Human capital and its impact on company performance: A literature review

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***Abstract*:**

Many organizations have adopted performance measurement tools to maintain their market position in the face of increasingly intense competition. Consequently, firms are compelled to systematically evaluate their organizational performance in order to enhance stability and sustain competitiveness in today's dynamic business environment. Among the key sources of competitive advantage is human capital. To achieve this objective, organizations must invest sufficient resources to ensure that employees possess the necessary knowledge, skills, and competencies to perform effectively within a rapidly evolving and complex context. The central focus lies in understanding how human capital contributes to organizational success. Accordingly, this paper examines the impact of human capital on firm performance.

Keywords: human capital, performance.

Jel Classification Codes : *O15 ; J24.*

***Résumé*:**

De nombreuses organisations ont adopté des outils de mesure de la performance afin de maintenir leur position sur le marché face à une concurrence de plus en plus intense. Par conséquent, les entreprises sont amenées à évaluer systématiquement leur performance organisationnelle dans le but d'améliorer leur stabilité et de préserver leur compétitivité dans un environnement économique dynamique. Parmi les principales sources d'avantage concurrentiel figure le capital humain. Pour atteindre cet objectif, les organisations doivent investir des ressources suffisantes afin de garantir que les employés disposent des connaissances, des compétences et des aptitudes nécessaires pour accomplir efficacement leurs tâches dans un contexte en constante évolution et de plus en plus complexe. L'intérêt central porte ainsi sur la compréhension de la manière dont le capital humain contribue au succès organisationnel. Dans cette perspective, cet article examine l'impact du capital humain sur la performance des entreprises.

Mots clés: *Capital humain, Performance.*

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I. Introduction

Over the past decade, the role of human capital and its contribution to organizational success have gained increasing prominence on the managerial agenda. Human capital has become more critical than ever before, as contemporary business opportunities are widely recognized to be rooted primarily in firms' intangible assets rather than in tangible resources. These intangible assets include intellectual capital as well as a diverse, highly skilled, and knowledgeable workforce. In this context, the collective knowledge, education, training, skills, and expertise of an organization's employees constitute its human capital. Conversely, extensive empirical evidence indicates that ineffective management of human capital represents one of the most significant risks facing organizations, potentially resulting in a loss of competitive position in the marketplace, as documented by numerous surveys. Consequently, organizations are increasingly seeking more effective approaches to understanding, managing, and reporting the value of human capital and its contribution to long-term sustainable success.

Research Problem

Given the growing importance of human capital in enhancing organizational effectiveness and competitiveness, the main research problem can be formulated as follows:

To what extent does human capital affect company performance?

This main question leads to several sub-questions:

- What is the relationship between human capital and company performance?
- How does investment in employee development contribute to improving organizational performance?
- What are the main challenges associated with measuring the impact of human capital on company performance?

Research Hypotheses

-There is a positive relationship between human capital and company performance.

-Investment in employee training and development improves productivity and profitability.

-Employees' knowledge, skills, and experience positively affect financial and operational performance.

Against this background, the present study seeks to clarify the nature of the relationship between human capital and organizational performance by addressing the fundamental question of how human capital contributes to

enhancing firm performance. In doing so, this paper aims to contribute to the existing literature on human capital and organizational performance. The remainder of the paper is structured as follows. Section 2 reviews key definitions and perspectives within the human capital literature. Section 3 examines the conceptualization of people as "human capital," while Section 4 discusses the distinction between Human Capital Management and Human Resource Management. Section 5 presents the theoretical foundations of human capital theory, followed by Section 6, which addresses approaches to human capital measurement. Section 7 explores the relationship between human capital and firm performance, and the paper concludes with a summary of the main findings. Methodologically, this study adopts a descriptive–analytical approach, aiming to synthesize and highlight the most significant concepts and insights related to human capital and performance within the existing literature.

