

# The Interaction between Human and Organizational Capital in Strategic Human Resource Management

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ARTICLE INFO	ABSTRACT
<p><i>Keywords:</i>            Human Capital,            Organizational Capital,            Strategic Human Resource Management</p> <p>Corresponding author:            audia.junita@yahoo.com</p>	<p>Studies in strategic human resource management emphasize the contribution of human and human resource management to organizational performance achievement. Human and organizational capitals are strategic capability and mechanism to create value in an organization. This paper seeks to identify an interactive relationship between human and organizational capital in strategic human resource management theoretically, which so far, have not got adequate attention, particularly in a systemic relationship. Library research has been conducted either through books, articles and previous studies related to the issues have been analyzed. It is found that there is an interactive relationship between human resource system as an element of organizational capital and role behavior as an element of human capital, in strategic human resource management, systemically. Organizational capital refers to a human resource system can enhance the strategic value of human capital through their role behavior. Role behavior, then, not only is positioned as an output, but also an input for the desired human resource system, as organizational capital. The result of the theoretical study needs to be followed up by empirical research, to validate the proposed interactive relationship between human and organizational capital.</p> <p>SARI PATI</p> <p><i>Kajian manajemen sumber daya manusia strategik menekankan kontribusi manusia dan pengelolaannya terhadap pencapaian kinerja organisasi. Aset manusia dan organisasional merupakan kapabilitas strategik dan mekanisme yang digunakan untuk menciptakan nilai dalam organisasi. Artikel ini berupaya mengidentifikasi hubungan interaktif antara aset manusia dan organisasional dalam manajemen sumber daya manusia strategik secara teoritis yang selama ini belum mendapatkan perhatian memadai terutama dalam konteks hubungan sistemik. Kajian literatur dilakukan melalui buku, artikel, dan studi terdahulu terkait masalah yang dianalisis. Ditemukan hubungan interaktif secara sistemik antara sistem sumber daya manusia sebagai</i></p>

*elemen aset organisasional dan perilaku peran sebagai elemen aset manusia, dalam manajemen sumber daya manusia strategik. Aset organisasional merujuk pada sistem sumber daya yang dapat meningkatkan nilai strategik aset manusia melalui perilaku peran mereka. Perilaku peran, tidak hanya diposisikan sebagai output, tetapi juga menjadi input bagi desain sistem sumber daya manusia yang diinginkan. Hasil kajian teoritis ini butuh ditindaklanjuti dengan penelitian empiris, untuk memvalidasi hubungan interaktif yang diajukan, antara aset manusia dan organisasional.*

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## INTRODUCTION

In strategic human resource management, human and organizational capital have an important role in achieving organizational performance. Human and organizational capitals are strategic resources in achieving organizational performance. Resource-based view perspective which a basic premise of strategic human resource management stated that organizational resources which are unique, valuable and imitable will be a source of organizational competitive advantage (Barney, 1995; Barney & Clark, 2007). Strategic approach to human resource management includes activities to design and implement policies and practices of human resource management that facilitate human capital contribute organizational performance (Evans, 1986; Schuler & Jackson, 1987; Huselid & Becker, 1997; Huselid *et al.*, 1997; Becker *et al.*, 1997; Ferguson, 2006; Herdmann, 2008), economic value (Huselid, 1995; Dash & Agrawal, 2013) and competitive advantage (Schuler & Macmillan, 1984). Integrated policies and practices to manage organization's human resources are called human resource system (HR system) (Mac Duffie, 1995; Huselid, 1995; Youndt *et al.*, 1996). The human resource system has a higher contribution to organizational performance than human resource policies and practices as individual (Bowen & Ostroff, 2004).

In strategic human resource management, labor is considered as a capital, not just a resource (Uysal, 2013). Various activities in a human

resource system have an impact on organization's costs and benefits. Human capital is a component of intellectual capital (Edvinsson & Malone, 1997) because knowledge embodied in human capital will contribute to organizational competitive advantage.

