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## **Gaining Sustainable Competitive Advantage through Human Capital: Does Firm Specific Human Capital or General Human Capital Matter?**

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### **INTRODUCTION**

The highly competitive atmosphere in which organizations operate today, achieving and sustaining competitive advantage is increasingly becoming the central theme for firm's survival (Flint & Golicic, 2009). Specifically, recent trend of knowledge based economy has questioned the traditional method of utilizing only financial and other tangible resource may not provide sustainable competitive advantage for organizations (Lan, Lu, & Chen, 2013). The role of organizations human capital resource is increasingly becoming imperative in the successful implementation of organizations policies and activities aimed at ensuring competitiveness in the marketplace (Díaz-Fernández, López-Cabrales, & Valle-Cabrera, 2014). By implication, firm's economic activities are undergoing a paradigm shift towards knowledge and intellectual based dimension.

This development makes knowledge asset replace and take the lead among other production factors available to business firms (Delgado-Verde, Martín-de-Castro, Navas-López, & Cruz-González, 2011). In addition, strategy and human resource management literature has long proposed human capital as important element that enhances firm's performance and long term profit in knowledge based economy (Hsu & Fang, 2009). This resource is developed and maintained in organizations human resource and it is highly movable within the factor market (Sydler, Haefliger, & Pruksa, 2014). This is because human resource with large stock of human capital can easily quit their current job if it does not meet their requirement (Teece, Pisano, & Shuen, 1997). The tendency of human capital mobility has shifted attention of scholars to focus on development of firm specific human capital (Barney, 1991; Wright, 1992).

In line with resource based view perspective, Penrose, (1959) posit that firms can gain competitive advantage based on two basic pillars i.e. firms resource heterogeneity and firms resource immobility. This prompt contribution from other scholars such as Barney (1991), where he introduced value, rarity, inimitability and non-substitutability as not only requirement but necessary conditions for sustainable competitive advantage. Moreover, as studies in human resource and strategic human resource management lean toward investigating and advocating for internal resource utilization through unique human capital configuration, little is known about the most suitable level at which this resource can be developed. In addition, understanding human capital development through general or firm specific skills has recently become debatable. These suggest that, the appropriate strategy still remain vague. Therefore in this paper we review relevant literature focusing on human capital. We argue that both firm specific and general human capital depend on a given firms' situation.

## **OVERVIEW OF HUMAN CAPITAL**

Human capital is an intangible organizational asset that has a direct influence on organizational performance (Abdullah & Sofian, 2012; Sharabati & Nour, 2013; Bontis & Chua Chong Keow, W Richardson, 2000). The relationship between human capital construct has been linked with organizations financial performance (Curado, Guedes, & Bontis, 2014). In particular, within the banking industry, many studies have established a link between the components of intellectual capital and financial performance (Bontis & Fitz-enz, 2002; Stovel & Bontis, 2002; Mavridis, 2004).

In addition, organizations human capital resource involve the collection knowledge, skills and abilities facilitates employee innovation capacity, creativity, problem solving technique and competence (Hormiga, Batista-Canino, & Sánchez-Medina, 2011; Hsu & Fang, 2009) and the task of identifying and evaluating source of competitive advantage through employee talent and innovation is of strategic importance to organizations (McGuirk, Lenihan, & Hart, 2015). Therefore, organizations human capital resource plays significant role in the successful implementation of organizations strategic policies and activities which ensure competitiveness in the marketplace (Díaz-Fernández et al., 2014).

## **FIRM SPECIFIC AND GENERAL HUMAN CAPITAL**

The concept of human capital has been classified as firm specific or general human capital (Chowdhury, Schulz, Milner, & Van De Voort, 2014). Firm specific human capital is obtained and measured through the extent of education and experience in human resource current firm which is not transferable to other firms (Feeny & Wilcocks, 1998). While, general human capital are those skills with general applicability across firms (Chowdhury et al., 2014). The value of firm specific human capital eventually erode as employee switch between one organization and another (Balmaceda, 2006). While many scholars believe that, firm specific human capital experience improvement in their present work, knowledge, skills and expertise (Gathmann & Schoenberg, 2010; Zarutskie, 2010). It has been argued that, firms that develop firm specific skills on core events may be difficult to monitor (Masters & Miles, 2002). In this paper we argue that, relevance of developing firm specific or general human capital may depend on a given situation. Because the highly competitive market in which businesses operate today may often times require that firms diversify to new product or markets. In this situation, applicability of such firm specific knowledge in the new product area or markets may be constraint by firm's unique configuration of Human capital.

## **HUMAN CAPITAL AND FIRM COMPETITIVENESS**

Human capital resource, involve knowledge pool and knowledge utilization are positively associated with organizational performance (Kim, Lee, Paek, & Lee, 2013). However, there is still inconsistency in the literature concerning the effect of human capital on performance. Appropriate configuration of human capital is believed to transmit effect on employee skills and eventually to organizational performance. These unique skills provide an avenue through which firms' can gain competitive advantage which is sustainable. But this study is based on the argument that, the human capital itself does not always have significant effect performance. This is because many studies on human capital have established insignificant association in its relationship with organizational performance (Khaliq, Shaari, Abdul, Isa, & Ageel, 2011). Conversely, another study on the effects of intellectual capital on organizational performance through organizational learning capability revealed that human capital is significantly and positively associated with organizational performance (Darvish, Ahmadi, Kafashzadeh, Farid, & Nejatizadeh, 2013). This finding contradicts the previously reported results where human capital was found to be insignificantly related with organizational performance (Khaliq, Shaari, Isa, & Ageel,

2011). Therefore, based on inconsistency in the findings, we call for more empirical investigation of this construct. Such investigations can be conducted in order to clarify current findings through the use of moderators.