II. Definition of Human Capital

Defining human capital is inherently challenging, as it is generally regarded as a non-material form of capital. Consequently, numerous scholars have sought to conceptualize human capital from different perspectives. While some researchers emphasize an individual-level interpretation, others approach human capital from a collective or organizational standpoint. The concept of "human capital" was first introduced by Schultz, who defined it as a critical element in enhancing organizational assets and employee capabilities in order to increase productivity and sustain competitive advantage. According to Schultz, human capital serves as a key instrument for improving organizational competitiveness by fostering higher levels of productivity. He argued that human abilities are either innate or acquired, and that attributes which are valuable and can be enhanced through appropriate investment constitute human capital. More broadly, human capital encompasses processes related to education, training, and other professional development initiatives aimed at increasing employees' knowledge, skills, abilities, values, and social assets. These investments contribute not only to employee satisfaction and performance but ultimately to overall firm performance. Other scholars have similarly emphasized that human capital represents a crucial organizational input, particularly in supporting employees' continuous development in terms of knowledge, skills, and abilities. Accordingly, human capital is commonly defined as "the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social, and economic well-being. (Maran Marimuthu, 2009 , p. 266). The human capital of an organization comprises the individuals who are employed within it and upon whom the success and sustainability of the business largely depend. Human capital is commonly conceptualized as the human

dimension of the organization, encompassing the collective intelligence, skills, and expertise that confer a distinctive character and competitive identity. The human elements within organizations possess the capacity to learn, adapt, innovate, and drive change, thereby providing the creative impetus necessary for organizational development. When effectively motivated and strategically managed, these human capabilities can play a critical role in ensuring long-term organizational survival and sustained competitive advantage. (Armstrong, 2023, p. 8). Human capital has increasingly emerged as a primary source of competitive advantage. It can be regarded as a central organizational asset, requiring continuous investment to ensure organizational survival and long-term growth. However, realizing the full value of this resource necessitates effective management practices that enable organizations to attract, develop, and retain a skilled, committed, and highly motivated workforce. This involves systematically assessing current and future workforce needs, as well as enhancing individuals' contributions, potential, and employability through ongoing learning and continuous development initiatives. Such efforts typically include the implementation of rigorous recruitment and selection processes, performance-based incentive compensation systems, and management development and training programs aligned with strategic business objectives. A more comprehensive conceptualization of human capital is provided by Bontis et al. (1999), who define it as the human factor within the organization, encompassing the collective intelligence, skills, and expertise that give the organization its distinctive character. According to this perspective, human capital consists of those organizational elements capable of learning, adapting, innovating, and generating creative momentum which, when appropriately motivated, can ensure long-term organizational survival. Similarly, Scarborough and Elias (2002) conceptualize human capital as a bridging construct that links human resource practices to business performance by framing employees as strategic assets rather than merely as business processes. They emphasize that human capital is largely non-standardized, tacit, dynamic, context-dependent, and embodied within individuals. These characteristics make human capital inherently difficult to measure, yet they are precisely the attributes—such as flexibility, creativity, the capacity for skill development over time, and motivated responsiveness to diverse contexts—that are critical to sustained firm performance. (Armstrong, 2023, pp. 66-67). In other words, human capital can be defined as the collective know-how, skills, and capabilities of individuals within an organization, and is widely regarded as the most critical organizational resource, particularly in knowledge-based organizations. (Condrey, 2005, p. 23). However, its contemporary definition refers to human capital as "the knowledge, skills, competencies, and other attributes embodied in individuals that are relevant to

economic activity." (OECD, 1998, p. 9) Alternatively, human capital is defined as "the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social, and economic well-being." ((OECD), 2001, p. 18). In a new definition of human capital, it is considered as a collection of features, life trade, knowledge, creativity, innovation, and energy, which people invest it in their work. (Mohammad Pasban, 2016, p. 50)