Human capital would be meaningless without organizational capital. As a human capital, organizational capital is a component of intellectual capital (Edvinsson & Malone, 1997). Organizational capital as a system and process are strategic tools to leverage learning in an organization (Barrett, 2012). The human resource system is a dimension of organizational capital. The human resource system is a strategic mechanism to obtain, disseminate and facilitate organizational knowledge which is useful in the business process, including knowledge embodied in human capital.

Human resource system will give an impact on worker's behavior and the achievement of business priorities, including productivity, creativity and ultimately lead to organizations' value creation (Bontis & Titz-enz, 2002). The design of human resource system is important for the emergence of strategic behavior of workers. In an organizational context, a strategic behavior is seen from actual worker's behavior, both in-role and extra-role behavior. Katz & Kahn (1966) define role behavior as repetitive actions of individuals associated with repetitive actions of other individuals in

order to achieve desired results. Behaviors as a mechanism to implement organizational strategy have a strategic role (Schuler & Jackson, 1987).

Role behavior is an important dimension of human capital, especially in the behavioral perspective of strategic human resource management. Role behavior is a worker's response to organizational human resource system. The dynamics of individual differences in perceptions, attitudes, and behavior towards a human resource system which is varied, contribute to organizational performance (Garcia-Carbonell, 2015). The interaction between people and situation, make the same stimulus react differently through individual cognition process and then it will lead to individual's affective and behavioral. Individual has to be flexible and constantly changing in giving a response to the situations they are faced (Luthans, 2011).

It is hypothesized, there is the interactive relationship between role behavior as a dimension of human capital and human resource systems as a dimension of organizational capital. How could it happen? Empirical studies before, more focus on analyzing the relationship between the two concepts, linearly. Because of that, this article wants to analyze the interactive relationship between human and organizational capital based on theoretical studies.

## **METHODS**

This article is a result of library research. Data collected through various relevant theoretical studies to research problem. The approach used is descriptive qualitative to find and describe patterns of the interactive relationships between variables were analyzed. The analysis is done narratively, to answer research problems

## **RESULTS AND DISCUSSION**

### **The Boundary of Strategic Human Resource Management Studies**

Human resource management studies have evolved from operational to a strategic perspective.

It is characterized by shifting the focus of studies from micro to macro, from individual to organizational performance oriented through individual's attitude and behavior (Uysal, 2013). The impact of human resource management is analyzed not only for individual's benefits but also organizations.

Evans (1986) elaborates the concept of strategic human resource management as the linkages between three concepts such as strategy, organizational and human resource management. The concept of strategy implies objects and results to be achieved (outcomes) in the form of organizational effectiveness, performance, and success in achieving strategic objectives. The strategic nature of human resource management can't be separated from the link with organizational strategy (Schuler & Jackson, 1987; Delery & Doty, 1993; Jackson & Schuler, 1995; Youndt *et al.*, 1996). Human resource management will give a strong impact on organizational performance when aligned with organizational business strategy (Valle *et al.*, 2000; Nigam *et al.*, 2011).

Besides focusing on organizational performance, strategic human resource management also contributes to higher organizational value creation through a series of human resource policies and practices as a system, which is called HR system (Mac Duffie, 1995; Delery & Doty, 1996). The strengths of practices and policies of human resource management as a system have exceeded the power of practice and policy individually. Unconformity between one practice to another in an HR system will give a negative impact for the organization (Beker *et al.*, 1997; Allewel & Hansen, 2012). The design of a human resource system which is able to synergize a series of activities in it is important for the emergence of worker's behavior strategic and organizational value creation.

Contribution human resource system to organizational performance through human capital become the focus of strategic human

resource management studies. Human resource management focused on workers as a resource, while strategic human resource management perspective stress workers as a capital (Uysal, 2013). Various characteristic of human capital become a strategic mediator to achieve organizational performance. The impact of human resource policies and practices investment on organizational performance is bridged through human capital capability (Ulrich, 1999).

