EVALUATION OF HUMAN CAPITAL ON ORGANIZATIONAL PERFORMANCE: A STRUCTURAL EQUATION MODELING APPROACH

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ABSTRACT:

The purpose of this research article is to examine the relationship between human capital (HC) practices and organizational performance. Research over the years, has established significantly a positive correlation between HC practices and organizational performance. Though this research theme has been extensively researched in developed countries, very limited research has been done in the prevailing HCM scenario obtained in developing economies, especially in India. Hence, this article attempts to study the relationship and fill this research gap. The assumption underpinning the practice of HCM is that people are the organization's key resource and organizational performance largely depends on them. Therefore, if an appropriate range of HC policies and processes are developed and implement effectively, HC will make a substantial impact on organizational performance. However, the majority of the pharmaceutical companies in Hyderabad are yet to catch the HCM unapproachable. The objectives of the study were to analyse and examine the HC indicators in the pharmaceutical companies, evaluate the perceptions of employees on HC practices and programmes of the Pharmaceutical companies and establish the impact of properly managing human capital on the organizational performance of these Pharmaceutical companies. This study surveyed eight pharmaceutical companies in Hyderabad with total respondents of 596 made up of managerial employees and non-managerial employees. The response rate was 83.89 percentages which represented 112 managerial employees and 388 non-managerial employees. A two-stage structural equation modeling (SEM) has been used to study this relationship by using LISREL 8.5 by maximum likelihood method. In the first stage, the proposed measurement model is validated through confirmatory factor analysis (CFA) and, in the second, the structural model examines the hypothesized relationship between the HC practices and organizational performance. It is found that the two are positively related. The findings of this study strengthen existing literature in the area and have important implications for managers engaged in HC functions and it also shows that the enormous benefits of properly managing human capital through which competitive advantage could be created in the pharmaceutical companies.

Key Terms: Human Capital, Human Capital Indicators, Organizational Performance, Structural Equation Modelling, Confirmative Factory Analysis.

I. Introduction

In the global scenario the world is driving towards knowledge-based business society. Human Capital is recognized as a heart of the knowledge-based economy and has been considered as the basic component of intellectual capital. The successful organizations have recognized the significance of HC as a valuable intangible assets and foundation for sustainable competitive advantage. It guides the organization to achieve its objectives, goals and develop in an effective and efficient manner. Human capital play very important role in organizational performance. In general it mentions that employees obtain more knowledge through education, training and also increases the productivity, profitability, and innovativeness. It has been recognize that there is a need of competence and skills which

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plays a vital role to future success and safety for individuals, groups, organizations as well as nation.

From the literature point of view, human capital is having link between theoretically and empirically on organizational performance. A. Seleim, A. Ashour, and N. Bontis (2007) and S. Samad (2012) studies reveals that there is a link in which certain facts of human capital are valuable to the business performance. Further the competitive business environment has change rapidly due to advancement of informational technology, working conditions, environment factors and also pays attention on cost effectiveness, S. Samad (2011). The intricacy of business organization determines the environments to demands employees to be proactive, positive and having superior quality of human capital. Most of the organizations have beliefs that grasp human capital may be the sources to have competitive advantage for enhancing better performance. C. J. Huang and C. J. Liu (2005) stated that human capital has recognised as essential element in the global competition to drive the economic growth and organizational performance.

A large number of studies are conducted in this area, but very few empirical studies are investigating the relationship between human capital and its impact on business performance in service and manufacturing industries, M. Cabirta and N. Bontis,(2008). Further, human capital has multidisciplinary nature which was not able to understand by the organizations. According to N. Bontis and A. Serenko, (2009) stated that the multidisciplinary nature of human capital contributes to richness of perspective and difficulty for valuation. In this context, most of the research studies has done in the developed countries with different environment and mindset of human capital, and pointed out the need of study to be carried out in Asian region particularly in India. In pursuit of sustainable organization, employees of Indian private sectors particularly in Pharmaceutical companies are left with no other option but to gain competitive advantage by mitigating its performance. From the earlier studies and literature have determine that human capital is a predictor variable of organizational performance. In this condition, human capital that is required for Pharmaceutical companies in India has not been highlighted. The process of globalization has put heavy pressure on pharmaceutical industry to be competitive. The impact of these pressures is all pervasive and long term survival of business is dependent on its ability to improve continuously. Organizations have to gear up with new and innovative Human Capital Practices to survive and flourish in today's hyper competitive business environment. In this scenario, Human Capital is expected to play a vital role in helping organizations to overcome these challenges. There is a growing need for skilled and scientific study of Human Capital Management in the pharmaceutical companies.

It is observed from the above that HCM is the prominent success factor of an organization to achieve the excellence and grow as per the expectations. The pharmaceutical sector is growing with the pharma companies in Telangana exponentially. Due to the above facts the top performing pharmaceutical companies of Hyderabad are selected for the present study. Hence, the study is undertaken to assess the impact of HCM Indicators (knowledge accessibility, workforce optimization, employee engagement, leadership practices and learning capacity) on organizational performance of the pharmaceutical companies.