Human capital is the investment in human resources in order to increase their efficiency. In fact, the costs of this investment are provided for future use. Therefore, the learning organization chooses the investment in individuals, because people are valuable human capital with different qualities (Mohammad Pasban, 2016, p. 50)

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization (Md. Uzzal Hossain, 2016, p. 1021)

Human capital is the combined worth of the competences, knowledge, abilities, life experiences, and inspiration of an organizational workforce and relentless source of creativity and innovation. Human capital is the set of collective skills, knowledge, and ability that employees can apply to create value for their employers. (Abu Saleh Mohammad Sohel-Uz-Zaman, 2019, p. 171)

Building on both classical and contemporary perspectives, Scarbrough and Elias emphasize that human capital is inherently dynamic and flexible, embodied in individuals and deeply embedded in tacit knowledge. This view is consistent with modern definitions that extend beyond formal skills to include context-specific capabilities and adaptive potential. Despite the growing recognition of human capital as a strategic asset, empirical evidence indicates that, in the vast majority of UK firms, systems for evaluating and reporting human capital remain either rudimentary or entirely absent. This gap between the acknowledged strategic importance of human capital and the limited sophistication of measurement and reporting practices highlights a persistent challenge in translating conceptual advances into effective organizational management and performance outcomes. (Paul Sparrow, 2004, p. 154).

An analysis of the literature indicates that there is no universally accepted definition of human capital. However, it can be broadly understood as the collection of skills, talents, experiences, knowledge, information, attributes, and capacities possessed by individuals within an organization. Researchers consistently emphasize that human capital plays a critical role in driving organizational excellence, particularly within knowledge-based economies.

While Schultz's conceptualization of human capital laid the theoretical foundation by emphasizing individual abilities and investment in education and training as key drivers of productivity and competitive advantage, more recent definitions have expanded this perspective in several significant ways. Schultz primarily regarded human capital as an economic asset embedded in individuals, focusing on enhancing productivity through the development of acquired skills and knowledge. In contrast, contemporary scholars adopt a broader and more integrative approach, recognizing human capital not only at the individual level but also as a collective organizational resource. Modern definitions highlight intangible elements such as competencies, values, social relationships, and organizational learning, emphasizing the role of human capital in fostering innovation, adaptability, and long-term sustainability. Moreover, unlike the predominantly productivity-oriented perspective of early human capital theory, contemporary approaches stress its strategic and relational dimensions, explicitly linking human capital to employee well-being, knowledge sharing, and sustained firm performance. Consequently, human capital is increasingly understood as a dynamic and strategic asset that extends beyond individual capabilities to encompass the collective capacities that enable organizations to achieve enduring competitive advantage.

III. Human resources as valuable capital assets

The notion that individuals should be viewed as organizational assets rather than variable costs—that is, treated as human capital—was initially advanced by Beer et al. This perspective is strongly aligned with the philosophy of Human Resource Management, which, as articulated by Karen Legge (1995), emphasizes that human resources are valuable and represent a key source of competitive advantage. Similarly, Armstrong and Baron argue that people, together with their collective skills, abilities, and experience, and their capacity to effectively apply these resources in support of organizational objectives, are increasingly recognized as making a substantial contribution to organizational success and as constituting a significant source of sustainable competitive advantage. (Angela Baron, 2007, p. 14) .

IV. Human Capital Management and Human Resource Management

The principal distinction between Human Capital Management (HCM) and Human Resource Management (HRM) lies in their underlying assumptions about the role of people within organizations. HCM conceptualizes individuals as strategic assets, whereas HRM tends to view them primarily as costs to be controlled. In this regard, Kearns argues that within a human capital management framework, people are regarded as value creators rather than organizational overheads, while in human resource management they are treated as a significant cost that must be managed accordingly. Furthermore, Kearns notes that under

traditional HRM, the human resources function is largely perceived as a support service to line management, operating as a distinct and separate function from other organizational activities. In contrast, human capital management is recognized as an equal business partner at senior managerial levels and adopts a holistic, organization-wide, and systems-based perspective. As such, HCM is inherently strategic in orientation and explicitly concerned with value creation and long-term organizational performance. (Armstrong, 2023, p. 30)