### **Resource-Based Theory as Strategic Human Resource Management Basic Framework**

Resource-Based Theory (RBT) is a basic theoretical framework in strategic management studies, as well as strategic human resource management (Barney, 2001). Resource-Based Theory which is proposed by Barney, assume that various internal of organizational resources can be a source of the economic advantage than external resources. Company's heterogeneity is determined by the variety of productive resources owned. Competition in the market is determined by resources profile among companies that have important implications for the ability of companies to get benefits by implementing various strategies to compete (Ulrich, 1991). Resources can be the internal strength to anticipate threats from the environment and utilize opportunities (Barney, 1995).

Parallel with Resource-Based Theory, Itami (1987) emphasized the importance of investment in intangible and invisible assets as companies diversify effort. The company is able to differentiate itself with competitors, through its invisible assets. Invisible assets are the real source of competitive strength and key factors to company's adaptability because they are difficult to be accumulated, has the ability to be used sustainably and can serve as both input and output of business activities (Itami, 1987). In a knowledge economy era, Intellectual Capital (IC) is an intangible asset that contributes importantly to organizational effectiveness and competitive advantage (Dzinkowski, 2000; Wang & Chang, 2005).

Company's capabilities and resources include financial, physical, human and organizational processes are used to produce and sell goods and services to its customers (Barney, 1995). A set of organizational resources which are unique, valuable, rare, hard to imitate will contribute significantly to organization's competitive advantage (Barney, 1995; Barney & Clark, 2007). Company's ability to transfer strategy into the organizational process and employee behavior, to implement business strategy, vary between companies. It is a form of company's capability which is unique and hard to imitate, which can lead to organizational performance and competitive advantage (Ulrich & Brockbank, 2005).

### **Human and Organizational Capital as a Dimension of Intellectual Capital, and Its Role in Strategic Human Resource Management**

The company needs knowledge in all its activities. In a knowledge economy era, such, Intellectual Capital (IC) have a dominant role for company's competitive advantage. Company's ability to effectively acquire, control, manage and utilize knowledge in every business activity, will be a differentiator between companies and their competitors. Intellectual capital plays an important role in improving performance and creating value for the company (Cheng *et al.*, 2010; Leitão & Franco, 2011; Mondal, 2012, Akanbi, 2016; Chooapani, 2016; Verma & Dhar, 2016), especially in knowledge-based economy (Dzinkowski, 2000; Bontis, 2002; Wang & Chang, 2005).

Intellectual capital is defined by various researchers differently. There is no agreement on what is IC. Therefore, definition and typology of intellectual capital are very diverse (Wang & Chang, 2005; Martin-de-Castro *et al.*, 2011; Cheng *et al.*, 2010; Akanbi, 2016; Chooapani & Ehtesham, 2016). In general, intellectual capital refers to intangible assets of companies that have a significant impact on business performance and success, even if that asset are not explicitly listed in the balance sheet (Mondal & Ghosh, 2012).

Intellectual capital is not only meant as an output of knowledge transformation but also the process itself (Dzinkowski, 2000).

The diversity of expert opinions related intellectual capital, not only in the meaning aspect but also a component of intellectual capital (Martín-de-Castro *et al.*, 2011). Edvinsson & Malone (1997) as the initiator of intellectual capital concept, identified two major components of intellectual capital that are Human Capital (HC) and Structural Capital (SC). Human capital is a knowledge capital which is created and stored in an employee, while social capital is infrastructure organizational that supports the empowerment of employee's knowledge. Structural capital then includes Organizational Capital (OC) and Customer Capital (CC). Organizational capital is a knowledge that is created and stored in information technology systems and processes that accelerate the flow of knowledge through the organization, while customer capital is a knowledge gained from the relationship between employees with its customers. This paper analyzes focus only on human and organizational capital, as a component of intellectual capital.

Human capital is an important element of company's intangible assets. Human capital is a value creating assets for organizations (Mayo, 2012). Human capital is not just people who work in an organization, but they have knowledge, skills, experiences, attitudes, abilities, behavior and other characteristics that can provide economic value to an organization. Human capital is an organization's investment. All efforts which are done by the organization, to improve quality and capabilities of human resources within the organization, is considered as an investment, which will benefit for organizations. Experts agree on that matter.

