



**STAYING AFLOAT IN CHANGING TIMES THROUGH INNOVATION IN HUMAN CAPITAL  
MANAGEMENT**

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**Abstract:** - The business world is currently in the Fourth Industrial Revolution phase which is characterized by Disruptive Technologies and Trends such as Internet of Things (IoT), Virtual Reality, Robotics and Artificial Intelligence (AI). All these are changing the way we work and live our lives. This technological change is all pervasive and it is imperative for every organization to learn, adapt and apply it for better results. Digitization and Automation have become the norm and Innovation in every sphere of work is the need of the hour.

Innovation is the ability of the organization to create, develop, manage and maintain knowledge. As individuals are the creators and applicators of knowledge, managing knowledge workers is of prime importance. Human Resources and Human Capital Management plays an important role as 'Drivers of Innovation'. The shift from Human Resource Management to Human Capital Management is seen as an alignment of individual aspiration and goals with organization's vision and goals.

This paper aims at exploring and assessing the innovative concepts adopted by organizations for effective Human Capital Management. Innovations in HCM have been viewed as having positive impact on employee engagement and productivity. The paper presents a model showcasing the impact of innovative concepts in all aspects of people management and as a tool for sustained Competitive Advantage.

**Keywords:** Human Capital Management, Innovation, Human Resources, People Management, Knowledge Workers, Competitive Advantage

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**Introduction:** Human resources have finally received their due credit and have been rechristened as Human Capital. Employees are no more viewed as mere cogs in the corporate wheel; they are seen as the drivers and creators of knowledge. Organizations have recognized the potential of its employees and have awarded them prominent place in its strategic

endeavours. People have finally been put at the heart of People Management. The focus of Human Resource Department has shifted from framing policies to managing people, enforcing compliance to building culture and from focusing on basic administration to enhancing employee well being. This shift is remarkable as it reflects on the change in management orientation, moving from a system and process dependent style to a people and human centric style.

The rate of change in the world of Human Resource Management is accelerating at an unparalleled rate. Technological changes have become the order of the day and HR Managers have to stay in line and adopt latest technology in managing people effectively. Concepts like Virtual Reality, Artificial Intelligence (AI) and Machine Learning are being applied in Recruitment, Selection, Training and Performance Management functions. Innovation in HCM has become the need of the hour and HR Managers have to keep themselves abreast with the adoption and implementation of technology in management of people.

#### **Theoretical Background:**

**Human Capital Management:** The people managers of today are faced with challenging task of planning and executing change management, identifying and developing potential leaders, recruiting and retaining talented workforce, managing employee motivation and morale and managing organizational capability and effectiveness. The way employees are perceived has undergone a drastic change. People who were seen as mere cogs in the organizational wheel are now viewed as driving forces. Human Resource Management treats people as resources and considers them as a cost center, whereas Human Capital Management identifies its people as a source of emotional, intellectual and social capital. People are viewed as investors in the organization. They bring in their expertise and invest time and effort hence they deserve to receive return on their investment. HCM positions employees as assets

for the organization and treats them as Investment center.

#### **Innovations in Human Capital Management:**

Innovation in management of Human Capital refers to the implementation of new ideas, techniques and methods of managing the organizational workforce. Instead of responding to changing situations, the HR managers have to adopt a proactive strategy and anticipate future needs and changes. Researches have highlighted that HCM activities strengthen the commitment, dedication and motivation of individual employees, while companies show an increase of their basic assets: material (financial performance), commercial, socialization and creative assets (or intellectual capital). Human Capital Management broadly involves three aspects; Talent Acquisition, Talent Management and Talent Optimization. The points below throw light on innovations taking place in the field of Recruitment, Learning and Development, Performance Management, Compensation Management and Talent Management.

#### **Innovations in Hiring and Recruitment:**

Attracting the right talent is very important for the long-term success and survival of an organization. H R Specialists are adopting new and advanced technology to attract the right candidates to the organization. Following are some of the innovative techniques adopted in the areas of hiring and recruitment:

- ✓ **Augmented Writing Technology in designing Job Adverts:** The main aim of a Job advert is to attract the right person for the right job. With the help of Machine Learning and Predictive Analytics, it is now possible to find out whether the job advert will appeal to the target audience. This Augmented Writing Technology will help in reaching out to the right candidates and getting the desired outcome.
- ✓ **Programmatic Job Advertising:** This refers to use of a software which would help in increasing the recruiter's reach. It ensures that the job ad is shown to the right people

on the right platform at the right time. Programmatic Job Advertising is the automated and targeted placement of Job adverts.

