ABSTRACT

Human Resources in any organization are perceived as a cost to the organization and the Human Resource function is perceived as a cost center, which needs to be monitored stringently to deliver optimum value. This paper explores the context of Human Resources as the cost of capital to the company in order to understand the repercussions of human capital management which can not just help save cost but add to the bottom line in a more competent and financially accountable manner. A huge expense of the organization is incurred on human resources and it is imperative that this organizational cost is not just optimized to enhance human competencies but the human resource be managed so that it is a financially strategic tool to add value to the organization and to realign its core competencies to leverage upon the varying business opportunities and to combat challenges more competitively. The traditional return on investment model always inevitably anticipated the returns on other resources invested by an organization excluding manpower, which was perhaps discounted because of its intangible and inconsistent measurement and no means available to establish its direct co-relation to the profitability of the organization. It is high time that organizations seek to correct this and account for the human capital and measure the return on this investment. This paper will present a strategic perspective on the significance of measuring the cost of human capital in logistics and supply chain management to create a more robust organization, which is geared to deliver a perennially more market-driven and consistently adaptive human resource to build an organization which is best-suited to serve the customer and reinforce its own capabilities so as to have a greater return on investment for all human capital.

This paper will explore the dimension of human resource mapping and control through Human Capital Return On Investment to derive efficient cost-to-serve and value-based systems in a highly competitive and dynamic business environment such as logistics and supply chain management. Often companies focus on impacting the bottom lines by optimizing the operational efficiency rather than human efficiency. The cost of using IT or any other strategic or systemic tool could be phenomenal to an organization. This paper will provide an alternative strategy to use the human resource cost of capital approach to optimize on manpower efficiency to drive organizational growth and to develop a web of important human competencies to remain flexible in a highly fast-changing environment and to deliver in the shortest possible timelines. It is imperative that the intangible and the unmapped human synergy and its direct repercussions on the organizational results are captured through systemic tools to enable decision-makers to use the human resources more effectively. This paper is an attempt to look at human resources management not as a cost to the organization but as an investment which can create highly competitive & profitable logistics and supply management systems and to move beyond the conservative view to contemplate human resources management as a mere cost to a more transformational perspective of using human resource as a strategic revenue boosting resource. It proposes a model of Human Capital Management to optimize the business values in logistics & supply chain management and attempts to position Human Resources Management as a strategic business partner making it accountable for company’s financial results.

KEY WORDS

Human Capital ROI, Strategy, Logistics & Supply Chain Management, Human Capital Management
1. Introduction

Logistics within the context of supply chain management is related to the flow of goods & services and their seamless integration in the organizational value chain to deliver highest value to the end-user. A logistics & supply chain management environment is hence centered on fast delivery and quick reorganization of various business variables to deliver in the shortest time cycle. Faster, cheaper and qualitative management of the value chain will lead to competent logistics & supply chain management, which inevitably is nothing but the management of the flow of materials & products from the source to the end-user. How does this movement happen? What are the key drivers of this business model? How can the business variables be aligned differently to create highly adaptive and sustainable logistics & supply chain management? Often this is the angst and the predicament of those driving the strategy and business values of an organization.

If we confront the dilemma of the involvement of various stakeholders in a supply chain such as those directly and indirectly involved to fulfill the customer needs then this is a very complex functional metrics which will have to be strategically geared to create core business competencies which demand not just resources but innovation and even probably insight to look at the problem upside down. Imagine the logistics system of an organization wherein the entire flow of materials right from the acquisition of the raw materials to the delivery of the final goods to the customers, inclusive of the information flow, which controls & documents the movement of material being robustly integrated. Be it forecasting, inventory-control, transportation, warehousing or even production planning & customer-service, the common denomination is the human element, which somehow escapes the crucial co-relation to the financial repercussions of its use and ultimately even does not get captured in the so-called productivity-profitability statements of the organization. The human element is systematically embedded into the entire process and yet there is no emphasis on measuring the impact of such an important variable. When integrated logistics management is discussed the focus is to save cost and boost customer-service which incidentally is determined by the human resource, which is in control of the resources, which consequentially are the drivers of the system.