Organizational capital is part of a structural capital refers to the learning and knowledge that exist in organizational processes (process capital)

and values (Edvinsson & Malone, 1997; Choo & Bontis, 2002; Bontis *et al.*, 2000). Experts give a various term to organizational capital including infrastructure capital (Brookings, 1996), innovation capital (Wang & Chang, 2005; Akanbi, 2016), process capital (Wang & Chang, 2005; Cheng *et al.*, 2010), internal capital (Guthrie *et al.*, 2004).

Choo & Bontis (2002) assert that strategic management of intellectual capital concern not only to identify and measure the stocks of knowledge but also to control and harmonize the flow of knowledge at each organizational level. Organizational capital includes policies, systems, and organizational processes can be used to increase capabilities of the organization, including human capital. Organizational capital allowing not only to increase the stock of knowledge embodied in human but also to share and disseminate knowledge within the organization. In strategic human resource management, organizational capital act as a strategic infrastructure to flow knowledge, and human capital act as a strategic mediator in the relationship between organizational capital and performance.

#### **Role Behavior as Element of Human Capital**

Human capital is an important element of the organization's intangible assets (Baron & Armstrong, 2007; Barney & Clark, 2007). Nothing can be done without humans (Mayo, 2012). Humans are an important asset because information and knowledge embedded in itself. It's hard to separate people with the invisible assets they carry (Itami, 1987). Humans have an important role, not only as a resource but rather as an asset. According to human capital theory, everything that is inherent in individuals can be an investment (human capital) which potential to increase his market value and productivity (Schultz, 1961; Becker, 1992).

Humans capital can be measured its economic value to the achievement of organization's performance (Choopani & Ehtesham, 2016).

Efficiency in the utilization of human capital will contribute positively to organization's performance. However, the value is not only measured by economic value (Mayo, 2012). Value is determined by the receiver, not merely by the giver (Ulrich & Brockbank, 2005). Economic returns are the main factors that encourage individual to invest in human capital, but non-monetary returns also play an important role. Through education and training, workers will get the quality of work life better, with tasks that are more interesting and challenging, lead to the fulfillment of psychological needs and individual job satisfaction (Bae & Patterson, 2014).

The dimensions of human capital have a variety forms, including motivation, personality, attitude, commitment and behavior (Samad, 2013), work experience and reputation (Dzinkowski, 2000), which is useful for the company. Human capital includes everything that is embedded in people and brought to the organization, among others, personal capabilities and built in a natural work environment through experience and training such as task-related skills (Jacob and Andrei, 2011). Mayo (2012) interpret human capital as the quality of human resources in the form of capability, commitment, experience and personal knowledge that is valuable for the organization. Not only humans as a personal itself, but also the ways they cooperate and foster relationships between people inside and outside the organization. Therefore Itami (1987) describes human capital as an invisible asset that contributes significantly to organizational performance.

Individual values are in the accumulation of knowledge, skills, and relevant networks that they are built. Martin-de-Castro *et al.* (2011) suggests three basic components of human capital include (i) knowledge that is embedded in the organization's employees, both tacit and explicit, covering education and training; (ii) ability, experience and skills; (iii) personal behavior, attitude toward the task, work and organizations. Thus, the behavior is a dimension of human capital.

Katz and Kahn (1966) define behavior in the context of a role in an organization. Role behavior is repetitive actions of individuals associated with repetitive actions of others in order to achieve desired results. Each position in an organization requires the specific role of knowledge, skills, abilities, and behaviors. Role theory recognizes that different behavioral expectations of all partner roles (internal and external include supervisors, peers, subordinates, customers, family, community) will influence the behavior of organization's members (Jackson & Schuler, 1995). Role behavior includes in-role behavior in accordance with a specific job description and extra-role behavior as additional behavior outside organization's role requirements (Katz & Kahn, 1966; Williams, 1988).

#### **Human Resource System as Element of Organizational Capital**

Organizational capital is the means used to increase the value of organization (Ulrich & Brockbank, 2005). Organizational capital is important because human capital will be practically useless in the absence of organizational capital, which is capable of utilizing and maintaining their skills (Bontis, 2002; Gomes, 2007; Meyer *et al.*, 2014). Not enough for companies to recruit and promote good individual, but more importantly to support and care knowledge in human capital to be utilized and shared through organizational learning (Bierly & Daly, 2002). From behavioral perspectives, human beings will not be motivated when they feel useless and given the challenges. Organizational capital is a real asset which is owned by the organization (Barrett, 2012; Mondal & Ghosh, 2012), unlike human and relational capital, which can be lost along with the release of workers from the organization.