II. Literature Review

A. Human Capital

From past few decades, research scholars have the issues on the definition and measure of human capital and its impact on organizational performance, S. Samad (2012). Different perspectives of human capital have been viewed by previous scholars. According to J. S. Coleman, (1988) human capital refers to person's knowledge and abilities that allow for

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changes in action and economic growth. Individuals" knowledge and abilities can be secured from various approaches. Formal training and education are among approaches or mechanism of human capital development.

Among the suggestive models related to human capital are individual model, firm model and Industry specific human capital model. W. R. Sandberg (1986) define the firm specific human capital model pertaining to the skills and knowledge which are valuable to firm specifically for creating a competitive advantage in the market and help in organization performance. M. Kenney and U. Burg, (1999) R, Siegel, E. Siegel, and I. C. McMillan, (1993) suggested a model of Industry-specific human capital. The concept has developed and derived from the study of assessing the contribution of human capital on business performance. The study reveals that it is based on nature and specific of the industry, it also impact on the growth and economic performance of the Industry. The presence of industry can be depending on creativity and innovation which can be executed with help of network partners and technology usage. J. M. Pennings, K. Lee, and A. Witteloostuijn, (1998) explain about individual-specific human capital model which pertaining to knowledge, skills, education and experience are applied to a wide range of companies and industries, including the leadership skills and experience

.Chen, Z. Zhu, and H. Y. Xie, (2004) has stated that human capital is a combination of individual competence, attitude, adaptability and creativity. Human capital is also express as value creators based on their personal knowledge and skills which are related to the organization and it consist of know – how, competence, capacity, intellectual skills, attitude and creativity that are mention by the authors (W. R. Sandberg, (1986) and S. Samad, (2010)). H. S. Rodrigues, P. F. Dorrego, and C. F. Jardon (2010) classified human capital in a form of employees' competencies such as skills, know-how, commitment and accountability towards their job and institution. Meanwhile I. Pena, (2002) suggested the human capital considered as education, experience, work environment and level of motivation and commitment.

According to T. N. Garvan, M. Morley, P. Gunnigle, and E. Collins, (2001) proposed four key attributes of human capital which consists of flexibility and adaptability; individual competencies; organizational competencies and individual employability has to develop in the organization. R. E. Boyatzis,(1982) develop a model of efficient manager that focus on competency as key to human behaviors. Further this model is updated based on the characteristics of the employees with an objective to get efficient and effective performance in their work. The attributes include skills, traits, motive, individual self-image, body of knowledge and individual cognitive and affective role. R. E. Boyatzis, E. C. Stubbs, and S. N. Taylor, (2002) suggested that to be in the cut throat competition, people in the organization need to have competencies in design the program in effective manner and develop teaching methodology for learning. Kearns (2005) believed in human capital management and considers "people are not overheads but they are value adders". Fombrun *et al.* (1984) fairly represent that employees are the most valuable resources in the organization where manager are to utilize in more effective way to attain competitive advantage. Further, manager are be effective and have competencies in two area of affective and cognitive, these competence have effect on behavioural aspect and personality aspects. the two competences aspects of cognitive and affective aspect are required for the managers to have learning experience in manufacturing companies.

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From the above information it indicates that human capital have analyzed from various aspects which are individual capabilities in the form of tangible and intangible resources, cognitive and affective capabilities in the organization. The human capital aspects of intangible capabilities are personality attributes, motivation, attitude, commitment and behaviours of the individuals in the organization. This study highlights to assess the human capital from both perspective of cognitive (training and development, education, knowledge, skills, competency, commitment, communication, accountability, inclusiveness, collaboration, information sharing, time, system and creativity) and affective (employees attitude). Cognitive and affective aspects of human capital are important resources for business and organizational performance.

B. Organizational Performance

The most important aspect to focus and measure the organizational performance are based on the two areas of research mainly on economic and organizational perspective. The economic perspective emphasizes the importance of external market factors such as the organizations competitive business environment and also considers financial matters of the organization. The organizational perspective focus on internal factors includes behavioral and sociological paradigms and fit to the organizational environment to have better quality of services and quality of product in respect of employees and customers' satisfaction, to have competitiveness in the market (S. J. Tvorik and M. Mc Given, 1997).

Several researches gave their insight and proposed various approaches to assess organizational and business performance (J. Ford and D. Schellenberg, 1982). According to the D. I. Prajo, T. S. Laosirihongthong, and S. Boon-Itt, (2007) identified ten various technique of performance measurements and classified into three main dimensions: financial performance, business performance and organizational effectiveness. Previous work research has used different measures to evaluate the business and financial performance. These models include profitability, gross profit, return on asset (ROA), return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency (S. Samad, 2012) and (N. Venkatraman and V. Ramanujam, 1986).

They are different ways to evaluate the performance of organization such as product performance which includes product features and product reliability, market performance related to market share and customer satisfaction, financial performance consist of profitability and return on investment Jones, G. K., LanctotJr, A., & Teegen, H. J. (2001). There is two technique or methods to work as a base for performance appraisal of the business organizations. These methods are profit measures and growth measure which related to return on asset, return on sales and sales growth. Therefore, the first technique shows that efficiency of its organizational operations. The second indicates the organizational effectiveness to create a new market opportunity or expend the growth in the existing markets (Li and Richard, 1999).