There is ample number of industry surveys to substantiate the relevance of considering the efficiency of the human resources involved in the entire gamut of logistics & supply chain management. The Canadian Logistics Skills Committee’s National supply Chain Strategic Human Resources Study conducted in 2005 encompassed wide-range of responses on human resources & its importance in the industry and surprisingly reiterates the need to build a competent manpower with adequate skills to address the challenges of the industry. Significantly this study highlights the lack of competent people resources, which seem to be the stumbling block in the industry’s ability to adapt to emerging technological and business challenges and ultimately impinging its commercial viability & efficiency. Since this study encompassed a broad representation of supply chain sector and traverses the entire breadth of the logistics & supply chain industry (albeit in Canada) this can be a valid case in point, to reflect upon the need to add the human dimension to the entire system which is otherwise exclusively process and systems-driven. The missing human element could well be the panacea to the industry’s many issues and therefore need to be considered in a more constructive & strategically viable frame of reference.

2. Human Resources Management: Mapping the Function

Human resources include the complete gamut of skills, experience, knowledge, attitudes, beliefs, values and even inclinations such as creativity of an organization. The organizational structure is often super-imposed upon distinctly varied set of human oeuvre and would have to create harmonious working relationships to transact the business of the organization. In a logistics & supply chain management scenario, this would include all the human inputs that essentially dovetail with the other resources to create the end-outcomes. A limitation here is that this reservoir of human potential both current and future does not necessarily become available to the organization upon acquisition of the resource from the market place. Sometimes, there is a need to refashion what is acquired and while at some other time there is a need to enable some gestation period for adaptation. For instance, for inventory management, you may have a highly sophisticated technology-driven & JIT (Just-In-Time) system in place but if the competent manpower is not available to schedule, process and deliver to the pre-defined business goals then this human input will need to be recast to derive appropriate business value. Let’s juxtapose & synthesize the human resource function in a company’s logistics & supply chain pipeline as:

Human Resources Management

[Diagram: A diagram showing the relationships between Supply, Operations, and Distribution]
From sourcing to out-bound transportation, the intertwined human resource impacts the business outcomes and redifines the consequences both financial and material. Does the Human Resource architecture of the organization create the most-desired competencies? As this is embedded in the organizational system and permeates the entire range of activities from start to finish, it not just impacts the internal environment but also directly impinges the customer. Everyone would concur with the fact that this is the most important resource that any organization has but many would fail to imagine how one could use it more strategically. If quick responsiveness, extreme reliability and trusting relationships are the backbone of successful logistics & supply chain management, then coincidently all these are human attributes which drive the non-human assets and deliver the desired business values. They cannot be acquired in a tangible form and will have to be perceived in the outcomes and measured in the actions of those who do the job.

The question is: how do you evaluate, control, measure and strategically realign the human resource function to add value to the organization? The measurement of the function is perhaps the most complicated part of managing this resource and yet it is the most important. If one considers the important variables of the human resource environment in any organization then we can arrive at those key elements, which can be tracked to measure the performance of the organization. This tracking may not be possible with some inescapably intangible human attributes such as the quality of response or core values permeating the business strategy but most of the time it is possible to capture the pertinent human resources elements to endorse a scientific measurement of the function and to create more effective human resource architecture. For human resource to assume strategic dimension, it would be important to incorporate this as a significant input informing strategy of the organization and as suggested earlier since it drives the competitive advantage of the organization, its place in the decision-making processes assumes manifold significance.

It is amazing to note that traditional human resource management has dealt with mere statutory or maintenance role in an organization and has often been denied any space in strategic management. All highly profitable organizations seek to move the focus from non human resources to human resources only in times of adverse pressures such as unfavorable market response or in times of internal crisis such as employee unrest. This has often made human resource a contingent resource and not a strategic resource. It is because it is not thought of as a scarce resource or one, which drives the company’s competitive advantage. If you see the usual logistics & supply chain management environment, you would notice this anomaly instantly that the elements, which are captured as strategic in this business environment, are cost-to-serve, delivery time and service quality which coherently synchronize with the end-users’ demands and expectations. The primary drivers of all these strategic elements emanate in the ability of the human resource of the organization to face the challenges of the business environment and to live up to the commitments of the firm. It is high time that organizations shift their paradigm from using human resource as a neutral and non-value adding resource to a truly value-added and strategically significant resource.