Organizational capital includes practice management concerning how the work gets done (Gomes, 2007), a variety of processes, procedures, policies, organizational documents as a result of organizational learning which is formally or informally learned, shared and stored in an

organization (Barrett, 2012). Organizational capital also embraces strategies, systems, methodologies, operational processes (Mayo, 2012) and process management (Guthrie, 2004; Dzinkowski, 2000). The managerial process itself is an organizational infrastructure (Lev, 2002).

Related to that, human resource management is defined as the overall programs, policies, procedures and activities that are a company used to manage its human resources (Barney & Clark, 2007; Mathis & Jackson, 2011). Human resource management is organizational infrastructure that enables companies success in competition (Schuler & MacMillan, 1984). Organizational infrastructure deserves to be called as a component of organizational capital (Dzinkowski, 2000) and not just enablers (Lev, 2002) due to the presence or absence of it will give an impact on company's profit maximization (Gomes, 2007). Thus human resources management is a specific component of organizational capital.

Strategic perspective focused on horizontal integration in human resource management in order to get a great organizational contribution (Lado & Wilson, 1994) and serves as a system (Mc Duffie, 1995; Huselid, 1995; Delery & Doty, 1996; Youndt *et al.*, 1996), called human resources system. The human resource system is a system used to leverage the capacity of human capital. The human resource system is a mechanism that can be used to increase capacity, knowledge, and skills of workers (Iacob and Andrei, 2011). The system includes a series of integrated human resource policies and practices which are mutually reinforcing between one practice and the others. Integrated human resource practices and policies that support organization's strategy is unique, valuable, rare and difficult to imitate by competitors (Barney, 1995) because there is no human resource system is the best for all companies. The strength of a human resource system leads to strong organizational climate, as it allows organizational members have a common interpretation related to

expected and rewarded behavior. The strength of the human resource system is able to explain how the individual attributes of workers accumulate in influencing organizational effectiveness (Bowen & Ostroff, 2004). As an organizational capital, human resources system acts as an organizational investment that must be calculable its utilization economic value. For example, the investment value of compensation system is able to generate high productivity of human resource (Lev, 2002). Various empirical research proves that human resource management, both individually and systematically, is able to generate company's ability to produce financial gains (Terpstra and Rozell, 1993; Huselid, 1995; Schult, 1997; Othman, 2009; Iacob and Andrei, 2011).

In knowledge economy era, human resource system not only focuses on how to manage people in the conventional sense, but it is responsible for managing capabilities and relationships which are developed by people. Besides that, human resource system switched its roles as a knowledge facilitator in acquiring, using, and disseminating individual's knowledge (Lengnick-Hall & Lengnick-Hall, 2003). For example, company's staffing policy allows getting people who appropriate to the needs of an organization. Companies can recruit and select qualified people who have firm-specific skills, ability to work in teams, so the knowledge that organizations need can be obtained, shared, socially constructed. That process enables the company to get a value which is difficult to imitate by competitors. Implicit knowledge will grow if a company gives priority to recruit workers from within (internal source), and for which company will implement a compensation system which is fair internally for the emergence of new ideas and share their workers' knowledge. Conversely, if a company wants to acquire and disseminate explicit knowledge, recruitment policy is determined from the outside (external source), and compensation system should be based on fairness externally. The company then must be given a socialization program for new workers,

to understand the organizational work culture (Choo & Bontis, 2002). Socialization is a form of dissemination of knowledge between employees and organization.