- ✓ **Chatbots:** A software powered by Artificial Intelligence can help recruiters insourcing, screening and scheduling candidates. Many Chatbots are equipped with NLP (Natural Language Processing) capabilities, which understands human language and enhances candidate's satisfaction and experience. These chatbots can work 24/7 unlike humans and can reply to candidate's queries anytime.
- ✓ **Onboarding App:** Lack of good onboarding process is one of the main reasons why new hires leave prematurely. An Onboarding App can be very handy in organizing the entire onboarding process, starting with all the paperwork to introduction to colleagues and company policies.

#### **Innovations in Training and Development:**

Constant upgradation of knowledge and performance is needed to secure competitive advantage. Hence, all organizations invest huge funds towards training and development of its human resources. Following are some of the innovative techniques adopted in the areas of training and development:

- ✓ **Virtual Training Coaches:** Organizations are using virtual training coaches such as avatars or chatbots, which engage with the learners like a human instructor. The online virtual platforms such as Second Life are being used by organizations for delivering their training programs. They aim at creating virtual learning environment bringing the human aspect into their eLearning environment.
- ✓ **Mobile Learning:** Mobile Learning is learning across multiple contexts, through social and content interactions, using personal electronic devices. Usage of mobile learning in corporate training significantly increased in 2017. Mobile learning enables organizations to promote the concept of

'Lifelong Learner' to learn anytime and anywhere.

- ✓ **Blended Learning:** Blended learning is an effective training method and uses a combination of delivery methods. It combines online intervention or computer simulation with the live classroom experience. So, the innovation in blended learning is twofold: the delivery methods and the combination of those methods.

**Innovations in Talent Management:** Talent Management is the commitment to acquire, retain, and develop the most talented and exemplary employees available in the job market. *The employment climate has become fiercely competitive, and managing, retaining, and developing talent is crucial to achieving long term success.* Following are some of the innovative techniques adopted in the area of Talent Management:

- ✓ **Talent Management Dashboard (TMD):** A Talent Management Dashboard gives recruiters and hiring managers a comprehensive overview of their talent pool. This enables them to communicate with and nurture their talent in order to plan for future. A Talent Management Dashboard has 5 main functions: Reporting, Performance management, Engagement with talent, L&D and Talent pipeline.

**Innovations in Performance Management:** Organizations around the world have transformed their performance management practices from annual reviews to use of technology platforms with more frequent check-ins. The technology-based future of performance management is an essential component of leading successful digital transformation.

- ✓ **Real Time 360 Degree Feedback:** Today's performance management technology enables organizations to let their employees and managers give and receive continuous feedback. The software tracks people's progress and gives valuable insights into their progress. This helps managers to support their employees when necessary. It

also creates a culture of coaching between peers. Reinvented performance management systems are designed to deliver more real-time feedback to enhance employee coaching and development and, in some cases, to disconnect reviews from annual merit increases.

**Innovations in Compensation Management:**

Compensation Management is an important part of Talent Management. The compensation levels of employees should be in line with their talent and performance. Using technology in managing employee compensation can help in keeping an eye on changing market trends and develop optimal pay packages.

✓ **Compensation Management Software:** This software helps organizations plan and administer employee compensation packages. Compensation management systems are used to manage salaries through an administrative dashboard, develop merit matrices, and report on company compensation data. Organizations use compensation management software to view and adjust compensation policies, plan employee bonuses, and recommend pay adjustments. Compensation management systems are most commonly implemented by HR departments, enabling managers to develop streamlined compensation strategies for their teams.

The state of HR is changing fast to meet the needs of a changing workforce and future generations. Large enterprises must innovate and update existing HR infrastructure in order to compete for top talent with smaller, nimble start-up teams. From sourcing quality candidates to improving internal employee benefits and engagement, corporations have never had such a variety of solutions to become more competitive and prepared for the future.

**Literature review:** A lot of research has been carried out to understand the role of innovation in Human Resource Management. HR specialists are thinking out of the box to create a better work environment for its people. Listed

below are some of the studies carried out on the topic in question.

(Marrewijk & Timmers, 2003) highlight that in addition to the traditional personnel and human resource management (HRM), there is a need for a new approach to personnel management, which should be called Human Capital Management (HCM). HCM emphasizes an alignment between the individual and the organization and in their view offers the challenge and the key to successful management in the future.

(Bamber, Bartram, & Stanton, 2017) have reviewed literature in the field of innovation in HRM and concluded that HRM specialists should embrace and enable innovation. The researchers believe that employees are at the heart of innovation and it is they who can come up with new ways of doing things and keep their organizations ahead of others. HRM specialists should nurture and encourage employees to think out of the box and bring innovative ideas to work effectively and efficiently.