The cost of capital of all other resources invested is often seriously contemplated but the investments made in human resources are not given enough space for analysis and often even the mandatory cost-benefit analysis is not available to substantiate any direct investment in this resource. The investment in low-value adding positions such as purchasing clerks and radio operators to the investment in high-value adding positions such as transportation managers or Information Systems managers could be a crucial decision variable in impacting the business goals of the organization. Since if the planning, strategy and implementation are not appropriately aligned then they could lead to inadvertent time lags, costs and even grievances. To illustrate this with an example, if Dell Computers seeks to optimize on inventory cost rather than transportation cost, it may choose package carriers to deliver PCs to customers by maintaining centralized facilities but at the same time it makes a conscious choice to realign its human resource architecture to extract value out of a realigned working environment and if it fails to get the right people for the right job then instead of saving on inventory cost it may end up incurring transportation cost too. The cost of co-ordination and other costs also include the embedded human cost, which is often discounted. This may heighten the risk of any such business decision and can escalate the enterprise’s outcome unpredictability rather than managing its resources more strategically and synchronously. Is there a possibility to use the human resource management function more strategically to make it convergent with the competitive advantage of the organization and to connect it with the vision and the mission of the organization for a seamless performance and achievement of business goals? The articulation of the strategy of the organization cannot be without any consideration for a resource, which consumes a very huge chunk of the company’s total investment. It is therefore appropriate to propose a strategy to use this resource in a more competitively congruent & enabling manner so as to leverage upon the core people competencies of the organization and to measure and monitor the people-driven outcomes more methodically.

If the logistics & supply chain business environment is imbued with risk factors which are at times extremely volatile and it is designed to deliver fast-paced, technology-savvy and critically sacrosanct quality and time commitments, it is imperative that it seeks to incorporate human resources management function as a strategic partner rather than a functional extension. If knowledge can cut lead times and if innovation & technology can create shorter product life cycles and delivery schedules, then here the organization will have to use a paradigm to map the intangibles of its environment which impact its results & bottom lines. Human Resource managers cannot afford only to be compliance-seekers but they will have to be co-strategists so as to evaluate the organization’s people value and to foster it further by linking with business goals.

The market perception of an organization and the shareholder value of the organization depend upon the financial health indicators of the company and do not demonstrate people efficiencies in any manner whatsoever. Two different organizations having similar economies of scale in this business, with similar market forces and investment patterns, may surprisingly throw up very different return on investment graphs. This is because of the caliber of the people who drive the business and this unfortunately is never captured in any financial statements. No ROI tools create any linkage with the human resources of the organization to study the company’s profitability from the perspective of its people resource. Though inevitably and not surprisingly the companies with best ROIs are also the companies with well-managed and highly competent manpower.

An Indian IT company Infosys is a case in point here, which uses its human resources strategically to drive its core business objectives. It has successfully been India’s most admired employer and one of the most profitable Information Technology companies in India. The successive CEOs of the company from Mr. Narayan Murthy to Mr. Nandan Nilekenni have endorsed the view that their business uses human resource not just strategically but also considers the contribution of this resource as truly significant in shaping the destiny of the organization. This proposition can be extended to any industry and does not essentially confine itself to Information Technology. For it is important to note that Infosys was started with a capital investment of only Indian Rs.10000 and it logically just about had a few founding heads to support the business goals. It is hard to believe that in just about more than a decade’s time the company has not just become one of the fastest value-creating and truly blue chip organization with high growth rate but even has an enviable industry standing and is universally admired. This could happen with any industry and logistics and supply chain management is no exception since it extensively uses the human capital and any lack of measurement of this resource could lead not just to erroneous financial decisions but could also undermine the true business potential of the enterprise. If we have access to similar technology, market places, & infrastructure then what perhaps could be the key differentiator would be human resource of an organization. Because then this alone could be used strategically to add value to the organization so as to use its full potential and leverage upon its adaptability to respond quickly to emerging business challenges and to bounce back into the learning loop to sustain the resilience to move faster strategically & of course to remain profitable and to maintain a high growth rate even in adverse business cycles.

