

# HUMAN CAPITAL MEASUREMENT & ITS IMPACT ON PERFORMANCE OF IT PROFESSIONAL IN PUNE CITY

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## ABSTRACT

*Human Capital measurement is an important source in terms of suggesting and implementing policies regarding human resource. In this paper, researcher reviews human capital definition and previous researches which relates human capital measurement and employee performance in the organization. Some of the parameters for measuring human capital which influences their performance in an organization have been identified.*

**Key words:** Human Capital, HCM (Human Capital Measurement), Performance Measurement, HC Indicators

**Cite this Article:** Dr. Ejaz Ahmed Qureshi, Sheena Abraham and Porinita Banerjee. Human Capital Measurement & Its Impact on Performance of IT Professional in Pune City. *International Journal of Management*, 7(1), 2016, pp. 79-84.

<http://iaeme.com/Home/issue/IJM?Volume=7&Issue=1>

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## 1. INTRODUCTION

In financial term, Human capital is defined as an individual's value in an economic sense and the way it is transformed into company's collective competence. Unger, Rauch, Frese, & Rosenbusch, 2009 defines Human capital as the combination of abilities and knowledge that an employee achieves from his or her prior academic achievement, training on the job and other complementing skills. In 1997 Edvinsson

& Malone describes Human Capital as the total sum of an employee's experience, skill, ability and even tacit or innate knowledge.

As per Kaplan and Norton, employee capability, employee satisfaction and employee sustainability reflects Human Capital. Edvinsson and Sullivan (1996) provided experience, know-how, skill and creativity as examples of HC indicators. Pablos (2002), suggested employee profile, turnover, education, commitment and motivation, training, and employee satisfaction as HC indicators.

Various authors defined human capital in many ways. In this paper, we would like to stress on human capital as a combination of employee's work related capability, attitude and innovative capability. Employees' work related capability is the main indicator to measure HC. It includes employee's knowledge, skills and talents. Knowledge consists of technical knowledge and academic knowledge. Skills are measured through employee's capability of accomplishing practical assignments, are obtained primarily through practice. Employees' attitude is the essential indicator of HC, includes their commitment towards work and satisfaction from work. It is regarded as the prerequisite for employees to give full play to their work related capability. Employees' innovative capability enables them to use their knowledge elastically and to make innovations continuously. It is therefore one of the key factors in developing the HC of an enterprise. A number of well-known companies attach the same importance to it as to their competence. When these companies recruit a new employee, they might consider more about the conformity of an applicant's attitude to the company's requirement, and later train the new employee for special skills instead of employing the applicant according to his/her specialty.

## 2. LITERATURE REVIEW

**Bunjongjit Rompho and Sununta Siengthai (2012)** in his study purposes to explore the relationship between performance measurement systems (PMSs) and organizational learning (OL) and the impact on firm human capital building. The results reveal that PMS, which is designed with three main qualities – valid, comprehensive, and coherent with its environment – has an overall positive relationship with OL and firm's human capital (employee satisfaction and work-related competencies). It presents how each performance measurement systems component has a significant impact on the improvement of human capital (employee satisfaction and work-related competencies) and organizational learning.

**Farhad Alipoura, Khairuddin Idris(2012)** examine the mediating effect of intrapreneurship in the relationship between human capital and organizational performance. Data was collected from a sample of 266 respondents working at selected Iranian insurance companies. Structural Equation Modeling (SEM) and Pearson product moment correlation coefficient was conducted to investigate the relationship between human capital dimensions and organizational performance and also the mediating effect of intrapreneurship in the relationship between human capital dimensions and organizational performance. The results revealed a good model fit for the data and showed that there was a linear and positive relationship between human capital and organizational performance.

**Lynn L. K. Lim, Christopher C. A. Chan (2010)** compared the perceptions of executives and investors in terms of the importance to disclose human capital measures and their knowledge of those measures. This study proposed a more inclusive measure of human capital by integrating traditional measures of human capital and non-accounting measures (e.g., educational level, experience, and motivation). The investors indicated the importance to disclose certain human capital measures more than the executives. The executives appeared to show a better understanding than the investors on indicators such as staff satisfaction index, staff capacity, motivational index, workforce stability, and workforce competence profile. Forty-nine senior-level executives (41% response rate) from service-oriented, public-listed companies in Australia and 33 investors (47% response rate) from various fund management companies responded to our survey.

**Pickett, L. (2005)** identify core measures that senior management can use to increase the effectiveness of their investment in their people and improve organisational performance. Five key practices (Leadership practices, Employee engagement, Knowledge accessibility, Workforce optimization, Learning capacity) that effective organisations use to enhance performance are identified and current human capital practices of 175 organisations around the world participated in an international human capital management benchmarking initiative carried out by McBassi & Company. The framework provides a basis for identifying areas for improving the relationship between an organisation's workforce investment and its overall business performance.

