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Human Capital Strategy In Improving The Quality Of Human Resources: A Systematic Literature Review

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Abstract: Humans are an important asset in any organization or company. As a valuable resource, humans are assets that need to be managed properly. Therefore, a human capital strategy is needed to improve the quality of human resources. This study uses a systematic literature review approach to analyze human capital strategies for improving the quality of human resources. The data collected through Google Scholar and Mendeley.com was analyzed, summarized, described, and concluded. This research has contributed to providing guidance for organizations or companies to develop a human model strategy. The limitation of this research is that it only uses limited references collected from the search engine used so that researchers in the future can research more deeply about human capital strategies for a certain sector or several sectors.

Keyword: Human Capital, Human Capital Management, Strategy

INTRODUCTION

Human capital, or human capital, is a valuable asset for every organization because it involves the skills, knowledge, and abilities of employees that can provide a competitive advantage (Wilson, 2016). The importance of human capital strategy lies in its role in ensuring the development of quality human resources and adaptation to changing times. With a well-planned strategy, a country can increase its economic competitiveness, reduce disparities in the labor market, and ensure the sustainability of social and economic development. An effective human capital strategy can also be the foundation for strengthening innovation, increasing productivity, and creating a more inclusive and competitive society in the current era of globalization and digitalization (Irtysheva et al. 2020). The importance of discussing human capital strategies in a business context cannot be ignored.

Research has shown that investing in an effective human resource system can improve organizational performance (Habidin et al. 2018). By paying attention to the urgency of human capital strategy, companies can understand how important it is to manage and develop

their human resources to achieve long-term competitive advantage. Thus, the discussion of human capital strategy is not only relevant but also key in ensuring business success and sustainability in an ever-changing and competitive era (X. Liu et al. 2014). Thus, the human capital development strategy is not only a necessity, but also the key to success for a company or organization in facing complex and diverse business challenges in this era of globalization. By understanding the importance of human capital and implementing the right strategies, companies or organizations can strengthen their business foundations and achieve sustainable growth (Hamsani et al. 2022).

Human capital strategy is a very important approach to improving the quality of human resources in an organization. By focusing on the development of employee knowledge, skills, and abilities, human capital strategies can make a significant contribution to improving the quality of human resources (Njoku & Onyegbula, 2017). One of the ways that a human capital strategy can help improve the quality of human resources is through continuous training and development. By providing relevant and up-to-date training, employees can continue to improve their skills according to the demands of the ever-changing job market. This will help improve productivity, innovation, and overall quality of work. In addition, a human capital strategy can also help create a work environment that supports employee growth and development. By providing strong organizational support, such as recognition of achievements, opportunities for growth, and open communication, employees will feel valued and motivated to give their best. Then, a human capital strategy can also help in building a collaborative and innovative work culture. By encouraging collaboration, creativity, and shared learning, employees will feel engaged and motivated to contribute to the fullest (Firdaus et al. 2023).

Overall, a human capital strategy can help improve the quality of human resources by providing ongoing training and development, creating a supportive work environment, and building a collaborative and innovative work culture. Thus, organizations can gain a competitive advantage through qualified, competent, and motivated employees (M. S. Liu & Liu, 2021).

LITERATURE REVIEW

Human Capital Strategy

According to Hall (2008) *human capital strategy* is a plan that details how an organization will create a sustainable competitive advantage through human resources. Then, another definition is known the human capital strategy according to Sapungan and Gulpan (2017) refers to an approach that focuses on managing human resources (HR) in an organization with the aim of improving organizational performance and achieving competitive advantage. This strategy emphasizes the importance of investing in the development of employee knowledge, skills, and abilities in order to make maximum contributions to the organization's goals. By making optimal use of employees' potential and expertise, organizations can create significant added value and gain a competitive advantage. Based on this, it can be seen that human capital strategy is an approach designed to create sustainable competitive advantage through human resource management in an organization. With a focus on developing human resources that aim to improve organizational performance and achieve competitive advantage. Human capital strategy should be more than just a routine plan made every year. As a strategy, human capital strategy should be an integral part of the organization's broader business strategy. This includes a deep understanding of how human resources can provide added value to an organization and how competitive advantage can be achieved through effective human resource management. Thus, human capital strategy should be a guide that directs activities and decisions related to human resources to be in line with the organization's short-term and long-term business goals. Therefore, human capital strategy should be considered as a strategic and integrated strategy, not just as a routine plan

that is made every year without being closely related to the organization's business goals (Hall, 2008).