The one significant approach, which enables this measurement of Human Resources Management, is the Human Capital Return On Investment. It is a highly simple tool, which goes a step beyond the traditional measurement of human resources and seeks to identify the efforts of people who are the key agents or drivers of the organization towards profitability. It simply interprets the company’s ROI in terms of profit made vis-à-vis the amount of money invested in the compensation and benefits of the employees of the organization. The Human Capital ROI can be computed by using this easy formula:

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\text{Human Capital ROI} = \frac{\text{R} - (\text{E} - \text{Labour Cost})}{\text{Labour Cost}}
\]

where \( R \) is Revenues & \( E \) is expenses.

Once the non-human expenses are taken away and an adjusted profit figure is arrived at, only then the impact of human resources on profitability is studied in comparison to the cost incurred on this resource. This will establish a direct co-relation between the profit made by the firm and the monies invested in compensating the company’s human resource.

There are other alternate approaches available to arrive at the return on human capital. Some of these approaches use input factors like pay packages and training imparted, whereas others use output measures such as productivity & efficiency. But the Human Capital Return On Investment approach tries to establish a direct relationship between the human capital & the significant end-objectives of the organization such as productivity and profitability and hence it would be more appropriate to use this approach than any other.
This approach can easily be used in the logistics and supply chain management, since the investment in people resource could be usefully mapped to see what are the repercussions on the profitability of the company. As indicated earlier the gap in the desired and the current in terms of the company’s profit margins could be essentially due to the people factor and this could be corrected through training, redeployment and of course through planning manpower flows in the organization more strategically and innovatively. It is observed that there is at times a significant co-relation between a company’s ability to attract a truly competent talent pool from within the limited manpower supply and its business values. A company, which is a preferred employer, can also leverage upon its core values through people competencies rather than any other resource and this is sufficiently demonstrated through Infosys example.

The Canadian Logistics Skills Committee’s National supply Chain Strategic Human Resources Study conducted in 2005 clearly states that there is a wide gap between the available portfolio of human competencies and the desired and that this could be the cause for industry’s inadequacies in terms of performance. If the companies learnt to measure the impact of human capital on their profits and their productivity norms then it would be able to acquire and retain or retrain the available human input to get true value for money. In the absence of any such measurement, it would be a merely operational use of human resources instead of a strategic one. And until and unless there is the added advantage of measurement of the human capital available to decision-makers, most of their choices might perhaps not be optimized or may be less than desired. Lack of adequate measurement of intangible aspects of human resources often compound the decision-making process and cloud the current perspective of the organization. But this can be remedied if the strategic focus is realigned by mapping the current human competencies of the organization and by linking its direct contribution to the key outcomes of the firm. If this co-relation can be captured appropriately through the Human Capital ROI approach then the risk involved in the decisions will not just be more carefully apportioned to the right stakeholders but will also be more manageable. This is a workable model and is not a hypothetical tool. This has been used in several industries such as banking and healthcare with a high degree of precision and thus can be used effectively even in a logistics and supply chain system.

To measure the impact of human capital on the organization, the performance of this resource will have to be monitored effectively and will have to be a part of the business strategy. When the strategy determinants are inclusive of the human capital then that strategy will be pregnant with both the capabilities of the organization and will also consider the human limitations of the organization. The strategic human resource potential revolves around the pivotal role of intangible assets and intellectual capital in the modern day economy. If the business is to deliver globally and keep its competitive advantage then it will have to face emerging challenges by using the people advantage. The conservative industry barriers such as entry, patent rights, and other statutory governmental regulations have now been replaced with fast moving technology, innovation, and speed in the market & of course resilience to adapt to constant environmental flux.

