

1. Environmental changes and human capital management

The environment consists of a plethora of forces (environmental challenges) that exert varying degrees of pressure and influence on the planning of human capital.

In other words, the great pressure exerted by the environment in which an organization's human capital is planned and managed appears to be the main bane of its ability to meet target, datelines and customer demand, the achievement of teamwork and the employment of the right quality and quantity of workers. Other attendant problems are low labour productivity and capacity utilization. These forces include among other things, global economic meltdown, logical changes, demographic changes, government/legal regulations, cultural diversities and trade union interest and expectations. Others are globalization, e-commerce, corporate strategic plans, objectives and policies. Whereas some of these are clearly observable, others are largely remote in operation and effect.

1.1 Environmental Scanning

Mathis & Jackson (2000: 38) posit that environmental scanning is the process of studying the environment of the organisation to pinpoint opportunities and threats. The external environment especially affects human capital planning because each organisation must draw from the same labour market that supplies all other employers. Indeed, one measure of organisational effectiveness is the ability of an organisation to compete for sufficient supply of

human capital with the appropriate capabilities. Mathis and Jackson, go further to suggest the areas to be scanned to include: *Government influence, economic conditions, geographic and competitive concerns, and workforce changes.*

1.2 Analysis of External Environment

What is the current external environment? What elements of the current environment are relevant to the company? Which are likely to inhibit the company from reaching its goals?

What are the company's specific issues and implications of these issues? What key forces in this environment need to be addressed and which ones are less critical?

What is the impact of local trends on the company (*demographic, economic, political, inter-governmental, cultural, technology, etc*)?

Are there comparable operations that provide a similar service? How might that change?

How might the external environment differ in the future? What forces at work might change the external environment? What implications will this have for the organisation?

1.3 The Internal Organisational Environment

Human capital planning cannot take place in a vacuum. It is therefore essential to note that human capital planning is affected by corporate strategic plans, objectives and policies of an organisation.

What knowledge, skills, abilities and capabilities does the organisation have?

- What is the company's current internal environment? What elements support the company's

strategic direction? What elements prevent the organisation from reaching its goals?

- How has the organisation changed its organisational structure? How is it likely to change in the future?

- How has the organisation changed regarding the use of technology and how will it change in the future?

- How has the company changed with respect to the way people are recruited?

- What is the public's (or customers) perception of the quality of the organization's products, programmes and/or services?

What is being done well? What can be done better?

- Are current programs, processes or services contributing to the achievement of specific organisational goals?

- What are the present and future financial positions /conditions of the organisation?

- Is the technology currently in use cost effective? What other cost effective technology does the company have in mind for the future?

Assumptions of past research:

Political practices and influence affects human capital planning and management in my organization.

Traditional rulers' influence (also known as godfatherism) do compel my organisation to employ the wrong type and number of workers.

The military personnel do compel my organisation to employ the wrong type and number of workers and this is sometimes done even when such vacancies do not exist.

Globalization affects the planning and management of human capital in my organisation

2. Analysis of the impacts of economic factors on HCM

The EU's 2020 Strategy is focused on three area of growth: smart, sustainable and inclusive that couldn't be achieved without major contribution of skills, knowledge or value of people, common knew as human capital. It is difficult to believe that these goals could be realized without

a good education and training system, a large diffusion of knowledge in manufacturing services, a creative industries and a great effort to create a research-intensive economy (Elena, 2014).

There is a large body of literature, that has revealed that one of the most important factors of economic growth is human capital (Riley, 2012 Lucas, 1988, Mankiw et al., 1992, De la Fuente and Doménech, 2000, 2006) with regard to both the effect of level (so called level effect) by its decisive influence on production through labor productivity (Romer, 1990; Mankiw, Romer and Weil, 1992) *and the rate effect by contributing to increased competitive advantage through innovation and diffusion technology* (Pistorius, 2004 Siggel, 2000, 2001, Horwitz, 2005).

In *the classical theory of economic growth*, labor productivity is regarded as an exogenous factor which depends on the ratio between workforce *and physical capital*, plus other factors (technical progress), *but the beneficial effect of education on potential growth of productivity is not taken into calculation*. The new theory *of economic growth developed in the early* 80s comes to correct this shortcoming of the classical theory emphasizing the importance *of education and innovation, (elements of human capital) in long-term economic growth*. In contrast to this, the theory of market value, shows that studies have highlighted the influence of intangible assets such as research and development, patents, intellectual capital on the market value of companies and also on their development, leading ultimately to economic growth overall national, regional or global, as the new growth theory shows

Elena (2014) highlighted the importance of human capital in ensuring economic growth expressed as gross domestic product per capita. The model revealed a positive relationship, statistically significant between GDP per capita and innovative capacity of human capital (evidenced by the number of patents) and qualification of employees (secondary education) as expected according to economic theory.

Researcher *Ivanova et al., (2016)* revealed that the importance of human capital to ensure economic development of region can be proved also by very strong and positive impact of number of educated people to GDP per capita.