According to Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009) analyze the organizational outcome in three distant areas that are effected to share holders return includes economic value added and total shareholder return, market performance related to sales and market share, financial outcome reveals return on investment, profits and return on assets. From the academic point of view, performance is dependent variable which is associated with the department of the organizations such as marketing management, operations management, accounting, finance and organizational behaviour. These variables

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have impact on market share, customer satisfaction, cost of operation, productivity, employees' efficiency and satisfaction and capital market.

Organizational performance has relation to objectives, goals and assessment depends on the corporate strategy and size (Richard *et al.,* 2009). According to Dyer and Reeves (1994), reveals that organizational performance can be formulated into multi-dimension and assessment consists of three types, which are human resource effect, organizational outcomes and financial outcomes. Human resource effect consists of employees' job satisfaction, organizational outcomes consist of productivity and customer satisfaction, financial outcomes related to company profit and market value. This study focused organizational performance in terms of Industry Leadership, Future Outlook, Profit, Profit Growth, Sales Growth, After-tax return on assets, After-tax return on sales, and Overall response to competition, Success rate in new product launches and Overall business performance and success which is suggested by Bontis (1999).

C. Linking Human Capital and Organizational Performance

According to the Carpenter, M. A., Sanders, W. G., & Gregersen, H. B. (2001) indicated that CEO's global experience are positive associated with the financial outcome when the top administrative member has global work experience. Previous empirical work suggested that characteristics of CEO's influence strategic actions that have indication for organizational performance. The study concluded that a high competency degree of intellectual capital can predicts organizational outcomes. Therefore, the study reveals that CEO's global experience (human capital) has link with the organizational performance.

Benjamin, C. A., Coff, R., & Kryscynski, D. (2012) emphasizes that organization-specific Human Capital act as a tool to achieve competitive advantage when restricted to employee mobility. Ravi, B., Nishtha, Amit, M., Ram, G., & Alok, G. (2013) examined that investment in human capital plays a vital role in improving employees performance through training. In his study report found that training have significant positive impact on organizational performance. One unit raise in training has an impact of 2.14 percent of employees performance and also mention that general training program outside the organization will also increase performance.

The study of Odhon'g and Omolo (2015) proved from his statistical tools that human capital investment has a significant relation with organizational performance. The variables of the study are knowledge and skills development, education and training have recognized significant association with organizational performances. Every organization can create and make value through investment of human capital and establish human capital risk management strategies to achieve sustainable organizational outcomes. Saini, A. K., Grwwal, H. S., & Singla, H. K. (2016) reveals that human capital variable like knowledge, skills creative and innovative capabilities have positive relation and significant impact on quality performance.

Almasarweh (2016) examined in the study that learning, knowledge and skills are the variable of human capital to have significant impact on competitive performance of pharmaceutical companies in Jordan. Jamal and Saif (2011) stated that human capital manageent have positive association with organizational output in knowledge industries. Chen and Lin (2005) explained human capital as input device that uses technology and talents to promote competitive advantages, which are unique and valuable and ought to be kept away from other competitors.

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Khandekar and Sharma (2003) suggested to the organization to have superior human resource competencies are required to achieve exceptional performance and continual advantages. Wan (2007) spell out in the study about the four MNC's that human capital development policy has influence on the policies of the organization and employees satisfaction. Nafukho *et al.* (2006) exhibit that HRD activities have linked with employee productivity. Saenz (2005) determined that human capital have probable impact on the market outcome which may be seen in the market to book value ratio. Seleim *et al.* (2007) exhibit that organizational achievement and human capital have significant link. From the literature point of view, very few empirical studies are done in the Indian context but no single study has not be done on pharmaceutical industry which analyze the impact of HC on organizational performance. This gap induces the researcher to undertake the present study.

III. Research Model

The author has been taken privilege to explore the human capital management relation with organizational performance. It becomes very difficult to anticipate the changing condition in the organization to identify core competencies in the competitive environment. The global scenario has progressing from agriculture sector to industrial sector. The knowledge economy has updating their requirement for the financial or economic growth from land to steam engine and human capital. In the knowledge era are based on human talent but to have competitive advantage such as technology, global alliances and innovative strategies these are required. The future of the organization is dependent on best human talent and economic growth is rest with efficient management (Simth and Kelly, 1997). Different authors concluded in their empirical studies that investment in human capital and organization performance at individual, industry and economic level have relationship and verified with the theories but mention to have investment in human capital for regional development (Becker 1964, Shultz 1958, Mincer 1962, Lucas 1988, Roomer, 1986, 87, 90, Bontis 1999, Bontis & Fitz-enz, 2002, and Huslaid 1995). From the literature point of view the researcher are not having a universal frame work for measuring human capital management .The present study is an effort in this direction.

The study determines human capital management as an independent variable. According to Bassi and McMurrer (2007) defined human capital management consist of five variables which are knowledge accessibility, workforce optimization, employee engagement, leadership practices and learning capacity.