### **Interactive Relationship Model Between Human and Organizational Capital and Their Contribution to Organizational Performance**

The interrelationship of human and organizational capital has the empirical and theoretical foundation. The human resource system as organizational processes and element of organizational capital contribute significantly to worker's role behavior, as element of human capital (Arthur, 1992; Arthur, 1994; Sun *et al.*, 2007; Biswas *et al.*, 2007; Nishii *et al.*, 2008; Uen *et al.*, 2009). The impact of human resource system's investment to organizational performance can be bridged through human capital (Ulrich, 1999). Individual behavior is an important mediator through which human resource system contributes significantly to organizational performance (Becker *et al.*, 1997; Pfau & Cohen, 2003; Wrigh & Haggerty, 2005; Biswas *et al.*, 2007; Nishii *et al.*, 2008; Harris, 2009; Messersmith *et al.*, 2011; Piening *et al.*, 2013). Employees will provide a different attribution to organization's human resources system, which then manifests in their work behavior (Sun *et al.*, 2007; Nishii *et al.*). Worker's attribution to an organizational human resource system can leverage positive behavior of employees, whether in-role or extra-role behavior. Policies and practices of human resource management which are concerned with worker's commitment, quality of work and welfare of workers were able to bring psychological bond inside workers, which in turn is realized in the form of role behavior, leading to organizational effectiveness. On the contrary, causal relationship between elements of intellectual capital empirically validated (Wang & Chang, 2005). There is an interrelationship between human and organizational capital. Human capital as the most important element of Intellectual Capital has a significant effect on organizational performance through the organizational capital.

Theoretically, relationship between human and organizational capital can be explained using the framework of the behavioral perspective in strategic human resources management (Schuler & Jackson, 1987), the role episode model (Katz & Kahn, 1966) and the framework of alignment (fit) and flexibility in strategic human resources management (Wrigh & Snell, 1998). Role behavior and human resources system became dominant variables in strategic human resource management (Schuler & Jackson, 1987). Behavioral perspective in strategic human resource management, emphasis on role behavior analysis as the intervening variable in the relationship between human resource systems and organizational performance. Alignment between characteristic of organizational strategy, human resource system and role behavior are important for maximum organizational performance (Schuler & Jackson, 1987). Characteristics of certain human resources system require appropriate role behavior characteristics. The human resource system is a reinforcing stimulus of employee's behavior. If an organization requires specific role behavior characteristics of the workers, then an organization will need to design an appropriate human resource system to leverage expected role behavior.

In organizations, individual's work behavior is measured related to his role in a particular job or position. Role explains the specific forms of behavior associated with task requirements. The role includes one or more activities and the overall patterns of activities that influence each other in generating organizational output. In this situation, human resource system is an organizational path to submit role information, encourage desirable worker's behavior and evaluate role performance. Through role information, organization communicates various expectations Which internally consistent and evaluate performance. Human resource system plays an important role in sending a message in the form of various behavioral expectations of the role undertaken by each member

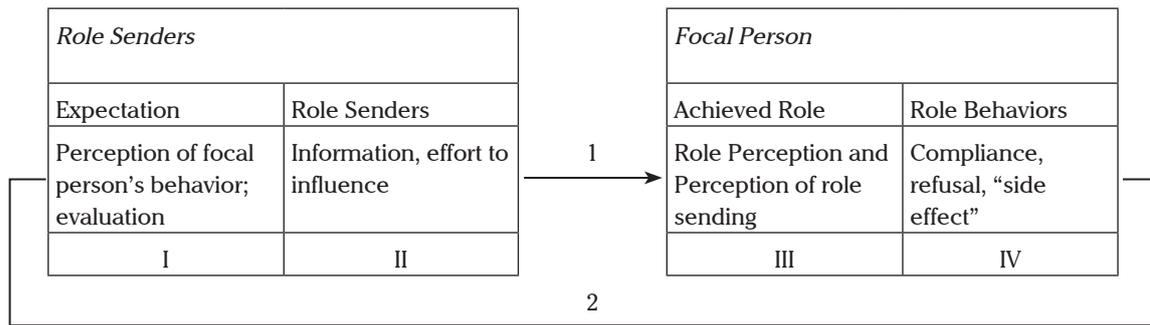


Figure 1. Role Episode Model  
Source: Katz & Kahn (1966)

in an organization (Katz & Kahn, 1966; Jackson & Schuler, 1995). Human resources system is the primary means for sending organization's role expectations (the delivery process of role) (II), which communicate either directly through job description or indirectly through the expression of admiration or disappointment over certain behaviors. Furthermore, role recipients (focal person) achieve role (III) based on their perception will respond in the form of role behaviors (IV). The level of conformity with the expectations of role senders (organization) will be an assessment of role recipient compliance (focal person) and became a feedback for determining behavioral expectations in the next cycle. Figure 1. describes the delivery process of role (direction of the arrow 1) and feedback (direction of the arrow 2).