- Intellectual capital

The concept of human capital is closely associated with the broader notion of intellectual capital, which refers to the stocks and flows of knowledge available within an organization. These forms of capital are considered intangible resources linked to individuals that, in combination with tangible resources such as financial and physical assets, constitute the overall market or total value of a business. In this context, Bontis (1996, 1998) defines intangible resources as factors other than financial and physical assets that contribute to a firm's value-creation processes and remain under its control (Armstrong, 2023, p. 34) .

- Social capital

Social capital represents a further key component of intellectual capital and refers to the knowledge generated through networks of relationships both within and beyond organizational boundaries. Putnam (1996) defines social capital as the features of social life—namely networks, norms, and trust—that enable individuals to act collectively and more effectively in pursuit of shared objectives. Similarly, the World Bank (2000) conceptualizes social capital as the institutions, relationships, and norms that shape the quality and intensity of social interactions within a society, emphasizing that it is not merely the sum of these institutions but rather the cohesive force that binds them together. While the capture of individual knowledge through formal knowledge management processes is essential, equal attention must be paid to social capital considerations, particularly the ways in which knowledge is created, shared, and enhanced through social interaction. In this regard, Bontis et al. highlight that both knowledge stocks and flows are critical, as intellectual capital evolves dynamically over time, with people acting collectively playing a central role in its development and transformation (Armstrong, 2023, p. 34).

- Organizational capital

Organizational capital refers to the institutionalized knowledge embedded within an organization and stored in structures such as databases, manuals, routines, and formal systems. This form of capital is often described as structural capital; however, Youndt prefers the term "organizational capital," arguing that it more explicitly reflects the fact that this knowledge is owned by the organization itself rather than by individual employees (Armstrong, 2023, p. 34).

V. Human capital theory

Human capital theory emphasizes the value-added contribution that individuals can make to organizations by conceptualizing people as assets and asserting that organizational investment in human resources yields meaningful and sustainable returns. This theoretical perspective therefore provides a foundational basis for both Human Resource Management and Human Capital Management philosophies. Human capital theory is closely aligned with the Resource-Based View (RBV) of the firm, as articulated by Barney (1991), which argues that sustainable competitive advantage arises when a firm possesses a pool of human resources that is valuable, rare, inimitable, and non-substitutable. Building on this perspective, Boxall (1996) introduces the notion of "human capital advantage," referring to the competitive benefits derived from employing individuals with strategically valuable and often tacit knowledge and skills. However, Boxall further distinguishes this from "human process advantage," which stems from the development of complex, organization-specific processes that are difficult for competitors to replicate, such as cross-functional collaboration and executive development systems. Accordingly, overall human resource advantage—the extent to which one firm's labor management surpasses that of its competitors—can be understood as the combined outcome of both human capital and human process advantages (Armstrong, 2023, p. 35).

VI . Human Capital Measurement

Several scholars emphasize that the most powerful action human resource managers can undertake to enhance their strategic contribution is the development of robust measurement systems that clearly demonstrate the impact of human resources on business performance. From this perspective, HR managers must develop a thorough understanding of how organizations create value and how this value creation process can be effectively measured. Kaplan and Norton's performance measurement framework, particularly the Balanced Scorecard, highlights the importance of linking intangible assets—such as human capital—to financial and non-financial performance outcomes. Similarly, Becker, Huselid, and Ulrich stress that without credible measurement systems, the strategic role of human resources remains difficult to justify at senior management levels.

Despite the growing recognition of the importance of human capital measurement, the literature reveals a persistent gap between theoretical advances and practical implementation. Many organizations continue to rely on limited or fragmented indicators that fail to capture the complex and dynamic contribution of human capital to firm performance. This gap underscores the need for more systematic, integrated, and strategically aligned approaches to measuring human capital. Consequently, effective involvement in human capital measurement becomes essential not only for demonstrating HR's value contribution but also for strengthening the link between human capital investments and organizational performance, as discussed in the following section. (Armstrong, 2023, pp. 37-38).