2.1: Role of human capital and foreign direct investment in promoting economic growth:

The results of Azamm & Ahmed (2014) study support the hypothesis of the study by confirming that Human capital development is critical for economic growth. Similarly, FDI has been found to have a facilitating role in promoting growth in the former Soviet Republics now comprising Central Asian independent economies.

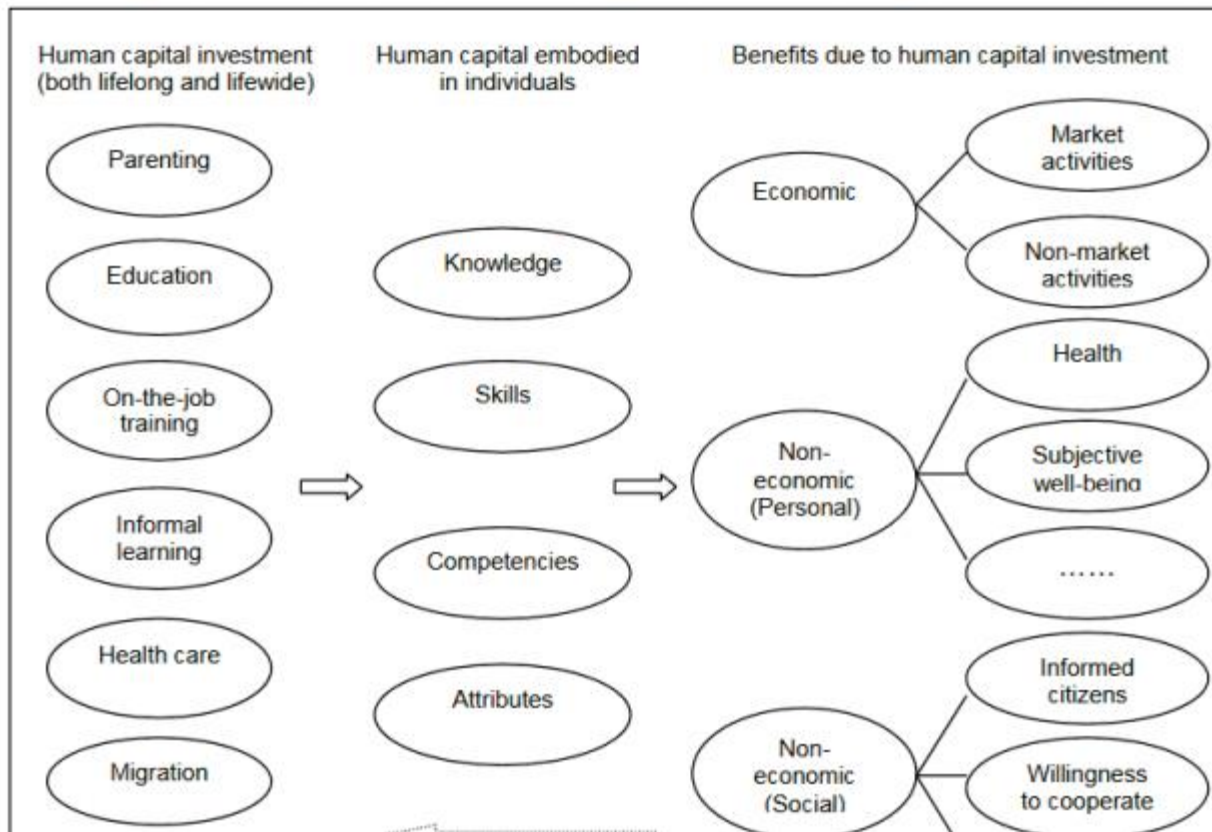
2.2 The impact of human capital on economic growth: a review Rob A. Wilson, Geoff Briscoe (2004)

(Abstract)

This review provides an in-depth appraisal of a wide body of international research that examines the links between education and training in a country and its macroeconomic growth. An initial

analysis of broad statistics for all EU Member States suggests a loose correlation between investment in human resources and growth in gross national product (GNP), but clear causal relationships are difficult to establish. *Increased investment in education is shown to lead to higher productivity and earnings for the individual and similarly, such investment results in significant social rates of return.* The returns on investment in vocational training are more difficult to demonstrate. This study reviews a large number of growth models that attempt to specify and quantify the GNP and human resource relationship. Wide differences are found in the model specifications, the quality of the data inputs and the results obtained. Other links between investment in human capital and economic performance are reviewed using diverse literature sources on human resource management, corporate market value, company size and industry structure. The indirect impact of education on non-economic benefits is also examined in the context of the technological, spatial and environmental gains to society. *It is concluded that, overall, the impact of investment in education and training on national economic growth is positive and significant.* Some policy conclusions are drawn and directions for future research in this area are suggested.

Human capital: a sketch of its formation, composition and benefits generated



(Source: United Nation, 2016)

3. Social Changes impact on Human Capital Management:

Sustainable HR development policies should consider the components such as demographic development - strongly affected by the economic situation - education, culture and health. Human resources are influenced by the evolution of culture, especially the political, economic, behavioural, moral, family culture, migrants, lifestyle etc. Sustainable development of human resources can be achieved through the extension, diversification and increased quality of social services and governmental services.