The Purpose of the Human Capital Strategy

According to Philips and Phillips (2015) the purpose of the Human Capital Strategy is to optimize the use of human resources in the organization in a way that supports the achievement of the company's strategic objectives. The human capital strategy aims to:

1. **Improve employee productivity and performance:** This strategy aims to improve employee productivity and performance through skill development, training, and effective performance management.
2. **Improve talent retention:** A human capital strategy aims to attract, develop, and retain the best talent in an organization so that it can make maximum contributions.
3. **Increase employee engagement:** This strategy aims to increase employee engagement and motivation through clear recognition, rewards, and career development.
4. **Facing market changes:** A human capital strategy also aims to help organizations deal with market and technological changes by ensuring that employees have relevant skills and knowledge.
5. **Creating an inclusive work culture:** This strategy aims to create an inclusive and supportive work culture to promote collaboration and innovation.

By implementing an effective human capital strategy, organizations can gain a competitive advantage through optimal human resource management.

METHOD

This study uses a qualitative approach with the aim of analyzing human capital strategy to improve human resources quality. Then, the data collection will be collected with literature surveys, namely the activity of reviewing books, scientific articles, and other sources from Google Scholar and Mendeley.com that are relevant to certain problems, fields of research, or theories that aim to provide descriptions, summaries, or can be in the form of evaluations (Pradana et al. 2021) After the data has been collected, it will be analyzed, summarized, and described until conclusions are reached.

RESULTS AND DISCUSSION

Here are some studies that are relevant to human capital strategy:

Table 1. Relevant Research Related to Human Capital Strategies

No.	Author and Year	Sector	Country	Method	Research Result
1	(Rutkauskas et al. 2016)	Education	Lithuania	Quantitative	The results of the study emphasize the importance of investing in human capital for staff education, training, health, and mobility. These investments drive the acquisition of new knowledge, experience, motivation, and higher income. Knowledge remains a key element of human capital. A smart investment strategy in human capital is considered crucial to achieve high benefits and added value, as well as to support economic growth and sustainable development of a country.

2	(Y. Liu & Wang, 2014)	Company	China	RnD	The results of this research related to the human capital strategy are the development of a Human Capital Classification (HCC) matrix based on biological natural attributes. This matrix allows the classification of human capital based on "hedge force" and "appreciation force," which reflect the abilities and performance of employees in the organization. By using this approach, companies can make more effective strategic decisions in employee selection, development, and retention, as well as optimize their human capital structure to achieve sustainable competitive advantage.
3	(Stryzhak et al. 2021)	Tourism	Cross Country	Quantitative	The results of this study show that with the increasing digitalization, the tourism sector needs to update its human capital management strategy which is focused on developing Technology, Information, and Communication competencies. This research also highlights the importance of employee competency compatibility with the increasing digitalization in the tourism industry. Therefore, it is important for travel agents to pay attention to their human capital strategies to be in line with the development of digitalization in tourism.
4	(Rocha et al. 2019)	Company	Portugal	Quantitative	The results of this study show that the initial human capital decisions taken by new company founders can have a significant impact on the performance of ventures in the future. This research highlights the importance of taking into account the quality of founders and early employees as well as human capital strategies in analyzing company performance.
5	(Avdeev et al. 2022)	Agriculture		Quantitative	The results of this study are related to the development of strategies for human capital in the agricultural sector, with a focus on the analysis of the internal and external environment as well as the identification of threats and opportunities for the development of human capital in the agricultural sector.
6	(Otete, 2018)	Business	Uganda	Quantitative	The results of the study show that human capital development strategies have a significant influence on business competitiveness in Uganda.
7	(Khoruzhy et al. 2023)	Economy	Cross Country	Quantitative	The results of this study are related to human capital management strategies in the context of national economic digitalization. This research identifies several key strategies in human capital management, such as profitability strategies, entrepreneurial strategies,