Human capital measurement is commonly defined as the process of identifying links, correlations, and, where possible, causal relationships between

different sets of human resource data through the application of statistical techniques. Other scholars emphasize that human capital measurement focuses on analyzing employees' actual experiences and behaviors, rather than merely examining stated human resource programs, policies, or formal intentions (Armstrong, 2023, pp. 37-38).

A resource-based approach to strategic human resource management (SHRM) emphasizes the importance of satisfying an organization's human capital requirements as a core component of its competitive strategy. This perspective builds on the foundational ideas of Penrose (1959), who conceptualized the firm as "an administrative organization and a collection of productive resources." The approach was further developed by Hamel and Prahalad (1989), who argued that competitive advantage is achieved when a firm can acquire and develop human resources that enable it to learn faster and apply its learning more effectively than its competitors. Consistent with this view, Barney (1991) posits that sustained competitive advantage arises from the acquisition and effective utilization of bundles of distinctive resources that competitors cannot easily imitate.

Further, other scholars have highlighted that organizational values and human resource policies constitute critical, non-imitable resources. Achieving this advantage requires ensuring that: (Armstrong, 2023, pp. 117-118)

- The firm employs higher-quality personnel than its competitors;
- The unique intellectual capital of the organization is actively developed and nurtured;
- Organizational learning is encouraged and embedded;
- Organization-specific values and culture exist, which "bind the organization together and provide strategic focus."

The ultimate aim of a resource-based approach is to enhance resource capability by achieving strategic alignment between resources and organizational opportunities and by generating added value through their effective deployment. In alignment with human capital theory, the resource-based perspective emphasizes that investments in people enhance their value to the organization. As Barney (1991) notes, a resource-based strategy can thus cultivate strategic capability and generate a sustainable human resource advantage (Armstrong, 2023, pp. 117-118).

VII. Human Capital and Firm Performance

A human resource development (HRD) policy plays a critical role in determining whether an organization functions as a learning organization—one that actively fosters continuous learning among its employees and strategically develops human capital to ensure long-term effectiveness, adaptability, and sustainable growth. (Condrey, 2005, p. 301). According to Perry (1993), human resource management has arguably become "the most important determinant of organizational effectiveness." This is because HRM focuses on acquiring, developing, and deploying the human capital—knowledge, skills, and

experience—on which organizational success critically depends. Strategic management of human resources entails moving beyond traditional HR objectives, such as turnover or individual performance, toward organization-wide goals that are explicitly designed to align with and support the firm's overarching business strategy (Condrey, 2005, p. 649). In today's constantly evolving business environment, organizations must pursue superior competitive advantages through dynamic strategies that emphasize creativity and innovation, which are essential for long-term sustainability. Human capital plays a critical role in enhancing organizational competitiveness, as a firm's human resources constitute the foundation for innovation and effective strategy execution. A substantial body of research has examined the impact of human capital on firm performance, consistently demonstrating that investment in employee knowledge, skills, and capabilities leads to higher competitiveness and improved organizational outcomes. Moreover, there is strong evidence suggesting a significant positive relationship between innovativeness and firm performance within the framework of human capital philosophy. (Maran Marimuthu, 2009 , p. 266).

In this context, the definition of firm performance can vary across studies. Nonetheless, several clear approaches can be identified, particularly in relation to the enhancement of human capital. Financial performance is often measured using indicators such as the percentage of sales derived from new products, profitability, capital employed, and return on assets (ROA). Additionally, metrics such as return on investment (ROI), earnings per share (EPS), and net income after tax (NIAT) are frequently employed to assess financial outcomes. Beyond these traditional measures, researchers often benchmark managerial accounting indicators against financial performance across six dimensions: workers' compensation (workers' compensation expenses divided by sales), quality (number of production errors), shrinkage (e.g., inventory loss, defects, sales returns), productivity (payroll expenses divided by output), and operating expenses (total operating expenses divided by sales).