Organizational performance is a dependent variable which is measured by applying the scale and developed by Bontis (1999) having ten factors to evaluate performance at five point scale such as Industry Leadership, Future Outlook, Profit, Profit Growth, Sales Growth, After-tax return on assets, After-tax return on sales, Overall response to competition, Success rate in new product launches and Overall business performance and success. The schematic diagram represents the formation of the indices and variables given in figure

A. Objective of the Study

1. To measure and determine the HC Indicators and Organizational Performance from the perspective of executives and employees working in Pharmaceutical companies in Hyderabad.

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2. To study the relationship and it's impact of HC Indicators on Organizational Performance from the perspective of executives and employees working in Pharmaceutical companies in Hyderabad.

B. Hypothesis of the Study

Based on the preceding literature and discussions the following hypothesis is proposed in this study:

H1: There is a positive significant relationship and impact on human capital and organizational performance,
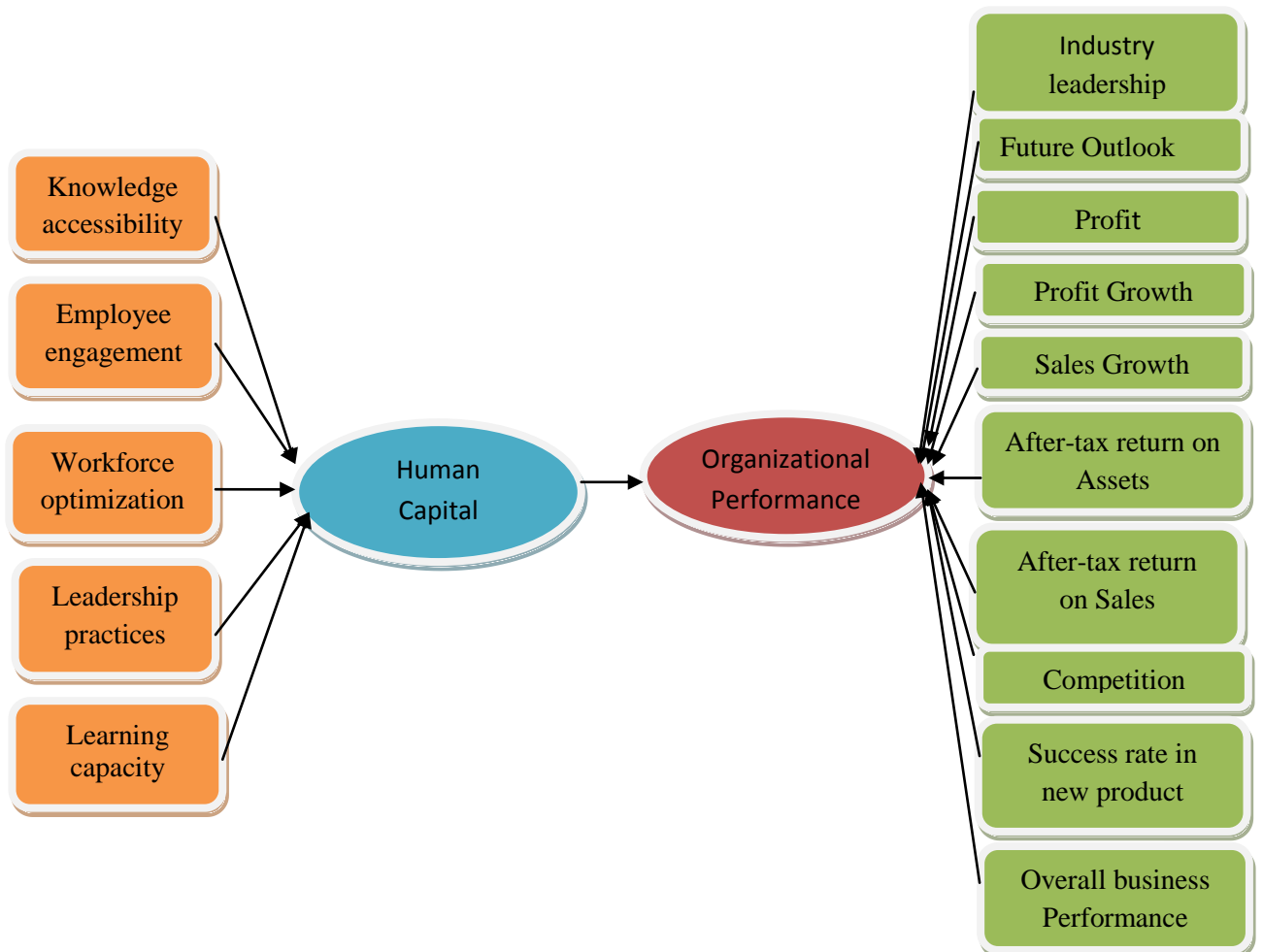
Fig.1. Model to measure the Human Capital Management Relationship and its impact on Organizational Performance

IV. Research Methodology

Participants in the study are managerial and non-managerial employees of Pharmaceutical companies in Hyderabad. 596 self administered questionnaires are distributed to the executives and employees of the selected Pharmaceutical companies based on the stratified random sampling. 500 useable questionnaires are received which consist of 112 executives and 388 employees used in the statistical analysis representing a response rate of 83.89 percent. The dependent variable of the study is Organizational performance. This variable is measured based onIndustry Leadership, Future Outlook, Profit, Profit Growth,