Form the literature reviews above, most of the reviews explores the relationship between Human Capital measurement and Performance management in various industries in countries like Malaysia, Australia, Iran, UK and the United States of America. In spite of the importance of intangible asset on competitive advantage and organizational performance in IT Companies, not much has been studied on the measurement of human capital and its effectiveness in competency based performance management. Therefore .researcher attempted to choose this topic for the study.

### **Objective**

- To study the impact of Human Capital Measurement on performance of IT professionals.

### **Hypothesis**

- Human capital measurement parameter such as work related capabilities, innovative capabilities and attitude of an IT professional do not influence their performance in an organization.

## **3. RESEARCH DESIGN**

This research paper intends to pilot study with IT professionals. The researcher has used convenience sampling for selecting IT Professionals. The primary data was collected from employees of IT companies through structured questionnaire and personal interview. Questionnaire is designed to get the opinion of the professionals concerning measurement for human resources and its impact on the performance of employees. The secondary data was used for collecting information regarding the activities, scope and opinions of other researchers and experts in the initial stages.

#### 4. DATA ANALYSIS AND INTERPRETATION

This section presents the result of the analysis of the data that was collected from the respondents.

##### Human Capital Measurement Parameters

1. **Work Related Capabilities:** IT professionals Work related capabilities are the most important parameter for measuring human capital. The researcher in this study evaluates how the IT professionals Work related capabilities influence their performance.

##### H1 (a): Work related capabilities of an IT professional do not influence their performance in an organization.

This hypothesis was tested using Chi Square test. From the analysis (Table 1) as the p value is 0.00082 (<0.05), it is clear that certification in any domain of an IT Professional influences their performance and it is also clear that since the p value is 0.008 (<0.05) Number of Projects completed in specific domain also influences the performance of employees. The analysis also revealed that Qualification alone of an IT employees does not influence his/her performance as p value 0.10135 (>0.05).

**Table 1** Association between IT professionals Work related competencies and his/her performance in the organization.

Attributes	P Value	Decision
Qualification/Rewards	0.101353388	Fail to Reject Null Hypothesis
Certified/ Reward	0.000821361*	Null Hypothesis Rejected
Project Completed / Reward	0.008806499*	Null Hypothesis Rejected

\*Significance at 5 %

Source: Primary Data

2. **Innovative Capabilities:** IT Professionals innovation capabilities are also an important parameter for measuring Human Capital and its influence towards the performance of employee.

##### H1 (b): Innovative Capabilities of an IT professional do not influence their performance in an organization.

The above hypothesis was tested using Chi Square and presented in Table 2. The results indicate that employee innovative capabilities which is measured using ‘Number of Process Improvement Suggested’, ‘Number of Training Session Conducted’ and ‘Number of Co- Curricular Events Conducted’ influences his/her performance as the calculated p value < 0.05.

**Table 2** Association between IT Professional Innovation capabilities and his/her performance in the organization

Attributes	P Value	Decision
Process Improvement suggested/ Reward	0.030942999	Null Hypothesis Rejected
Number of session taken / Reward	0.027166254	Null Hypothesis Rejected
Number of events taken/Reward	0.046301602	Null Hypothesis Rejected

\*Significance at 5 %

Source: Primary Data

3. **Attitude:** Another parameter for measuring Human Capital is Attitude of an employee and how it affects on his/her performance. Attitude of an employee is measured through level of satisfaction for the compensation received, his/her expected career development growth available in an organization and commitment towards the job which is measured through the tenure completed in an organization.

**H1 (c): Attitude of an IT professional does not affect their performance in an organization**

The above hypothesis was tested and the result revealed that there satisfaction in the compensation received does not affect the performance of an employee as calculated p value is 0.695 (>0.05). And the number of year completed in present organisation also does not affect the performance of an employee as p value is 0.2665 (>0.05) It also depicts that the satisfaction in career development growth available in an organization influences the performance of an organization as p value is 0.00016 (<0.05).

**Table 3** Association between IT professional Attitude and his performance in the organization

Attributes	P Value	Decision
Compensation / Rewards	0.695298567	Fail to Reject Null Hypothesis
Career Development / Rewards	0.000166068	Null Hypothesis Rejected
Number of years completed / Rewards	0.266575357	Fail to Reject Null Hypothesis

\*Significance at 5 %

Source: Primary Data

**5. CONCLUSION**

The degree to which IT professionals feel that they are being recognized and rewarded for good work can be measured. We can conclude that performance of an IT professional does not depend on mere qualification rather qualification only enables a professional to begin his career. It is the know-how and creativity which upgrades professional’s capabilities. The contribution of IT professional towards the organization in terms of process improvement initiative taken or task or events organized shows their involvement towards achievement of goal which indirectly helps them to improve their performance in an organization. Positive and Ideal attitude revealed a rational parameter for enhancing performance. The study reveals that the attitude which creates impact on performance is due availability of career development growth. The feeling of IT professional that they belong to the organization and efforts they provide when needed, shows their dedication and the belief that everyone is working towards a common objective, increases their mutual cooperation which leads to guaranteed performance.

Finally, research concludes that Human Capital Measurement attempts to identify the parameters for better performance which in turn encourages the professional to enhance his/her performance and adds value to the organization.

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