Alternatively, firm performance can also be assessed through a "perceived performance" or subjective approach, which utilizes Likert-type scales to capture top management's evaluation of organizational performance. This method recognizes that not all aspects of performance are fully reflected in financial metrics and that managerial perceptions can provide valuable insights into strategic outcomes and the effectiveness of human capital initiatives. (Maran Marimuthu, 2009 , p. 266).

Other researchers place particular emphasis on the measurement dimension of human capital management (HCM). They define human capital as "the stock of accumulated knowledge, skills, experience, creativity, and other

relevant workforce attributes" and argue that effective HCM entails establishing metrics to assess the value of these attributes. Furthermore, they emphasize that this knowledge should be systematically utilized to manage the organization more effectively and to align human capital initiatives with strategic objectives. (Armstrong, 2023, p. 30).

It can be argued that without advancements in the internal measurement and reporting of human capital, management cannot fully recognize the value of employees' competencies, skills, and commitment in driving business performance. Similarly, in the absence of external reporting, capital markets may struggle to allocate resources efficiently to firms whose principal assets—human capital—are not reflected on their balance sheets.

Information systems play a critical role in addressing this gap by supporting performance management processes. Such systems can generate and analyze performance review data, report on employees' potential and performance levels, and identify individuals with specific skills or high potential. When integrated with other organizational systems, these tools provide a comprehensive foundation for developing and implementing strategic human resource management policies, thereby enhancing both operational effectiveness and strategic alignment.

Human capital is shaped by a combination of individual capabilities, knowledge, skills, experience, and problem-solving abilities that reside within employees. In addition, it is influenced by behaviors, effort, time, competence, commitment, education, and personal attitudes toward work and life. Collectively, these attributes determine the potential of individuals to contribute effectively to organizational objectives and to enhance overall firm performance (Raghavan, 2011, p. 61). Roos et al. (1997) argue that, from a strategic perspective, intellectual and human capital serve as critical resources for generating knowledge that enhances firm value. By effectively leveraging employees' skills, expertise, and experience alongside organizational knowledge, firms can create innovative solutions, improve operational processes, and build sustainable competitive advantages that contribute to long-term organizational performance (Ram Raghavan, 2011, P.94). Human capital generates value for organizations through targeted investments aimed at enhancing individuals' knowledge, skills, talents, and practical expertise. Such investments not only improve employees' capabilities but also strengthen the organization's capacity for innovation, problem-solving, and sustainable competitive advantage (Ram Raghavan, 2011, P.60).

Additionally, the resource-based view (RBV) of the firm recognizes human capital as an intangible or "invisible" asset, whose value lies in the unique

knowledge, skills, and capabilities of employees. Unlike tangible resources, human capital cannot be easily replicated or substituted, making it a critical source of sustainable competitive advantage. (Raghavan, 2011, p. 94). This form of human capital constitutes a source of competitive advantage, but it only provides such an advantage if the firm is able to attract, develop, and retain exceptional talent. This emphasis on human capital aligns with strategy research on core competencies, where economic rents are attributed to skills embodied in people. In this context, employees' unique skills and expertise enable them to generate value for the organization, thereby contributing directly to sustained competitive advantage (Raghavan, 2011, p. 95).

In addition, human resource development (HRD) policies play a crucial role in determining whether an organization functions as a learning organization—one that actively promotes continuous learning among its employees and strategically develops human capital. Such policies are essential for ensuring the organization's long-term effectiveness, adaptability, and sustainable growth (Condrey, 2005, p. 301).