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Sales Growth, After-tax return on assets, After-tax return on sales, and Overall response to competition, Success rate in new product launches and Overall business performance and success. The questionnaire is developed by the author and adapted from Bontis (1999). The scale consists of 67 items and respondents are asked to give their response based on a five-point Likert-type response with l = strongly disagree to 5 = strongly agree. The reliability coefficient for overall Organizational performance components is 0.82.The independent variable in this study is human capital and its indicators. This variable is measured based on the adapted instrument developed by the author and Bassi & McMurrer (2007). This instrument measures dimension of human capital indicators mainly on Knowledge accessibility (8), Workforce optimization (16), Employees engagement (10), Leadership practices (12) and Learning capacity (11). The respondents are asked to give their response based on a five-point Likert-type response with l = strongly disagree to 5 = strongly agree. The reliability coefficient for all components of human capital is 0.87.

In structural equation modeling, the confirmatory factor model was imposed on data. Its first purpose is to obtain estimates of the parameters of the model i.e. factor loadings, the variances and covariance's of the factor and the residual error variances of the observed variables. The second purpose is to assess the fit of the model i.e. to assess the goodness of fit of the model to the data. To get better the psychometric measurement properties of the 67 item, a series of confirmatory factor models (CFA) are estimated using LISREL 8.5 by maximum likelihood method. The CFA model fit indices for all the dimensions of HC Indicators and Organizational performance i.e. knowledge accessibility, workforce-optimization, employees' engagement, leadership practices and learning capacity are at the acceptable threshold levels. The organization HC indicators and organizational performances fit indices are also at the acceptable threshold levels.

V. Results

Structural equation modeling (here in after SEM) became popular for the analysis of non-experimental data in social sciences and management researchers. LISREL model was more flexible in establishing the identification and goodness-of-fit of the overall model and the individual parameters. LISREL modeling will yield precise results. A two-stage structural equation modeling (SEM) has been used to study this relationship. In the first stage, the proposed measurement model is validated through confirmatory factor analysis (CFA) and, in the second, the structural model examines the hypothesized relationship between the HR practices and organizational performance.

**Table 1: Goodness of fit indices Acceptable Thresholds**

Fit Index	Acceptable Threshold Level	Descriptions
Chi-Square Relative / df	Low Chi-square relative to degree of freedom with an in significant p value (p>0.05) 2:1 (Tabachnik, B.G. and Fidell, L.S. 2007) 3:1 (Kline, R.B. 2005)	Less than 3 are preferred up to 5 is Acceptable. Good model fit
Root Mean Square Error of Approximation (RMSEA)	Values less than 0.07 (Steiger, J.H.2007)	Reasonable Model fit
Goodness of Fit Index (GFI)	Values Greater than 0.95 (Miles, J. and Shevlin, M. 1998)	Excellent model fit

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Adjusted Goodness of Fit Index (AGFI)	Values greater than 0.95 (Tabachnik, B.G. and Fidell, L.S. 2007)	Excellent model fit
Root Mean Square Residual(RMR)	Good Models have small RMR (Tabachnik, B.G. and Fidell, L.S. 2007)	Good model fit
Standard Root Mean Square Residual (SRMR)	SRMR less than 0.08 (Hu, L.T. and Bentler, P.M. 1999)	Well fit model
Incremental Fit Indices (NFI)	Values greater than 0.95 (Bentler, P.M. and Bonnet, D.C. 1980)	Good model fit
Non-Normed Fit ndex(NNFI) (TLI)	Values greater than 0.95 (Hu, L.T. and Bentler, P.M. 1999)	Good model fit
Comparative Fit Index(CFI)	Values greater than 0.95 (Hu, L.T. and Bentler, P.M. 1999) and (Fan et al., 1999)	Good model fit