(Tripathi & Kushwaha, 2017) in their research paper reiterate that every firm in the present competitive environment must include innovative HR practices in two areas, one being recruitment and second being retention. The researchers further add that the Human Resource Department of an organization needs to embrace the digital transformation and come up with innovative ideas for effective people management.

(Kumar & Archana, 2017) in their study have highlighted the wide scope of Innovative Human Resource Practices and its resulting affect on the entire social structure of the organization. IHRP has been recognized as an important tool to improve organizational efficiency and performance globally. The researchers have identified the linkage between innovations in Human Resource Practices and Organizational Commitment. IHRP leads to enhancement in commitment levels of employees.

(Kosseck, 2006) in her work mentions that modern organizations are experimenting with

new human resource management systems in their effort to meet the strategic objectives and secure Competitive advantage. Innovations in HRM can range from enhancement of Employee benefits (a company fitness centre or childcare program) to advances in participative management (self-managing work teams). Organizational change occurs if an HRM innovation influences member attitudes or behaviours.

**Research Objectives:** The intent and objective of this research paper is to:

- ✓ Understand the current scenario of Human Resource Management in organizations
- ✓ Study the transition from Human Resource Management to Human Capital Management
- ✓ Highlight the relevance of innovative trends in Human Capital Management in enhancing employee commitment and Competitive Advantage

**Research Methodology:** This research paper adopts Descriptive Design which focuses on understanding 'What' of the research subject instead of focusing on 'Why' of the research subject. Secondary data has been collected through journal articles, books, blogs, HR chat groups and newspaper articles.

**Discussion and analysis:**

**Current Scenario of Human Resource Management in organizations:** In Current Scenario, Human Resource Management is undergoing a great revolution. Many traditional practices have been thrown out. Hierarchies are vanishing and organizations are turning flatter and leaner, which requires a great deal of specialization, and skill. 'Perform or Perish' is the code word for employees across all levels. Nothing comes easy, getting a job, surviving in the organization, moving up the corporate ladder, it's a grueling challenge. Work Stress, Voluntary Attrition and Layoffs are some of the hot topics for debate in the current HRM scenario.

Mercer survey featured in an article in Forbes Magazine highlights that 54% of Indian workers are seriously considering leaving their jobs, and

this figure hikes up to 66% in the 16 – 24 years age category. Hence, the attrition rates are higher among the youth. Average Voluntary attrition statistics show the highest attrition was reported by the retail sector in India, with e-commerce being on the higher side with the average voluntary annual attrition of 20.4%. This was followed by media and advertising at 18.5% and banking and financial services at 17.4%.

When it comes to Indian startups, the attrition rates range between 50% - 80%. Experts say that most entry level employees don't even last a couple of years. The reason to this high attrition rate lies in the person-job mismatch. Startups end up hiring candidates who are less than desired and who end up giving less than ideal performance.

A recent survey from Korn Ferry, "Workplace Stress Continues to Mount," indicated that overall employee stress levels have gone up by 20% in past three decades. During the survey 76% of respondents said workplace stress had a negative impact on their personal relationships, 66% of respondents reported to have lost sleep due to work-related stress and 16% of them have quit jobs because stress became too painful and unmanageable.

Lay off and Retrenchment is another trend followed by corporates across all sectors. Recent survey shows that in the USA, about one out of 10 workers gets laid off from work every year. In India, during 2019, using economic slowdown as a defence, a lot of companies laid off employees. The massive layoffs, which began to grip the country's embattled automobile and IT sectors last year, have now spread to more segments.

Looking at the above scenario, there is a clear indication that HRM has failed to deliver in terms of Employee Satisfaction, Motivation, Commitment and Loyalty. There is a dire need to change perspectives of HR Managers. People working in organizations and corporate houses must be valued as contributors and investors,

hence the transition to Human Capital Management is the need of the hour.

**Transition from Human Resource Management to Human Capital Management:**

The HRM function is oriented towards the 3 Rs: to recruit, to retain and to rouse the workforce. All the sub-systems of HRM commonly aim towards managing and controlling the human resources in the organization. HRM views people as mere resources who provide their knowledge, skill and ability for a pre-determined value. It's a trade-off, employees provide KSA and employer provides them with salary and incentives. HRM looks at the Employer – Employee relationship as a short-term opportunistic arrangement.

With the paradigm shifting towards people being a source of Competitive Advantage, the concept of Human Capital Management has emerged popular. Human Capital Management encloses and exceeds HRM. HCM views people as investors of KSA (Knowledge, Skills & Ability) and hence they deserve a return on their investment. HCM is value-driven, and focuses on improving dedication, motivation and commitment of employees. HCM looks at the Employer – Employee relationship as a long-term stable arrangement. HCM believes in

aligning individual aspiration and goals with organization's vision and goals.