Human resources management function will not just have to provide people with competitive skill sets but they will also have to give a committed value-added manpower which will allow the organization to leverage upon the intangible aspects of the human potential such as goodwill, research and development and advertising. Managing people may perhaps be the toughest strategic challenge for any organization. But if this is managed by aligning the strategic interventions of the organization with the human gamut of competencies and potential then the vision of the organization can be fruitfully realized. The question is how does one do it? Though as managers, we all realize the importance of measuring the intangibles to drive the organization’s performance but this is yet extremely difficult to capture. Even we face many posers in arriving at the impact of the human capital on the firm’s bottom line, we would still want to look at what Lawrence R. Whitman, deputy CFO at GTE (which is now part of Verizon) said (as quoted in The HR Score Card: Linking Strategy, & Performance, Brian E. Becker, Mark A. Huselid, Dave Ulrich, Harvard Business School Press, p. 10):

“A direct link between human capital and corporate financial results is not readily apparent in traditional accounting practices. Right now, we are only beginning to understand the potential of this tool, but it’s the measurement process that’s important… Once we are able to measure intangible assets more accurately, I think investors and finance professionals will begin to look at human capital metrics as another indicator of a company’s value.”

We can think of the human capital of the organization as the human resource function with its sub-sets such as human resource policies, practices & system, along with the working relationships, the organizational structure, culture and climate and of course the behaviors, competencies and key motivators of people doing various jobs and holding myriad roles. This web of human capital cannot be independently used to create best value for the firm. It can be used only in sync with the other resources of the organization with the top management support and
direction informing the implementation of the organizational strategy.

If the strategy of the company is to take cognizance of the firm’s profitability through only non-human factors such as tangible assets and other investments then the human capital is used incidentally without any strategic leverage. But once an organization decides to use this asset in a more concerted manner then the top management will have to use this capital effectively while devising the strategy of the organization. It is imperative that the management of the organization uses this resource at the initiation stage of its strategy and implements all core business decisions by taking into account the human capital competencies, its entire consummate potential and reinforcements, if any. To create a high-performing organization with Human Resource function as a strategic partner, the company will have to first identify the core human elements impacting the strategy. It will then need to create a web of competencies through appropriate recruitment & selection & training & development. The deliverables and the Key Performance Indicators will have to be established and intertwined within the organizational structure and working norms to enable a linkage with the strategy and the vision of the organization. As indicated earlier, the logistics & supply chain business models are all flexibility-driven models and they often place a very high demand on employee’s learning skills and ability to change. This three-tier strategy is proposed for this business to leverage upon the human capital:

- Identify the key human factors impacting organizational strategy and use it as a decision variable
- Map the existing competencies of the organization and clearly establish a link between the available portfolio of competencies and organizational performance indicators by using evident human resource tools such as competency mapping which will enable the analysis and identification of all core competencies.
- Create a framework of high-end performance by establishing a clear co-relation between the existing and the acquired human capital and its repercussions on the company’s financial health. This would also mean that the compensation will have to be linked with the performance of the employee and the employee performance will in turn have to be linked with the company performance.

This three-tier strategy will evidently give direction and performance focus to the human capital as it will use the human resource of the organization as an important element of business strategy, which will flow down, from organizational goals and expectations. It will also mandate a consistency in assessing the contribution of the human capital in the organization’s growth and will also be able to institutionalize a fair and equitable reward and compensation mechanism leading to high motivation & job satisfaction. It is found that organizations which have demonstrated a direct co-relation between the performance on the job and the compensation of employees are often able to attract and retain the best and the most competitive manpower.

There are certain employee behaviors, which are more significant for the performance of the job, and even for the organization and these have to be reinforced through appropriate compensation systems. These are the so-called “influencing & performing” or strategic behaviors which if transacted can lead to successful performance and even optimization of organizational values. For instance, if a purchase manager has a good persuasion skill and can negotiate a fair deal for the organization then this behavior has a strategic advantage to the organization and this needs to be reinforced through appropriate performance-based incentives.

Often organizations do not use the entire gamut of employee competencies and sometimes multi-tasking may save on organizational costs if we are aware of other existing skills sets with the employees who are employed for a given job. If an electrician were also a good plumber then it would be a good idea to ask him to mend a faucet when it’s leaking instead of hiring a plumber from elsewhere. Sometimes these internal resources come at a minuscule cost to the company rather than exorbitant costs incurred on employing additional resources from outside the organization. Hence, can we align all our company’s employee behaviors to serve our organization’s business objectives? If we can do this then we can enable a linkage between the strategy and employee behaviors. In order to identify strategic behaviors of the organization, we will have to identify the strategic stakeholders of the organization who are responsible for implementing the strategy of the organization. To illustrate this point, if the transportation manager is more important than the Information Systems Manager in achieving the company’s business goals then, this transportation manager will have to be strategically positioned higher in the value chain of the organization to show appropriate results. Some strategic behaviors may be situational while the firm may need some universally. If this is the case then even these behaviors will have to be precisely identified and used by influencing the human capital. The human capital measurement incidentally poses a big question: how do we do it? In order to create true value organizations, we will have to emphasize the need to use human capital not just strategically but also by
measuring every single nuance of employee performance and how this impacts the firm’s prospects. A simple illustration of the organizational value chain is given below:

Financial

- Return of Capital Employed

Customer

- Customer Loyalty
- On-Time Delivery

Internal/Business Process

- Process Quality
- Process Cycle Time

Learning & Growth

- Employee Skills

It is often seen that top management is concerned with Human Resources competencies in terms of external business values. Even if this were the single most objective of linking human capital management to organizational strategy then too it would serve its purpose. If the business strategy borrows form the strengths of the manpower and substantially realigns the organizational systems and structures with the expected performance outcomes then naturally an entire system of work inter-dependence and even strategic alignment is in place. For instance if the top management communicates the vision of the organization to every employee, along with his individual job responsibilities & Key performance Indicators then there would be enough clarity for the employees to understand what ripples they cause in the ocean of organizational task. Until this happens, employees cannot get the whole picture of how they are impacting the fortunes of the company or even how they are driving the organization to its pre-determined vision. The synthesis of people expectations, behaviors, values and performance goals is very important in achieving the strategy and the vision of the organization. To this effect, the Human Capital Management will have to be conducted with a focus on measurement of this resource’s impact on business and its readiness to realign itself to deliver organizational value. If this is possibly achieved then the organization can perennially seek to address the challenges of its business environment more realistically. Therefore the proposed model of Human Capital Management seeks to realign the strategy of the organization with the Human Resources by establishing a linkage between people competencies and performance mapping, so that people are responsible for all


We are seeking to essentially optimize both internal & external organizational values here and therefore it would be apt to suggest that human capital management will incidentally happen only if there is a pre-defined attempt to measure the cost of this capital and its repercussions both on the internal business outcomes and the external stockholding value, including customer satisfaction and even the speed of response emanating from process cycle time as evidenced above by Robert Kaplan & David Norton.

This transition of Human Resource function as a strategic partner from a traditional cost-center emphasizes the fact that the change in functional objectives will also involve a change in outlook and necessary skills to do this job. Human Resources Management can compulsively seek to redefine the gamut of activities that fall within this umbrella to reinvent a new avatar for itself. This in the logistics & supply chain management context would mean creating a stream of Human Resources professionals who would be willing to contribute more pragmatically both in their traditional roles and in the emerging role as a strategic business partner. The obsession of Human Resources function now with making profits rather than cutting costs could be transformational even for the ethos that permeates the function and will only help top management make qualitative and more-informed business decisions. If the function can be measured even in its most elementary tangibles such as number of employee grievances handled or the rate of employee turnover in the organization then this can create accountability and performance –seeking behaviors rather than the conservative attempt to merely perform and then reflect if something did not happen the way it was intended to be. This metamorphosis of the function into a holistic paradigm of human capital management rather than a mere functional requirement can lead to professional satisfaction for Human Resources professionals and top managers that the organizational culture, systems and climate and its strategy as well as its business goals are synchronized with the human resources to derive optimum value. Any attempt to shortchange this could only mean that Human Resources function has not been understood adequately to leverage its full potential in impacting business outcomes.
organizational outcomes. This proposed model and strategic intervention could be illustrated as given below:


The Human Resources professionals will have to be actively involved in the recasting of the organizational web of human resources. The top decision-makers will have to identify the key deliverables of the human resources from within the strategy and indicate this in the implementation blueprint to facilitate the role of HR in assessing its own contribution to the organization. Even a simple mechanism such as Human Capital ROI can be used effectively to find out each department’s contribution to the organization and its business objectives. Every employee must know the key deliverables in his job. He must also be aware of the gamut of skills that he brings to the organization. This can be done effectively through competency mapping organization-wide. If this is achieved, then the organization can use this crucible of competencies for realigning its work priorities and strategies and derive maximum value out of existing manpower. The functional, technical and behavioral competencies identified in any logistics and supply chain management function could lead to immense opportunity to re-deploy these competencies in the organizational value chain to create a more sophisticated systemic integration of the Human Resources. This can also enable team culture and help cluster a few identical jobs to create camaraderie and work place synergy. For instance, if the entire warehousing department could identify the special and universal skill sets available within the department then they could establish business goals more effectively and harmonize the work culture by sharing and utilizing each other’s capabilities. This also facilitates multi-tasking.