A. Measuring model of Human Capital Indicators and Organizational Performance (Executives)
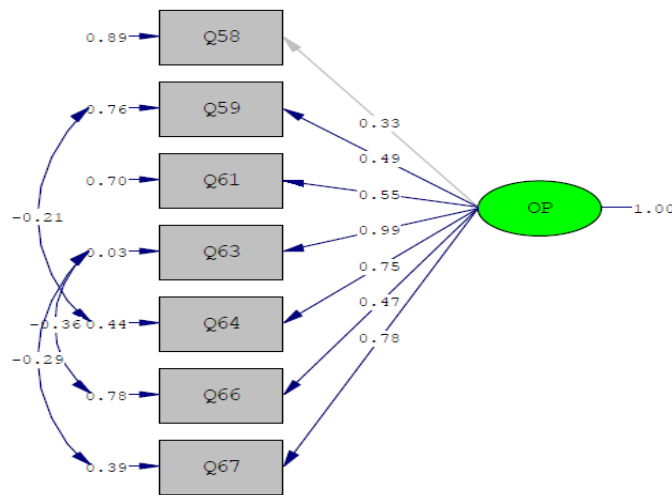
a. Testing model of Human Capital Management Indicators
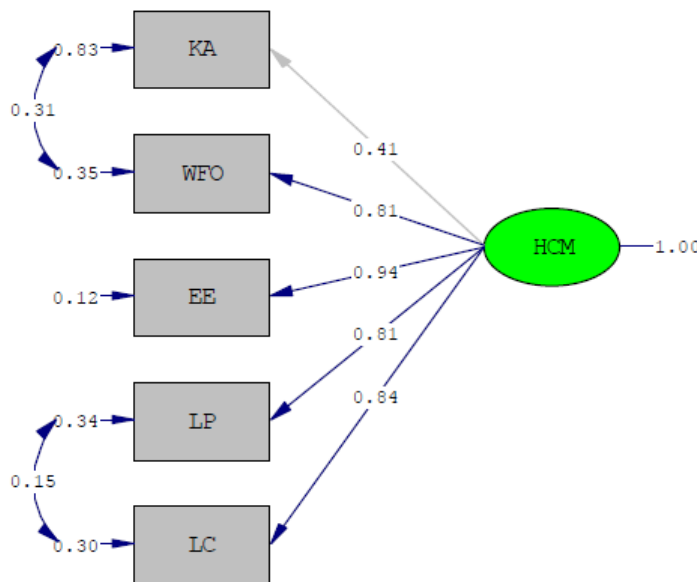
Fig.2. Measurement Model of Human Capital Management Indicators

The human capital management indicators comprise of five constructs i.e. knowledge accessibility, workforce optimization, employees' engagement, leadership practices and learning capacity. The factor loading value for KA is less than the .70. The other constructs factor loadings are significant i.e. above .70. The executives are opinion that HCM indicates act as a catalysts for an effective human capital management and contribute significantly in the overall productivity of organization. Without correlating the error co-efficient between the suggested modification indices the model is not fit. When the error co-efficient is correlated between KA to WFO and LP to LC then the model is fit and the Goodness fit statistics are given. The Confirmative Factor Analysis with five items for measuring human capital management content displayed an acceptable fit indices with $\chi^2_{(3)}$ = 4.5, GFI = 0.95, NFI = 0.97, CFI = 0.97, RMSEA = 0.017.

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b. Testing model of Organizational Performance

Fig.3 Measurement Model of Organizational Performance

The organizational performance is measured through ten outcomes of organization. The executives' perception is taken into consideration to measure the HCM indicators influence on the organizational performance. Except the factor loadings of Q58, Q59, Q61 and Q66 other loadings are significant i.e. above .70. The executives opined that the human capital indicators play a key element to enhance productivity to improve market share of the organization, performance as well as competitiveness. Organizational performance can be measured against its intended outputs (goals and objectives). Without correlating the error co-efficient between the suggested modification indices the model is not fit. When the error co-efficient is correlated between Q59 to Q64, Q63 to 66 and Q63 to Q67 then the model is fit and the Goodness fit statistics are given. The Confirmative Factor Analysis with ten items for measuring organizational performance content displayed an acceptable fit indices with $\chi^2_{(11)} = 1.98$, GFI = 0.95, NFI = 0.93, CFI = 0.96, RMSEA = 0.08.

c. Model to measure the Human Capital Management Relationship and its impact on Organizational Performance. (H1)
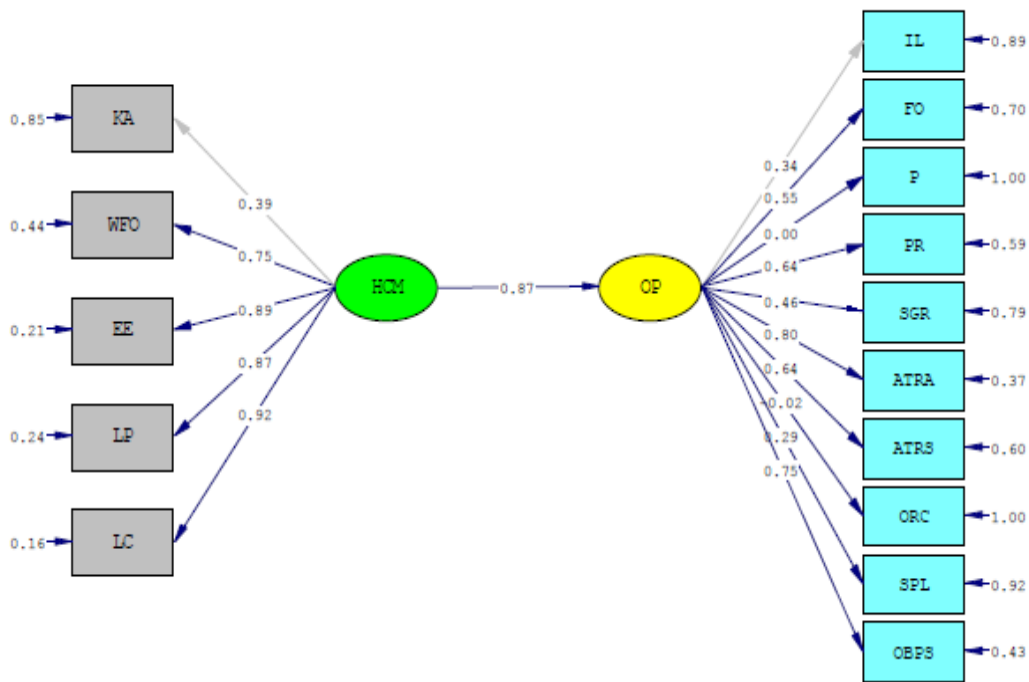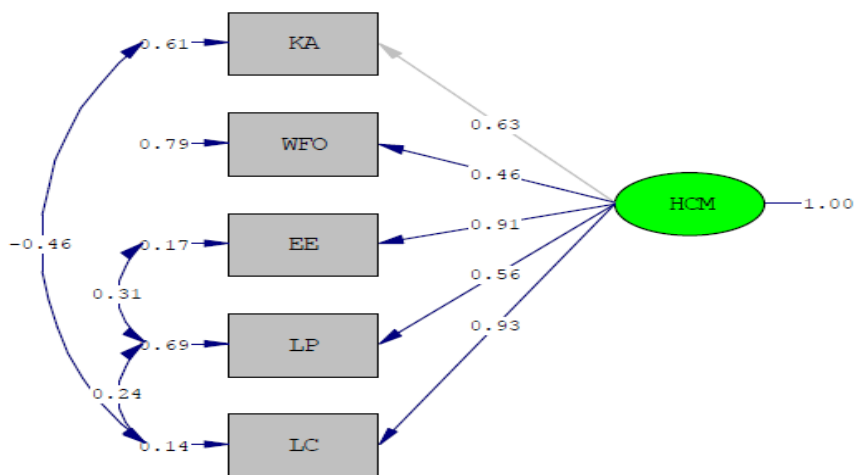
Fig.4. Model to measure the Human Capital Management Relationship and its impact on Organizational Performance