					and dynamic growth strategies. The results of this study highlight the importance of adapting these strategies in facing the challenges of economic digitalization.
8	(Njoku & Onyegbula, 2017)	Education	Nigeria	Qualitative	The results of this study highlight the importance of human capital development as a strategy to achieve sustainable development in the Nigerian education system. This study emphasizes that the development of human capital through quality and functional education can increase the production capacity of a country's workforce.
9	(Akankunda et al., 2024)	Company	Uganda	Quantitative	The results of this study show that there is a significant relationship between management control systems and human capital development in power companies in Uganda. Management control systems play an important role in influencing the development of human capital, which in turn contributes to the sustainable performance of such companies. Therefore, this study highlights the importance of integrating an effective management control system to improve human capital development and sustainable performance of companies.
10	(Tucker, 2018)	Organization		Qualitative	The results of this study are related to successful human capital strategies in organizations. This research discusses how the best organizations build and implement effective human resource management plans, as well as the concrete results that can be expected from adopting best practices in human resource management.
11	(Irtysheva et al. 2020)	Digitalization	Ukraina	Quantitative and Qualitative	The results of this study show that the current state policy in the development of human capital in Ukraine does not meet modern challenges related to the development and spread of digital technology. The consequences are growing disparities in the labor market, a shortage of highly qualified specialists with appropriate digital competencies, the trend of emigration of the nation's intellectual and genetic capital abroad, the decline of the "middle class," and the intensification of social degradation.
12	(Sapungan & Gulpan, 2017)	Organization		Qualitative	The results of this study related to human capital strategy highlight the importance of managing human capital strategically to achieve organizational competitive advantage. This study emphasizes the difference between human resource management (HRM) and human capital management

					(HCM), where HCM is more strategic because it considers the company's current needs as well as the impact of current actions on the future of the organization. In addition, the study highlights that HCM does not replace HRM, but rather complements, supports, and strengthens HRM to ensure organizations can fully leverage their competitive advantage.
13	(Asaduzzaman Sikder, 2024)	Organization	Bangladesh	Qualitative	The results of the study show that effective leadership strategies, such as transformational styles, servant leadership, and distributed leadership models, play an important role in driving technology integration in existing NPOs in Bangladesh.
14	(Karami & Gustomo, 2020)	Publishing	Indonesia	Quantitative and Qualitative	The result of this study is that RA Planners experience challenges in achieving their business targets due to the lack of a formal organizational structure and a clear job design. By analyzing the maturity level of Human Capital and conducting a gap analysis on the company's business processes, this study proposes a new organizational structure design and job description to address the company's internal problems and support strategic initiatives.
15	(Obidile et al. 2023)	Education	Nigeria	Quantitative	The results of this study show that the identification of youth vocational education and training needs can be a valuable approach in improving human capital development. By understanding youth vocational training preferences and providing wider access to the training chosen by youth, governments can play a role in ensuring better human capital development.

Source: Research Results

Based on several studies, it is known that human capital strategies have been implemented in various sectors, including education, companies, organizations, business, tourism, digitalization, agriculture, economy, and the publishing sector. As shown in figure 1.



Figure 1. The Implementation of The Human Capital Strategy Has Been Applied to Various Sectors

Based on the figure above, the human capital strategy to improve the quality of human resources in various sectors requires a strategy model. On the model of human capital management strategy based on James and Cross (2017) It includes four main pillars that involve various important aspects of human resource management. Here is an explanation of each pillar and two specific ways associated with each pillar:

1. Leadership

- a. **Commitment to Human Capital Management:** Senior leaders must demonstrate a strong commitment to human capital development. They must prioritize investment in employee development and create a culture where human resources are considered valuable assets that can improve the overall performance of the organization.
- b. **The Role of the Human Capital Function:** The human capital function must be integrated with the overall organizational strategy. They must work closely with business units and senior management to ensure that human capital policies and practices support the achievement of the organization's strategic objectives.