A Model Of Human Capital Management (Copyright 2006, Nafisa Habilbhai Kattarwala)
The same employee can also learn new strategic behaviors and business competencies through behavior modeling and peer learning. In an industry, which really might face a surfeit of certain kind of professionals, this is a great opportunity to create more value at the same cost. This is the value-added strategic dimension of Human Resources, which can catapult the organization into a high-performance driven and truly human potential leveraging organization. Not just the cost saving or the human efficiency index may go up dramatically but the organizational ethos will also resonate with positivism and collective reinforcement of shared values. If need be, there could be separate organization-wide empowered cross-functional performance monitoring team. This will be the watchdog of how Human Capital Management is creating the necessary value for the organization. This functional supervisory team can report the performance of the organization as leveraged through Human Capital Management. If this is captured and reported as data and analyzed for future planning then the organizational results can be managed proactively rather than contingently.

Often Human Resources professionals in any organization sit on the fences and refrain from taking any responsibility for the company’s financial performance. They merely act as gateways to facilitate people management and end up being procurement and maintenance function rather than a strategic one. Here is a strategy to include Human Resources as an important and indispensable dimension of business strategy in a function as complicated and as demanding as logistics and supply chain management where nothing moves without the human factor and yet where it remains completely in the backdrop. The human-system interface to enhance operational efficiency is inevitable. The Human capital Management model reiterates the need to enhance and optimize organizational results through better people management and by including it significantly in the hub of organizational decision-making. Even if we implemented systems thinking and sought integration of the human resources with the larger organization even perhaps then we would still need to realign the manpower framework with the business action plan to implement the envisaged strategy to arrive at the company’s vision.

Adding a tangible value to the intangible is the only way of creating more commitment from the human resource and of integrating it with the business outcomes. If an employee inculcates this awareness that his work-place behavior has a strategic dimension and that every action of his contributes to the profitability and the vision of the organization then the organization would not be merely creating systems but would also be succeeding through people, because as aptly said all management is people management. It would be inane to look at the balance sheet and worry about financial numbers, which were driven by people rather than material resources. As Gary Hamel & C K Prahlad rightly said HR managers must become numerator managers (i.e. pushing the company’s bottom lines by assuming responsibility for company’s financial performance) rather than remaining denominator managers (i.e. merely cutting costs and decimating overheads). This transition is possible only if they move beyond the traditional compliance mode to strategic implementation mode and also demonstrate effectively the relevance of Human Resources Management to the business. This can only be done through linking all human activities of the organization to the performance of the firm, and to this end the three-tier Human Capital Management strategic model proposed here as well as the Human capital ROI model will be able to facilitate such linkage of Human Resources management to the financial results of the firm and emphasize the role of Human resources professionals as those driving core business values and not as those on the margins of the organization. The operational role of Human Resources Management will be replaced with a strategic one and this can truly be a very formidable partnership with top management to create value-added fast moving and highly responsive logistics and supply chain management organizations.

The path ahead is clear: Human Resources cannot be a marginal support function; it has to emerge as a strategic partner. Human Capital Management, along with Human Capital ROI measurement tool, could sustain the momentum and pace of Human Resources Management function to facilitate its role as a successful bottom line influencer and a key input in organizational decision-making. Organizations traverse the continuum of growth with people and if people equations are captured rightly then the company bottom lines will soar in the right direction in right time. It makes therefore strong sense to recalibrate Human Resources in the organizational mainstream to leverage upon this most important and yet least evident resource. The intangibility of this resource may not be impossible to capture, as once linked to the company’s performance, obviously all inadvertently intangible work behaviors will also get linked to the larger financial frame of reference. The top management may just need to be cajoled into adopting this model to work out its own strategy and business co-relation with Human Resources Management function to partner both for change and growth. This exploration as enjoined earlier will only lead to a highly successful partnership of business strategy with Human Resources Management through a well aligned model of Human Capital Management, and as ultimately measured and monitored through Human Capital ROI.
5. Conclusion

