Editorial: Human capital management. A long and winding road

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Christian Scholz

Editorial: Human Capital Management – a long and winding road

“People are our most important asset.” This is the typical sentence to be read and heard all the way from CEO statements down to promises made by recruiters. And of course, this sentence is considered as the basic assumption for research and teaching in Human Resource Management. We are all talking about culture, vision, commitment, loyalty, and all the other nice attributes of the beautiful world we live in.

But what happens in reality? Over the last years, it looks as if the top HR manager gets rewarded for the headcount he or she gets rid of. At the same time, companies are fighting the war for talents. “HR needs to brutalize” is the headline a (very) prominent HR executive in Germany uses as his personal mission statement. In a neoliberal society the markets are radical, the business is Darwinian, and therefore, on the one side, HRM should also be Darwinian. On the other side, the employees tend to act in an extreme opportunistic way. Regardless of what happens to the company or the specific team: what counts, is the individual satisfaction, the individual fun, and the individual career. “I find it to be best for me to ...” is the brutal mission statement employees use for themselves – which fits to the claim of HR to be brutal. The result is a culture of Darwiportunism, a vision of a company trying not to depend on specific individuals, a commitment just to the shareholders, and loyalty as an outdated term way back from (fictional) history.

Employees are necessary, at the same time, however, they are more risky than material stock. People are really the most important asset, but an asset, which has feet. As a result, we observe all kinds of new organizational solutions in order to protect oneself against the loss of investments, outsourcing of activities (and employees) just being one of them. Also, we see the necessity to keep track of the value of that asset and its changes. Just like an investment banker keeps track of all the risky stocks he deals with, HR managers must keep track of their “assets” and must be kept responsible for them.

In this context, “Human Capital Management” originated. Human Capital Management is currently one of the most controversially discussed topics in Human Resource research and practice. The term Human Capital goes back to economic theories: Theodore Schultz dates it back to the early 1960s, when it was used as a way of explaining the advantages of investing in education on a national scale – with the goal to improve agricultural output. Following that, academics start to talk about Intellectual Capital, Social Capital, Relational Capital, and Human Capital. In 2003 “Human Capital” again received intensive recognition, both as a simple device for re-labeling older ideas as well as a way of looking at HR activities from an economic point of view.

Rather than being a definite concept, “Human Capital Management” covers a broad range of ideas. Basically, the different foci are dealing with three aspects:

- They deal with “human”. Here we see approaches which try to refocus on the individual and almost on the term “humanistic”. However, sometimes we notice
just a replication of the “good old world” mentioned in the first paragraph of this editorial. Therefore, here we need practical work and academic research which includes the changes of the labor world realities having occurred during the last years.

- They deal with “capital”. Here we see work being done which relates to HR metrics. However, hardly ever “capital” really means capital in the sense of a truly measurable asset. At the best, it is simply seen as function of cost or as a function of revenues. Therefore, here we need practical work and academic research which delivers monetary Euro-values for the employees, but Euro-values which are not just randomized parts of the cash-flow.

- They deal with “management”. Here we see a variety of suggestions for improving HR activities. However, in many cases, these propositions are basically a relabeling of older works, once called Human Resource Management. Therefore, here we need practical work and academic research which derives action points directly related to “capital” (as defined before) and “human” (as defined before).

Dealing with these topics, the idea of this special edition of the Zeitschrift für Personalforschung / German Journal of Human Resource Research originated. Possible questions to be stated in the Call for Papers included: How is Human Capital defined? How can we measure it? What are the theoretical foundations we may use? What kind of practical implications exist? What kind of problems have to be solved? How should the topic be didactically transformed into the classroom? We aimed at methodological plurality to cover a broad range of theory based concepts and empirical studies. Human Capital Management cannot and should not only be considered from a Human Resource Management’s point of view. Also, neighboring disciplines, like political economics, business accountancy, marketing, controlling, computer science, and corporate planning have been addressed and partially activated.

At this point, I would like to thank the reviewers in our extensive double blind review process, which for some papers went for two rounds: Peter Dowling, Wolfgang Elšik, Axel Haunschild, Andrew Mayo, Wolfgang Mayrhofer, Werner Nienhäuser, Thomas Spengler, Bruno Staffellbach, Stefan Strohmeier, and Jürgen Weibler did a terrific job in dealing with the papers. At this point, it has to be mentioned that these reviewers got several papers to review which dramatically increased their workload. But by having each paper read by at least two reviewers and having each reviewer read several papers, the expectation was to receive a better comparison between papers and thoughts, as well as finally a concise collection of papers in that special edition. I must also thank several authors for understanding that their paper could not be integrated and had to be rejected. And of course, thanks to the authors and my team (Iris Schröder and Uwe Eisenbeis) who helped me with this issue. Finally, special thanks go to Hartmut Wächter who managed all the book reviews.

At the end we had five papers:

- Roman Bechtel deals with the paradigmatic foundations of Human Capital Management. Discussing both the Resource Based View and the Market Based View, he basically calls for an integration of both. He rejects from a theoretical standpoint the Market Based Valuation, which is a subset of the Market Based
View and is currently strongly favoured by various consulting companies. This paper is, on one side a warning signal for companies, on the other side, a solid basis for further academic discussion, which could run very controversially.

- Stephanie Schmidt und Kirsten Thommes ask the question of who is the owner of the human capital, which rests in the temporary workforce. Using a specific human capital interpretation, they deliver a logical proof, that even in this situation with a very specific psychological contract it could make sense to invest in human capital. This paper calls for an empirical validation – which makes it even more valuable.

- Gotthard Pietsch starts with the far-reaching attention of concepts of human capital measurement and puts up two interesting hypotheses: (a) Human Capital Measurement tends to promote opportunistic behavior by offering opportunities to escape from responsibility, but (b) the institutionalization of Human Capital Measurement limits opportunism. This is an interesting dialectic, based upon a theory of organizational anarchy.

- Isabell Welpe, Stephan Lutz and Erich Barthel approach the topic from using the analogy to financial capital market models. The authors show the limitations of models, which basically draw upon financial data. They also discuss why especially attributes such as “flexibility” and “options” are currently hard to integrate in a concept of human capital, if we really use the full analogy to financial models.

- Volker Stein recalls at the beginning the long tradition of Human Capital Management in Germany and then highlights the current debate in Germany about the right way towards a Human Capital Management, which is sound both in terms of academic rigor and practical relevance. The author sets up a framework to position the various approaches. He supports the notion that the German discussion could also influence the international debate.

Summing up, the articles reflect the impressive scope and impressive depth of discussion, which we currently find in Germany. As an editor who is personally involved in the field of Human Capital Management, I feel it was a real pleasure to work on this edition. I hope it will help us to climb a little bit on the long and windy road of Human Capital Management.

Saarbrücken, August 14, 2007

Christian Scholz

PS: With this edition, the Zeitschrift für Personalforschung / German Journal of Human Resource Research slightly changes the format of the “special editions” (Schwerpunktheft). In the future, it will be all in English in order to reach the international community, and it will include a book review section on that particular topic targeting books from the German speaking world, which – for the reason of language – are usually excluded from the international discussion.