2. Human Capital Strategic Planning

- a. **Integration and Deployment:** Organizations must integrate human capital strategies with the organization's business goals and programs. This ensures that human capital needs are considered in overall strategic planning.
- b. **Data-Driven Capital Decisions:** Human capital-related decision-making should be based on valid and relevant data. Organizations need to use data to determine current and future human capital needs and identify strategies to fill those gaps.

3. Talent Development, Enhancement, and Retention

- a. **Targeted Investments in People:** Organizations need to make targeted investments in employee development. This includes training, skill development, and rewards programs that can improve employee value and performance.
- b. **Human Capital Approach to Meeting Organizational Needs:** Organizations must identify specific human capital needs to achieve strategic goals. They need to develop

strategies for recruiting, developing, and retaining talent that fits the needs of the organization.

4. Results-Oriented Organizational Culture

- a. **Empowerment and Inclusivity:** Organizations must create a culture that encourages empowerment and inclusivity. This allows employees to contribute to the fullest and feel valued in an inclusive work environment.
- b. **Unit and Individual Performance Linked to Organizational Goals:** The performance of individuals and work units should be closely related to organizational goals. Incentive and reward systems must be designed to drive performance that supports the achievement of the organization's strategic goals.

By implementing this human capital management strategy model, organizations can strengthen leadership, improve strategic planning, develop talent, and create a work culture that supports the effective achievement of organizational goals.

Factors to Consider in a Human Capital Strategy

To create a successful human capital strategy, here are some key steps and factors to consider based on Tucker (2018):

1. **Deep Understanding of the Organization:** A successful human capital strategy must be based on a deep understanding of the organization's goals and how human capital can support their achievement.
2. **Leader Engagement:** It is important to involve organizational leaders in the development and implementation of human capital strategies. Leaders who are supportive and actively engaged can provide clear direction and necessary support.
3. **Focus on Employee Development:** Investing in employee development through training, continuous learning, and career development can improve employee skills, motivation, and engagement.
4. **Supportive Organizational Culture:** Building an organizational culture that supports growth, innovation, openness, and collaboration can improve employee performance and strengthen human capital.
5. **Performance Measurement and Feedback:** It is important to have a clear performance measurement system and provide constructive feedback to employees. This helps identify areas for improvement and strengthen employee strengths.
6. **Flexibility and Work-Life Balance:** Offering flexibility in work and focusing on the balance between work and personal life can increase employee satisfaction and productivity.
7. **Application of HR Technology:** Utilizing HR technology such as performance management systems, talent management systems, and data analytics can help in managing human capital efficiently and effectively.
8. **Continuous Evaluation and Adjustment:** A successful human capital strategy must be evaluated periodically and adjusted to the changing environment and organizational needs.

By paying attention to these factors and implementing a holistic and sustainable human capital strategy, organizations can achieve success in managing and optimizing their human capital.

The Impact of Human Capital Strategy on Human Resources

According to Sapungan and Gulpan (2017), The impact of the Human Capital Strategy on Human Resource Management is as follows:

1. Human capital strategy does not replace human resource management, but complements, supports, and strengthens HRM.
2. Both approaches (HCM and HRM) have the same focus in terms of people management.
3. Human resource management practices such as recruitment, training and development, and employee relations are still needed in HCM, but they are becoming more strategic.
4. A human capital strategy helps to address the shortcomings of the HRM approach to ensure that the organization can fully leverage its competitive advantage.

Thus, even though organizations implement human capital strategies, human resource management remains relevant and important in the context of human resource management.

CONCLUSION

This study shows that relevant research related to human capital strategies shows that human capital strategies have a positive impact on improving the quality of human resources. Therefore, human capital strategy has an important role in improving the quality of human resources by paying attention to many factors, starting from leadership, how to plan human capital strategies, developing, improving, and maintaining human capital talents, and no less important than the organizational culture factors, the application of technology, performance measurement and feedback, and continuous evaluation. Then, this human capital strategy can be applied in various sectors so that any organization or company can use the human capital strategy to improve the quality of its human resources. Thus, the implementation of a human capital strategy can help organizations gain a competitive advantage through qualified employees because later it can have an impact on organizational performance.

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