It is imperative to reorganize the Human Resources Management function to bring sustainable and long-term benefits to a logistics & supply chain management set-up. The attempt to discuss the significance of Human Resources Management in a very current and more effective context was simply because of the end-outcomes of this business model being so exigent and so varied and yet absolutely market-driven. The proposition to realign Human Resources Management to the key decision variables and the tangible outcomes of the organization only seeks to create a more value-based contribution of Human Resources Management function so that profitability is at the heart of every action and behavior of the employees in the organization. This proposed model would make employees own up their own set of responsibilities along with inculcating sophisticated & strategic work-place behaviors and competencies.

This will lead to an organization where people will find meaning in knowing that their work gets reflected in the larger canvass of the organization’s job design. This will not just create more satisfied employees by endorsing a high quality of work life but will also lead to positive organizational growth, which can easily be traced to every employee’s job. The organizational vision can become the individual’s vision and people can translate the company’s objectives into work reality through commitment and meaningful ownership. It is well accepted that systems and processes cannot be substituted with human zeal but it is an equally important fact that human motivation cannot be replaced with any system or process or technology, no matter how sophisticated it may be. Investing in Information Technology may speed data management, investing in infrastructure may buy better storage capacities but investing in people and using them aptly may buy organizational goodwill, intellectual property and brand value. World-class organizations are known for their ability to use human capital effectively.

An organization is known by the people it keeps and uses, and if it does this appropriately and in a strategically synthesized manner, then it can become the organization of its vision. People are often the only differentiators in a routinely humdrum business environment with the similar market advantages and none too many distinguishing strategic competencies for the organization. It would therefore definitely help to use Human Resources Management function as a strategic core element and weave it back into the business loop to decide the relevance of business decisions and their impact on the financial health of the organization. It is therefore not without any merit that Human Resources Management should emerge as an influencing business function and not remain anonymously mundane. The Human Capital Management strategy proposed here compels the function to be more expressive in its business role and also suggests that measurement of human capital can be the only panacea to make this resource more tangible and link it to the financial results of the organization. If people implement strategies then people variables should inform the decision-making that devises the business strategy. This presumption is the genesis of the Human Capital Management model and therefore it seeks to reflect the true reality of employing human resources to drive business values rather than making Human Resources Management a non-descript business function adding no value to the organization.

The Human Capital Management model coupled with the Human Capital Return On Investment measurement tool seeks to create a sustainable organizational advantage by linking all tangible & intangible human resources performance indicators to the financial outcomes of the organization. Nothing could be simple than this, i.e. if the company performs, the people have performed and if the company does not perform then the people have not performed. This, as integrated with the compensation and the reward system, would definitely create a highly optimized and leveraged organization where the financial indictors capture not just the financial health but also people contribution. And this would enable Human Resources Management function to emerge as a strategic enabler and as a core business value optimizer in the logistics and supply change management organizations. This can then help such an organization become a quick response, fast delivery and quality service provider such that the existing business environment challenges are quickly absorbed by the organization and responded in a highly flexible manner because of value-added Human Resources Management. To make the mundane meaningful, it would be apt to say that the Human Resources reflect the universe of the organization and they concurrently shape that universe too. So if the organization has to be a high-value, profit-making and growth seeking organization then its human resources will have to reflect a similar propensity, because the organization is the same as the human resources that it engages to drive its core business values. And given below are a few lines of a great Persian poet, in the spirit of the sublime, which capture this analogy of Human Resources being the reflection of the organization:

How could the reflection be cut off from the Light?
How could the wave be separate from the Sea?
Know that this reflection and this wave are that very Light and Sea.

(Jami, Diwan, Translated by W.C. Chittick from Persian)
References

[1] Canadian Logistics Skills Committee, Strategic Human Resources Study Of The Supply Chain Sector: Final Report, Fall 2005