With the business environment turning immensely dynamic and competitive, most organizations have started adopting the concept of HCM for better management of its human potential. Human Capital Management can be viewed as an amalgamation of three separate management disciplines, namely Human Asset Management, Human Potential Management and Human Culture Management.

Workforce.com a US based organization carries out a detailed survey every year and releases the "Workforce 100", the list of World's top companies that excel in HR practices. The participating companies are ranked in seven core areas: workplace culture, employee benefits, diversity and inclusion, employee development and talent management, human resources innovation, leadership development, and talent acquisition. The working assumption behind the list is that high performance in these core categories provides a reasonable assumption for overall HR excellence. The table below looks at the Top 10 companies that are ranked highest in terms of the HR practices and Innovations in HRM.

**Table 1: World Top 10 Companies for HR Practices 2018**

Rank	Company Name	Industry	No. of Employees	Performance Index
1.	Salesforce.com Inc	Software	30,000	9.575
2.	Delta Airlines Inc	Airline	80,000	9.425
3.	Bain & Co.	Management Consulting	8,000	9.183
4.	Ultimate Software	Software	4,000	9.182
5.	Facebook Inc.	Social Media	25,105	9.06
6.	Accenture	Consulting Services	4,35,000	9.008
7.	Deloitte	Professional Services	2,63,924	8.963
8.	Starbuck Corp.	Retail	3,30,300	8.936
9.	Google	Technology	80,000	8.877
10.	Adobe	Software	18,000	8.783

Source: <https://www.workforce.com>

### **Relevance of Innovative trends in Human Capital Management:**

The rapidly evolving Human Capital Management field is full of innovation and change and organizations need to adopt and follow emerging trends to stay strong and competitive. Modern day organizations are hiring researchers, consultants and analysts who work alongside leaders to bring out the best in people and create engaging and thriving work environments.

The advent of technology has made HR practices more efficient. Effective use of technology in HCM can lend lucrative results. Following are some of the innovative trends in Human Capital Management.

**Innovative Trend # 1: Use of Agile Methodology:** Use of Agile process is very common in the IT sector as 80% of the companies have resorted to this. Agile methodologies are used to build things in an iterative or incremental way. In a fast-changing business environment, Agile processes can be applied to help HR executives manage people effectively. Agile methodologies can be adopted in Recruiting, Learning & Development, Performance Management and Employee Engagement.

**Innovative Trend # 2: View HR as a Revenue Centre:** In the past decisions regarding people were never considered strategic and important from a data perspective. The emerging concept of People Analytics has made people management more data driven. There has been a shift in viewing Human Capital as a Revenue Centre as compared to the past notion of being viewed as a Cost Centre. The use of data about human behavior, relationships and traits are allowing organizations to make strategic people and human capital decisions.

**Innovative Trend # 3: Compassionate Leadership:** Off late Compassion has emerged as a sought-after leadership trait. Compassionate leadership recognizes that every team member is not only a significant individual but also an essential thread in the fabric of an entire

organization. The leaders strive to enhance the happiness and well-being of their people by supporting them and giving them what they need to excel.

**Innovative Trend # 4: Contingent & Gig Workforce:** For businesses, technology is creating new and more flexible ways to meet demand for labour. Among workers, the Gig Economy and Contingent Workforce is creating a new set of expectations and attitudes to work. A Contingent workforce is a labor pool whose members are hired by an organization on an on-demand basis. Gig Economy and Contingent Workforce consists of freelancers, independent contractors and consultants who are not on the company's payroll because they are not full-time employees of the organization. From the employee perspective, these come across as work opportunities that offer greater flexibility and variety.

**Innovative Trend # 5: Artificial Intelligence & Virtual Reality:** AI software has been able to provide personalized HR support to employees with greater convenience and speed. Currently, HR departments are employing AI-powered chatbots to assist employees with overall health and wellness management, addressing questions regarding nutrition, fitness, and more, with increased speed. Some of the ways in which VR and AR will impact the workforce include bringing change to areas such as employee training and team communication, along with improvements to the workplace through fixing open office distractions by streamlining office space usage and bringing together remote teams, thus rethinking the way we define the scope of company culture.

**Innovative Trend # 6: Personalized Learning & Development:** Gone are the days when training programs were dictated by one's manager or the training department. Today employees identify their own training needs and plan their own Learning and Development programs. Advent of technology has made the learning environment more fluid and flexible. People can learn at their own convenience and

interest, which makes knowledge retention more effective.