Know-how constitutes a source of organizational wealth, while core competencies become competitive advantages when they positively impact firm performance. A review of the human capital literature indicates that most studies agree that human resources are widely recognized as a key source of competitive advantage in both large enterprises and small and medium-sized enterprises (SMEs). Grant (2013) suggests that human capital, as a strategic resource, generates organizational capabilities that underlie and organize the competitive advantages of the firm (Amalasunta Georgeta Iacob, 2011, p. 134).

Human resource scholars and practitioners have long maintained that the HR function plays a central role in enhancing firm performance. Human capital represents dynamic competencies at a superior hierarchical level, integrating, building, and reconfiguring internal and external organizational resources to create value. Consequently, human capital constitutes a competitive advantage when it enables an organization to achieve superior performance relative to its competitors (Amalasunta Georgeta Iacob, 2011, p. 134).

The Balanced Scorecard (BSC) provides a multidimensional framework for evaluating organizational performance across four perspectives : financial, customer, internal business processes, and learning and growth. According to Atkinson et al. (1997), the BSC enables managers to express and test sophisticated cause-and-effect models, thereby providing a basis for managing the drivers of desired outcomes: (Amalasunta Georgeta Iacob, 2011, p. 134)

- **Financial perspective** – includes measures such as operating income, return on capital employed, sales growth, cash-flow generation, and economic value-added (EVA).

- **Customer perspective** – encompasses metrics such as customer satisfaction, retention, acquisition, response time, market share, and customer profitability.
- **Internal business processes perspective** – focuses on key operational measures, including product design, product development, post-sale service, manufacturing efficiency, and quality.
- **Learning and growth perspective** – assesses the organization's ability to develop employee capabilities, leverage information systems, and implement effective organizational procedures to manage operations and adapt to change.

The resource-based view (RBV) of the firm provides a theoretical and economic foundation for examining the role of human capital in achieving competitive advantage. According to this perspective, sustainable advantage arises from the possession and effective deployment of firm-specific resources—such as human capital—that are valuable, rare, difficult to imitate, and non-substitutable within the industry. By focusing on these unique resources, organizations can differentiate themselves from competitors and enhance long-term performance.

By focusing on these unique resources, organizations can differentiate themselves from competitors and enhance long-term performance (Barney, 1997, p. 4). These resources are valuable, rare, and inimitable internal assets. From this perspective, a highly skilled and competent workforce constitutes a critical source of such resources, enabling the firm to generate sustainable competitive advantage and enhance overall organizational performance.

Effectively managing human resources enhances an organization's ability to attract and retain qualified employees who are motivated to perform at high levels. The benefits of having the right employees in place and properly motivated are manifold, including increased profitability, reduced employee turnover, higher product quality, lower production costs, and more rapid adoption and implementation of corporate strategy. When these outcomes are contrasted with competitors lacking similarly motivated and skilled personnel, organizations can achieve substantial competitive advantages through strategic human resource management practices.

The fundamental objective of strategic HR is to strengthen organizational resource capability, grounded in the recognition that human capital constitutes a primary source of competitive advantage. Achieving this requires ensuring the availability of high-quality personnel to meet both current and future organizational needs. This goal is realized through the development of a coherent and comprehensive framework for employee development, encompassing

recruitment, training, performance management, and career progression initiatives (Armstrong, 2023, p. 534).

Recognizing employees as strategic resources has contributed to the development of the resource-based view (RBV) of the firm. The impact of human capital (HC) on organizational performance has, in turn, shaped the emergence of a strategic perspective on human capital, emphasizing its role as a critical driver of competitive advantage. Although the importance of aligning a firm's personnel policies and human resource management practices with its overall business strategy has long been acknowledged, contemporary research continues to highlight the centrality of this strategic fit in maximizing the value of human capital (Raghavan, 2011, p. 40)

In conclusion, human capital represents a core organizational asset that enables firms to develop a distinctive competitive advantage. Organizations achieve this by leveraging structural capital resources, such as processes, systems, and organizational structures. The knowledge thus generated—whether tacit or explicit—is embedded within both human and structural capital. Human capital, directly and indirectly, influences firm performance by engaging in diverse inter- and intra-organizational relationships and by mobilizing various organizational resources to create value (Raghavan, 2011, p. 53).