Wright & Snell (1998) propose a framework to explore alignment (fit) and flexibility in strategic human resource management (Figure 2.). The framework describes the interactive relationship between variables in strategic human resource management, as well, interactive relationship between human resource system and role behavior. Figure 2. illustrates how strategic human resource management, achieving organizational fit and flexibility. Organizational strategy is determined by environment analysis, and then serve as guidelines to design anticipated employee behavior and intended human resource practices. Environmental conditions which are static or dynamic will affect fit or flexibility desired human

resource practices and employee behavior which aligns with organizational strategy options (vertical alignment). Desired human resource practices will give an impact to actual human resource practices and employee behavior, leading to organizational performance. Actual employee behavior will be a feedback for the next organizational strategy and desired human resource practices.

The theoretical framework of strategic human resource management can be analyzed systematically. Strategic human resource management is a system which includes several subsystems such as organizational strategy, human resource system as an element of the organizational capital, role behavior as an element of human capital and organizational performance subsystem. There are interactive relationships between one subsystem and the others (Figure 3.). Study on strategic human resource management cannot be separated from organizational strategy as a guideline of all organizational processes and role behavior of workers in an organization towards the achievement of organizational performance. Human and organizational capital are important subsystems of strategic human resource management. Human resources system as the element of organizational capital and role behavior as the element of human capital interact dynamically each other. The design of human resources system that is aligned with organization's strategy will influence worker's role behavior of in an organization, leading to organizational performance. Changes in

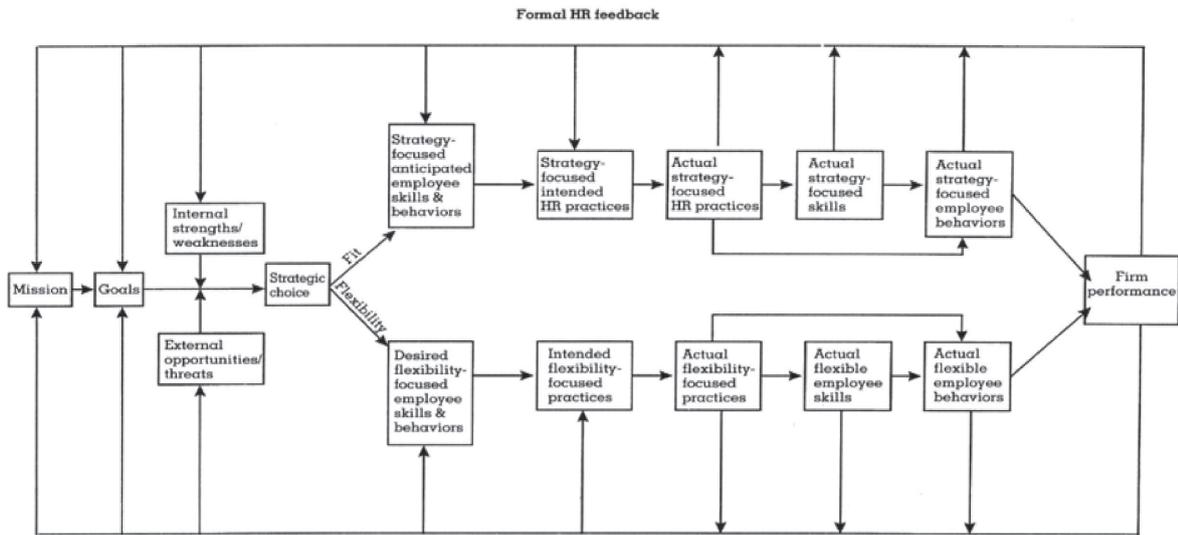


Figure 2. Fit/Flexibility in Strategic Human Resource Management  
Source: Wright & Snell (1998)

policies and practice of human resource system will have an impact on behavior changes of workers. The actual role behavior of workers will be an input for the design of desired organizational human resources system. Model of the interactive relationship between human and organizational capital in strategic human resource management, shown in Figure 3.