Moreover, human capital resource can provide level of return of an individual employee, with respect to his or her organizations, on many employment related practices and results (Babin & Boles, 1998). This makes scholars increasingly recognize that employee assume a crucial part in conveyance of capital, maintaining satisfied and loyal customers is increasingly becoming prevalent among scholars (Chi & Gursoy, 2009). Therefore, maintenance of employee who can contribute positively to performance in the working environment is vital to firms success (Karatepe, 2013). Therefore, attaining a e competitive advantage for business is vital and firms scholars should try to explore the means through which such advantage can be sustained. This can be done through either general or specific configuration.

### **COLLECTIVE HUMAN CAPITAL**

Collective human capital resource can be seen as the collective level of return of an individual employee, with respect to his or her organizations on many employment related practices and results (Babin & Boles, 1998). The recognition that employee assume a crucial role in conveyance of structural capital, maintaining satisfied and loyal customers, recovery and maintenance of fulfilled and faithful customers is prevalent among scholars and experts (Chi and Gursoy, 2009; Guchait et al., 2012) Therefore, maintenance of human resource who can significantly contributes to performance is vital to business success and customer loyalty to business firms (Karatepe, 2013). Moreover, employee in service related employments are believed to deal responsively with caution and relied upon their expertise to manage customer job demands and issues in a responsive and obliging way.

In view of the fact that structural capital and consumer loyalty to a great extent relies on employees' service delivery and behavior (Bettencourt, Brown, & MacKenzie, 2005). The level of an accomplishment to which an employee's satisfies the organizational mission and objective at working environment is called performance. The job employee is collectively developed by level of accomplishment of a specific target or mission, mission, objectives or goals that describes the limits of performance (Cascio, 2006). As noted by former Siemens CEO Heinrich von Pierer, "whether an organization values its workforce in hundreds or many thousands, its prosperity depends exclusively on individual performance" (Bisoux, 2004). Collective human capital therefore involves a collection of knowledge, skills, Abilities and other characteristics. This has been treated as a singular construct in the literature (Nyberg, Moliterno, Hale, & Lepak, 2014).

According to Jung & Yoon, (2014) revealed that desired behavior from the employee during service delivery is necessary in enhancing quality and competitiveness business firms, and it is one of the indicators of employee performance. The fact that collective employees in the frontline perform an essential part in delivery of structural capital, successful service delivery, and retention of satisfied and faithful customers is predominant among researchers and practitioners (Chi & Gursoy, 2009; Guchait et al., 2012). Therefore, attracting and retaining the right pool of employees who are capable of making significant contribution toward enhancing quality of service and efficient service delivery is as significant towards ensuring that firms' succeed. This will ensure customer loyalty which is the means through which firms' can improve their profitability (Karatepe, 2013). In this regard, specific configuration of such skills may not be necessary since employees the ultimate goal of the firm is productivity improvement. Whether, such productivity emanates from unique skills or extent of team spirit, it is the end result that matter. In essence, unique configuration of skills may limit the possibility of knowledge sharing among employees.

## CONCLUSION

Firms' human capital embedded in employees often it is called intangible firms' resource, (Mehralian, Rasekh, Akhavan, & Ghatari, 2013; Ployhart & Moliterno, 2011). However, firms' human capital incorporates knowledge of firms' restrictive innovation or social setting which is available to firms. Employees may take such capital with them when they leave, but firm specific human capital is incompletely deployable in the new firms' (Campbell et al., 2012). It is used to refer to employee level knowledge, skills, and abilities that have constrained applicability outside his present firms' (Becker, 1964). It can be perceived that human capital means one of essential production component which can create improved values through inputting it (Dae-Bong, 2009). The ownership of human capital may give a clarification and guaranty sustainable advantage, in view of the fact that value, rarity, inimitable and non-substitutable knowledge, skills and abilities (KSA's) is developed in a path dependent manner, (Crook, Todd, Combs, Woehr, & Ketchen, 2011).

Therefore, for firms's to sustain, maintain and retain any competitive performance advantage linked to human capital, then competing firms's should not have the capacity to buy the asset in strategic factor market, (Crook et al., 2011). Human capital if properly configured is most essential for achievement if it comprises of current knowledge and skills related to task, (Unger, Rauch, Frese, & Rosenbusch, 2011). Firm specific human capital resource involve the collection knowledge, skills and abilities that facilitates employee innovation capacity, creativity, problem solving technique and competence (Hormiga, Batista-Canino & Sanchez-Medina, 2011; Hsu & Fang, 2009).

The task of identifying and evaluating source of competitive advantage through employee talent and innovation is of strategic importance to firms's (McGuirk, Lenihan & Hart, 2015). Thus, firm specific human capital is unique skills, knowledge and innovative abilities that the firms's develop and maintained as a benchmark for workers participation in the process of realizing overall objective. However, the firm specific advantage provides source of rent its current firm. But closer examination of this advantage may turn out to be adverse for the firm whose resources are specifically configured.

To understand this scenario, a typical economic law of diminishing return can be used to exemplify this phenomenon. For instance, firms' current demand for a particular product or market may rise and eventually reach its peak. By the time it reaches peak diminishing return will set in by experiencing declining demand for its product. This decline in demand may be caused by among other factors introduction of new product, development of new technology or entry of well entrenched competitor into the market. This development may compel firm to either diversify by introducing a new product or move into a new market. Particularly firm specific human capital may not be useful when firm move into new markets. Therefore, while firm specific human capital provides a source of competitive advantage, such advantage may not be sustainable in the long run.

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