

## Chapter 109

# Analyzing the Roles of Human Capital and Competency in Global Business

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### **ABSTRACT**

*This chapter aims to analyze the roles of human capital and competency in global business, thus explaining the theoretical and practical overviews of human capital and competency; the significance of human capital in global business; and the significance of competency in global business. The accomplishment of human capital and competency is vital for modern organizations that seek to serve suppliers and customers, increase business performance, reinforce competitiveness, and acquire regular success in global business. Thus, it is necessary for modern organizations to analyze their human capital and competency applications, create a strategic plan to constantly explore their functional advancements, and immediately respond to human capital and competency needs of customers. The chapter argues that applying human capital and competency has the potential to enhance organizational performance and achieve strategic goals in the information age.*

### **INTRODUCTION**

In the global knowledge economy, organizational employees play the significant roles in firms' competitiveness due to their personal competencies and human capital they constitute for modern organizations (Díaz-Fernández, Lopez-Cabrales, & Valle-Cabrera, 2014). Human capital has turn to be a strategic factor required by advanced and emerging economies (Giordano & Pagano, 2013). Human capital has a positive effect on economic growth (Pablo-Romero & Gómez-Calero, 2013). Human capital is one of the most important factors in economic growth process (Qadri & Waheed, 2014). Human capital is recognized as an organizational resource in the workplace (Möller, Gamerschlag, & Guenther, 2011).

Competency is a human resource element that segregates among high, average, and low performers in the workplace (Deshpande, 2014). Competency refers to an individual's ability to achieve a specific task

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(Succar, Sher, & Williams, 2013). Competency is about the learning of scripts derived from interactions between individual and environment (Morris, Webb, Fu, & Singhal, 2013). Competency is necessary for the education of practice-based professions (O'Connell, Gardner, & Coyer, 2014). Competency provides a starting point to bridge the gap between the individual and organizational levels of analysis (Salvato & Rerup, 2011).

The strength of this chapter is on the thorough literature consolidation of human capital and competency. The extant literature of human capital and competency provides a contribution to practitioners and researchers by describing a comprehensive view of the functional applications of human capital and competency to appeal to different segments of human capital and competency in order to maximize the business impact of human capital and competency in modern organizations.

## **BACKGROUND**

Human capital is one of the most frequently researched areas in economic sciences in the last decades (Koziol, Koziol, Wojtowicz, & Pyrek, 2014). Human capital is categorized in the literature as either general or firm-specific and measured as the extent of education and experience (Chowdhury, Schulz, Milner, & Van de Voort, 2014). Díaz-Fernández et al. (2014) stated that competencies specify knowledge and skills required to efficiently perform the job. The conceptual foundation of human capital is based on processes and activities as knowledge and skills obtained from individual learning activities (Harpan & Draghici, 2014). Human capital is captured by individual-level professional education, start-up experience, and learning (Santarelli & Tran, 2013). Human capital is one of the largest assets in the economy and plays an important role for asset pricing (Eiling, 2013).

Several studies have identified employees' competency as the main contribution from individuals to firm's competitiveness (Hayton & McEvoy, 2006; Spencer & Spencer, 1993). The particularity and complexity of competencies turn employees' competency into the source of competitive advantage (Hayton & McEvoy, 2006). Competency is appropriate for practice in stable environments (O'Connell et al., 2014). Competency is the subset of outcomes (Hsieh & Hsu, 2013). Competency focuses on individual's ability to perform activities related to work, life skills, and learning (Anema & McCoy, 2010).

## **THE ROLES OF HUMAN CAPITAL AND COMPETENCY IN GLOBAL BUSINESS**

This section explains the theoretical and practical overviews of human capital and competency; the significance of human capital in global business; and the significance of competency in global business.

### **Overview of Human Capital**

Many empirical studies have examined the relationship between firm-level human capital and organizational performance (Crook, Todd, Combs, Woehr, & Ketchen, 2011). Human resource management literature focuses on employee-level human capital and its relationships with individual outcomes and productivity (Ployhart & Moliterno, 2011; Schmidt & Hunter, 1998) and concentrates on the practices that create human capital in the global knowledge economy (Wright & McMahan, 2011). The higher

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