**MANAGERIAL IMPLICATIONS**

This study within a context of strategic human resource management. Strategic human resource management is the linking of policies and practices human resource management with the strategic role and objectives in order to improve business performance. Strategic human resource management emphasizes the importance of

human resource system as an element of the organizational capital and role behavior as an element of human capital to gain maximum performance and organizational competitive advantage. They are interacting dynamically each other in a system of strategic human resource management.

In line with the emergence of a knowledge economy era, the rapid development of science and technology requires an organization to adapt for acquiring, utilizing and disseminating various of new knowledge in an organization, to meet the needs of business stakeholders. Knowledge is inherent in labor, tacit or explicit developed through the right of a human resource system Which will help organizations gain value from

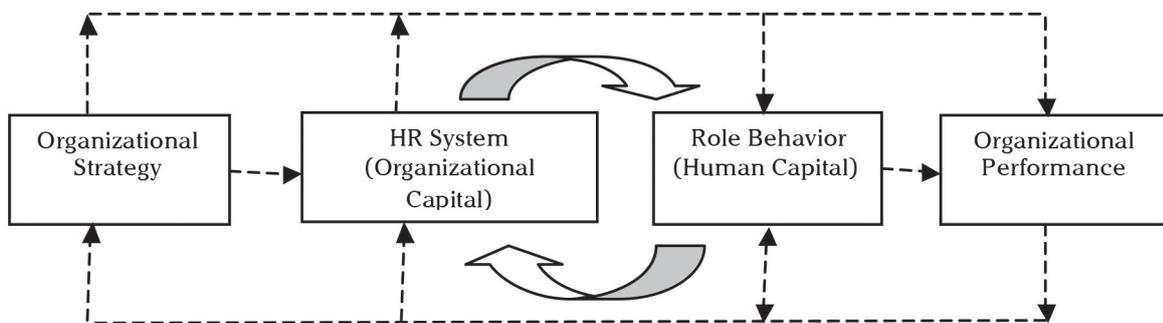


Figure 3. Model of The Interactive Relationship Between Human and Organizational Capital in Strategic Human Resource Management

the intellectual capital owned. This requires managerial interventions to invest substantial organizational and human capital, as strategic assets. The adoption of a human resource system that is able to leverage strategic role behavior requires commitment and willingness from managerial.

### Limitations of The Study

The results of this study are very precisely followed up by research Which is based on a system approach. System approach allows to analyze various factors intertwined in influencing a phenomenon, however, this study only examines the interactive relationship that occurs between subsystems within the framework of strategic human resource management. Emphasis was placed on the interactive relationship that occurs between human resource systems as an element of organizational capital and role behavior as an element of human capital, in strategic human resource management framework.

### Recommendations for Future Research

This study is a literature review, within the scope of strategic human resource management. Emphasis is given to the identification of the interactive relationship between human and organizational capital, in strategic human resource management. This theoretical study result needs to be followed up by empirical research to validate

the proposed interactive relationship, especially by using a systematic approach. System approach allows proving the interactive relationship that occurs between the two. A systems approach can complement linear empirical studies that had been done on the relationship between human resource system as an element of organizational capital and role behavior as an element of human capital.

### CONCLUSION

In strategic human resources management, the role of human resource system as an element of organizational capital and role behavior as an element of human capital is dominant to gain organizational performance. Human resource systems and role behavior have a strategic role. A great human capital is not always good without human resource system. They need human resources system as organizational capital that facilitates organizational knowledge can be captured, used and disseminated in all lines of the organization. Both are important to work together as a source of organizational value creation which can be used to update organizational knowledge.

The results of this study can enrich the existing literature review related with the existence of the interactive relationship between human resource system as an element of organizational capital and role behavior. ■

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