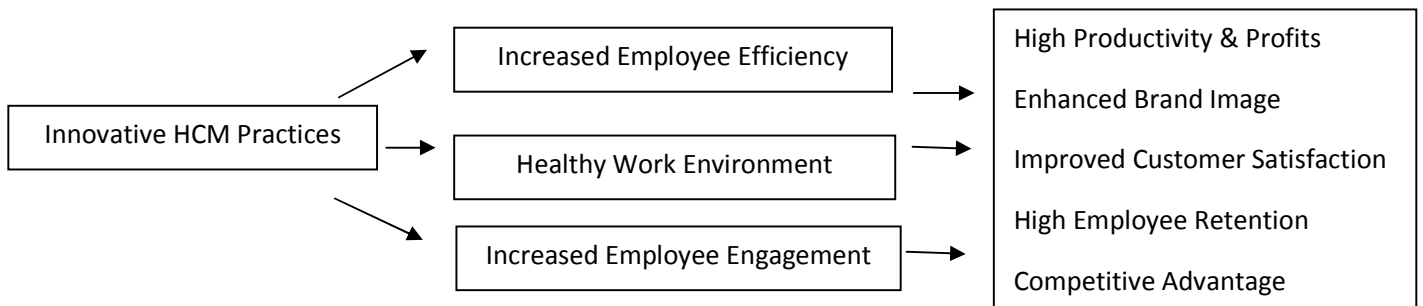
**6.3.7 Innovative Trend # 7: Employee Led Social Responsibility Programs:** Organizations today are not only judged based on their financial performance, but also based on their relationship with workers, community and society at large. There is a shift from being a mere Business Enterprise to being a Social Enterprise. The HR Managers are roping in the millennials in their CSR programs and giving them a reason to stay with the organization.

**6.3.8 Innovative Trend # 8: Collaborative Environment:** In this fast-paced business world, companies must plan and work quickly. Senior leaders need to lead by example to expect their teams to be collaborative. Building relationships is key to collaboration, and it challenges business leaders to listen closely to employees, act transparently with information, break down

silos, and build trust, credibility, and consistency through their actions. Creating a Collaborative Environment leads to maintaining an organization’s employer brand and to attracting, retaining, and engaging key employees.

It is important to acknowledge that adoption of these trends could be a huge shift for a company, depending on what current strategies are in place and how long they’ve been in effect. Change requires not only a shift in behaviour, but also a change in thinking. A combination of culture, leadership, and incentives must come together for effective collaboration and productivity to thrive. To do this, HR organizations must work with executives in every department to bring their expertise in team management, goal setting, and employee development to the entire workforce and the company at large.

**Model showing impact of Innovative Practices in HCM**



The above model identifies the benefits of innovative HCM practices as increase in employee efficiency, engagement and better work environment. This in turn will have a positive impact on productivity, profits, customer satisfaction, employee retention. This will also lead to an organization gaining Competitive Advantage.

**Recommendations:** The HR world is undergoing a drastic change over the past few years. One of the growing issues is to increase the involvement of skilled workforce. The idea is to focus on the needs of the employees, their empowerment, well-being, etc. by employing newer technologies.

The management of human resource needs to be replaced with the management of human creativity and ingenuity, as this is the triggering point to innovation success. The critical role of innovation is without question needed for the future growth, wealth creation and organizations potential survival. HR Managers must drive the human change.

The digitalization age has skilfully shifted the concentration from the employee’s engagement to the employee’s experiences at the workplace. The world leaders are shifting their emphasis on the core ecosystem and dimensions like company culture, engagement, and managing of



the performance. The focus must be on the following:

- Seek the employee's journey map in order to optimize their performances.
- The Company's HR will have hands on the technological tools like employee wellness apps, pulse feedback tools, productivity tools and modern communication tools.
- Apps helping in understanding and support in the development of the employee's organizational experience.

HCM has a crucial role to play in the needs to facilitate and underpin the people factor as well designed into the organization, in every activity for making innovation the 'way of life' and well understood as corporately vital to be well support and consistently enhance in capabilities and capacities.

**Conclusion:** The human capital landscape is not only a moving target, but a fast one. As the global market continues to shift and change, so should human capital strategies and plans. As HR professionals and company leaders, it's imperative that current methodologies are continuously assessed to look for areas of improvement. Companies that will flourish in this market will be innovative and nimble, regardless of size. Innovations in people management has to be implemented as soon as possible in order to leverage employee efficiency which in turn will help in maximizing organizational productivity. The ultimate goal of bringing innovation in all aspects of HCM is to stay strong and grounded in changing times and to seek and maintain Competitive Advantage.

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