from European level, data between 2005-2016. Data used for the different years were analysed using simulation methods. Findings of this study show consistency with the theory in the filed, bringing a value in motivation and accountability of human capital and performance obtained through human capital.

INTRODUCTION

Human capital became crucial for any organization in obtaining performance. Due to its unique and valuable skills, knowledge, and experience, human capital is a key and strategic resource for achieving competitive advantage, so it is for many organizations an investment and not a cost. Thus, human capital analysis, controlling and accountability gain great importance in performance organizations, being the

largest cost from the operating costs. And because into the external environment there is a continuous change, every step it is met the globalization and the liberalization of the markets, the organizations must take into account the possible risks, the high costs, the uniqueness of human capital, the nature and the structure of work, the needs of employees and of the customers, the labor conditions and to use some special techniques necessary to predict the appearance of these risks: simulation and modeling. These tools will help organizations to know the next future using past data about the organization, necessary to forecast future problems linked, in our case, by the human capital.

Human capital is unique, having unique skills, attitudes, behaviors, knowledge, intelligence and capacity to use tools, methods and instruments necessary to improve any process, and obtain individual and implicitly organizational performance. To maintain on long term the talented human capital, organizations must implement some practices in order to attract this capital, to retain it and to use it by developing it continuously. To do these, the smart organizations may use best HR practices as financial motivation or compensation, because this is the most visible process outside organization, which help it retain talented staff on long run. Compensation is consisting in direct and indirect costs for human capital.

This paper wants to offer an answer to an important issue: "Does direct costs of human capital influence the capacity of individuals and organization to obtain motivation, work satisfaction and performance?" In order to answer this issue, we collected data from European level, from 28 countries and denoted as EU (28 countries) between 2005-2016 regarding some variables which are presented into our research methodology.

Our study is offering in the first part the literature review on human capital and its role in obtaining performance on long term. The second part is analyzing the human capital from two points of view: that old point of view where the capital was perceived as being a cost and the second one which is as being an investment and a major factor in adding value and obtaining competitive advantage. The third part presents the influence could have human capital direct costs on the variable presented above, using simulation and we present the research methodology. The results, discussions, proposals and measure to improve the study are provided in the fourth part. Finally, the fifth part concludes the study.

Our objective is to find a relationship between the money spend on human capital (compensation) and the results they obtained. We will use data regarding the human capital expenses to show the importance of measuring them, finding correlations between different sets of HR data using simulation techniques, and also determining the appropriate amount level for human resources compensation, in order to be motivated and satisfied and retained on long run.

BACKGROUND

Any organization depends on three important factors: human capital, processes and technologies, the first factor being the success factor (Reece et al., 2011, p.5). Human capital is an important and valuable resource for any organization in order to obtain performance. They have to use performance processes in order to attract, to retain on long term and to satisfy talented human capital. Doing these, the organization will ensure its success on the globalized markets. Sims (2002, p.5) says that this resource lead organizations to reach their objectives and to obtain performance. In the vision of Reed (2001, p.1) human factor is recognized today as a central factor and the most important resource necessary for the business and in the opinion of Faulkner (2002, p.136) it is a key resource, vital for organizations in obtaining competitive success and the most important that an organization may have. More and more

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