VIII. **Comparison Between Different Opinions on Human Capital and Company Performance**

The following table summarizes the main comparative perspectives found in the literature regarding human capital and its impact on company performance. (Wright, 2001) (Bontis, 1998)

Research Topic	First Opinion	Second Opinion	Comparative Conclusion
Definition of Human Capital	Traditional economists focus on education and training as the main components of human capital.	Modern scholars include creativity, innovation, leadership, and knowledge sharing.	Modern perspectives provide a broader understanding of human capital.
Relationship with Company Performance	Human capital directly improves productivity and profitability.	Performance improvement depends on both human capital and organizational systems.	Human capital is essential, but supportive systems are also necessary.
Employee	Training and	Training may not	The effectiveness

Development	education increase employee efficiency and organizational performance.	always generate immediate returns due to employee turnover and costs.	of training depends on strategic implementation and retention policies.
Human Capital Management	Financial rewards are the best way to motivate employees.	Non-financial factors such as recognition and career growth are more sustainable.	Organizations should combine financial and non-financial motivational strategies.
Measurement of Human Capital	Financial indicators are sufficient to measure human capital impact.	Non-financial indicators such as innovation and employee satisfaction are also important.	A balanced approach combining financial and non-financial indicators is more effective.

Overall, the literature agrees that human capital is a key determinant of organizational success. However, scholars differ regarding the methods of managing, measuring, and maximizing its impact on company performance. (Youndt, 2004)

IX. **Conclusions**

Human capital encompasses the knowledge, skills, and capabilities of individuals that are applied to the production of goods or the provision of valuable services. Human capital theory posits that individuals invest in themselves through education, training, and the acquisition of constructive knowledge and information, thereby creating stocks of largely intangible human capital with the potential to enhance both market and non-market productivity.

In today's knowledge-based economy, human capital is a critical driver of organizational success and a key contributor to sustainable competitive advantage. The strategic importance of human capital has led to the development

of a managerial perspective that emphasizes its effective acquisition, development, and utilization. Understanding human capital management requires a thorough comprehension of the underlying concept of human capital and its role within the broader framework of organizational resources.

We conclude that human capital constitutes a vital component of an organization's intangible assets. Its significance underscores the importance of measuring human capital, both to assess how effectively it is utilized and to guide managerial actions aimed at enhancing employee contributions and organizational performance. Proper management and measurement of human capital thus serve as essential tools for maintaining competitive advantage and fostering long-term organizational growth.

Human capital refers to the knowledge, skills, experience, competencies, creativity, and abilities possessed by employees that contribute to organizational success and value creation. Its main dimensions include education, training, professional expertise, innovation, motivation, and employee engagement.

The literature generally confirms that there is a strong positive relationship between human capital and company performance. Organizations that invest in developing their employees through education, training, and knowledge management tend to achieve higher productivity, better operational efficiency, increased innovation, and stronger financial performance.

Investment in employee development contributes significantly to improving organizational performance by enhancing employees' technical and managerial capabilities, increasing adaptability to technological and environmental changes, and improving problem-solving and decision-making processes. Companies use several strategies to manage and develop human capital effectively, including continuous training programs, talent management, employee motivation systems, leadership development, and knowledge-sharing practices.

Despite its importance, measuring the impact of human capital on company performance remains challenging because it is an intangible asset that cannot be easily quantified. Therefore, organizations often rely on both financial indicators, such as profitability and productivity, and non-financial indicators, such as employee satisfaction, innovation, and customer loyalty, to evaluate its contribution.

Overall, the literature agrees that human capital is one of the most important strategic resources for achieving sustainable competitive advantage and long-term organizational success.

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