The structural equation model to measure the relationship between the human capital management and its impact on organizational performance of executives displayed an acceptable fit indices with $\chi^2_{(89)} = 2.70$, GFI = .95, RMSEA = .18, NFI = .95, CFI = .95, IFI = .94 and RFI = .94. There is a (r=0.87) strong positive relationship between Human Capital Management and its impact on Organizational Performance.

B. Measuring model of Human Capital Indicators and Organizational Performance (Employees)

a. Testing measurement model of Human Capital Management (HCM) indicators


Fig.5. Measurement Model of Human Capital Management Indicators

The human capital management indicators comprise of five constructs i.e. knowledge accessibility, workforce optimization, employees' engagement, leadership practices and

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learning capacity. The factor loading value for WFO, LP and KA are less than the .70. The other constructs factor loadings are significant i.e. above .70. the employees opinion that HCM indicators plays a significant role to upgrading the existing skills of an employee and extracting the best out of them to achieve the goal and objectives of the organization. Without correlating the error co-efficient between the suggested modification indices the model is not fit. When the error co-efficient is correlated between KA to LC, EE to LP and LP to LC then the model is fit and the Goodness fit statistics are given. The Confirmative Factor Analysis with five items for measuring Human capital management content displayed an acceptable fit indices with GFI = 0.94, NFI = 0.94, CFI = 0.93, RMSEA = 0.028.
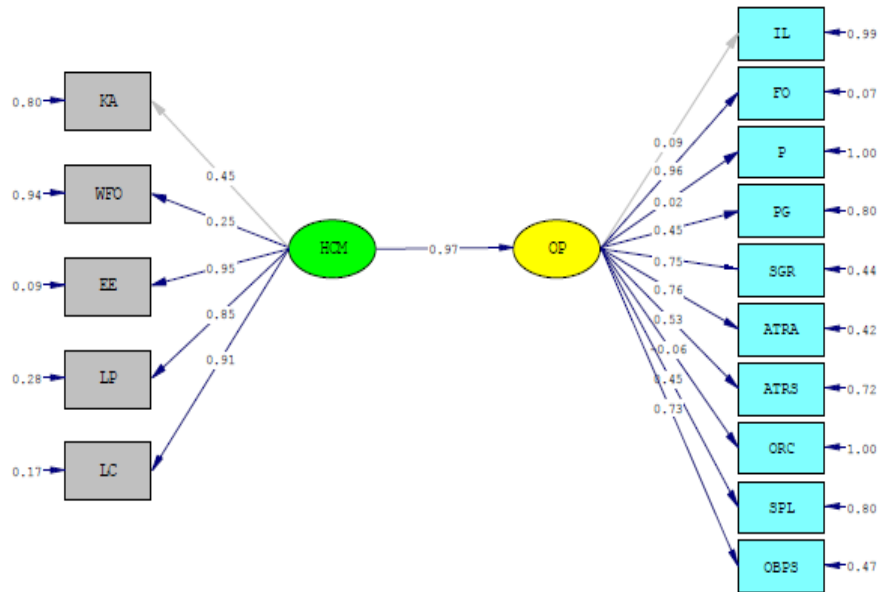
b. Testing model of Organizational Performance
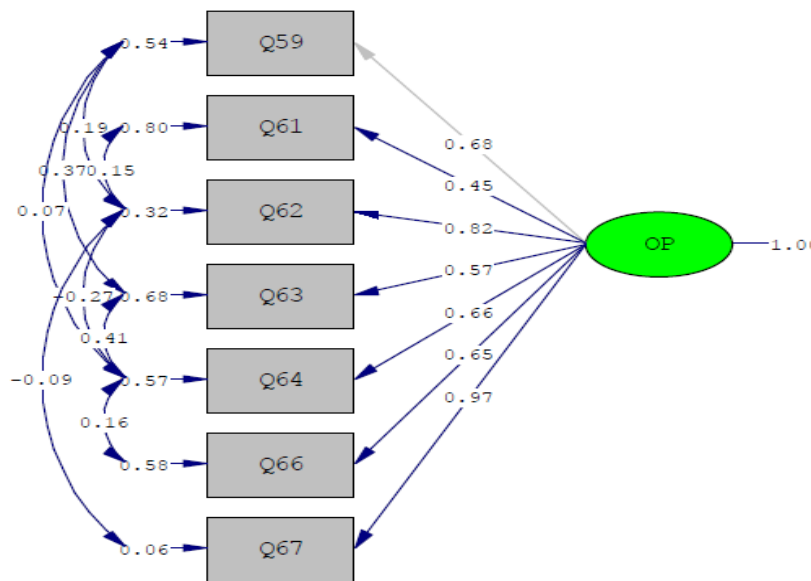
Fig.6. Measurement Model of Organizational Performance

