Chapter 32
Human Capital Management and Optimization:
A Resource-Based View

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ABSTRACT

Recent work in human resource development emphasises the fact that individual skills are strongly oriented towards the future. They enable a person to tackle upcoming challenges in a self-organised manner. So both the current requirements and the skills necessary in the future have to be seen as a strategic competitive advantage for the company. This change in perspective makes it possible to use further education as a strategic instrument of management development.

INTRODUCTION

Human capital has emerged as one of the most compelling sources of comparative advantage in the modern corporation. (Nahapiet & Goshal, 1998) In contrast to transaction cost theory, which is grounded in assumptions of rational and opportunistic behavior, human capital theory aligns with the resource based view of the firm. This perspective emphasizes that human capital subsumes the acquired knowledge, skills and capabilities enabling employees to serve as innovative entrepreneurs within their companies. Human capital is therefore strongly intertwined with organizational learning and corporate strategy. After discussing this integrative approach to human capital, we explore different perspectives on the management of human capital. Finally, we examine how a fit was established between human capital and organizational strategy at the Bank of Montreal. (Gorsline, 1996)

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Table 1. Traditional and alternative perspectives of competency managements according to Nordhaug & Grønhaug (1994)

Human Capital Management	Traditional Perspective	Alternative Perspective
Status	Operative	Strategic
Role	Support process	Core process
Main responsibility	Middle management and HRM Department	Top management
Orientation	Reactive	Proactive
Economic evaluation	Costs	Investment
Recruitment focus	Technically best-qualified person	Best fit of task and person
Competency base	In-house	Expanded

HUMAN CAPITAL AND THE RESOURCE-BASED THEORY OF THE FIRM

The first approach to see human capital as a competitive advantage showed that companies do not only have advantages based on the different quality of their initial resources, but also and mainly through the better utilization of these, which derives from the use of specific competencies within the enterprise (Penrose, 1959).

Against the backdrop of this insight, the knowledge-based approach split from the transaction cost approach. (Foss, 1996) Following this new approach, the actors' actions are not driven by self-interest and contractual relations anymore, but the actors look for specific corporate cultures that fit their own norms and values. The division of labour makes possible not just a specialization according to individual areas of interest, but also the development of an internal hierarchy. In exchange for work rendered, the company offers – apart from remuneration, which has already played a dominant role in the transaction-costs approach – also additional help in coordinating co-operation, finding one's identity and individual learning. All these functions are in this case seen as part of corporate culture (Kogut & Zander, 1996).

From these diverging approaches, a resource-based theory of the firm has been developed, which is to free the transaction-cost approach mainly from the explicit rule of opportunistically rational behavior based only on self-interest. The most important assumption for this new perspective is the argument that by means of autonomous (and not necessarily contractual) bundling of individual competencies, synergy effects are achieved that exceed an individual's performance by far. Thus, thanks to individual specialization and the coordination of a variety of individual services, modern industrial enterprises can meet the requirements of a mass market at relatively little cost, which is impossible for sole traders (Conner & Prahalad, 1996).

Building on this finding we can conclude that particularly the heterogeneity of individual competencies in an enterprise results in a comparative competitive advantage. The main advantage is mainly the planned coordination of the different competencies. Depending on the "mobility" of specific competencies – i.e. the ability to buy these quickly on the labour market or the necessity to develop these in the company itself in the long run – the company-internal solution focuses on stable "distinctive competencies," which can hardly be imitated by the competitors. (Nordhaug & Grønhaug, 1994) From this, we created Table 1.

The change in perspectives illustrated in Table 1 results in an enormous increase in importance of classic personnel measures, leading to a strategic competency management. The new definition as a strategic core process – which is proac-