The organizational performance is measured through ten outcomes of organization. The employees' perception is taken into consideration to measure the HCM indicators influence on the organizational performance. Except the factor loadings of Q61, Q63, Q64 and Q66 other loadings are significant i.e. above .70. The employees opined that the human capital indicators will also improve the organizational performance by concentrating on future outlook, profit, sales growth, overall response to competition, success rate in new product launching and overall business performance and success. Without correlating the error co-efficient between the suggested modification indices the model is not fit. When the error co-efficient is correlated between Q59 to Q62, Q59 to 63, Q59 to Q64, Q61 to Q62, Q62 to Q64, Q62 to Q67, Q63 to Q64 and Q64 to Q66 then the model is fit and the Goodness fit statistics are given. The CFA with ten items for measuring organizational performance content displayed an acceptable fit indices with GFI = 0.92, NFI = 0.95, CFI = 0.95, RMSEA = 0.022.

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c. Model to measure the Human Capital Management Relationship and its impact on Organizational Performance. (H1)

Fig.7. Model to measure the Human Capital Management Relationship and its impact on Organizational Performance

The structural equation model to measure the relationship between the human capital management and its impact on organizational performance of employees displayed an acceptable fit indices with $\chi^2_{(89)}$ = 4.26, GFI = 0.95, RMSEA = 0.17, NFI = 0.95, CFI = 0.95, IFI = 0.94 and RFI = 0.94. There is a (r=0.97) strong positive relationship between Human Capital Management and its impact on Organizational Performance.

VI. Conclusion

The purpose of this study is to examine the relationship between human capital and organizational performance. Further, it determined the impact of human capital indicators on organizational performance. Finally the study attempted to identify the most important aspect of human capital management that influenced organizational performance. The results of the study give empirical support that there is a statistically significant relationship between human capital management and organizational performance of Indian pharmaceutical companies in Hyderabad. The study variable, HCM indicators i.e. Knowledge accessibility, workforce optimization, employee engagement, leadership practices and learning capacity have significant relationship with the organizational performance. HCM indicators play a significant role in predicting the organizational performance and also create, add value to the organizational performance and development.

From the discussion it is concluded that the HCM practice and indicators are plays very important role in the performance of the organization. Organization learning capacity shows very high impact on organizational performance it means that there is a healthy environment at workplace with the subordinates and superiors, it create good atmosphere for learning in the organization. The executives and employees gave second importance to employee engagement in performing the job activities in the organization. It discloses that

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there is a job responsibility, commitment and time system which will affect high on organizational performance. The third preference had given to the leadership practices which have high correlation and high effect on the organizational performance. Therefore, manager and senior executives plays a significant role in all aspect like communication, inclusiveness, supervisory skills, executives' skills and performance evaluations system in performing and influence the workforce to lead the organizational activities. Both data sets of the respondents gave fair relationship and prediction in between knowledge accessibility and organizational performance. It means that information accessibility and availability, collaboration and teamwork, information sharing is going on fair manner in the organization but still management of the organizations should provide teamwork and improve knowledge sharing at their work place, conduct team building activity frequently to develop knowledge and work culture. Workforce optimization has very less significant relations and prediction on organizational performance. Hence the organizations has to concentrate more on working conditions of the employees, and motivate their workforce by imparting skill development program for better outcome, commitment and accountability towards work.

Additionally, it is validated that HCM practices have significant positive correlation with organizational performance. The importance of human capital management practices gave us a wider and clear understanding to develop our workforce into a more optimistic, dedicated and innovative work. The role of human capital may lead policy makers and organizations to take better decisions regarding organizational tangible and intangible assets, HR strategic, policies for the attracting, enhancing, retaining of human capital, reporting the value of elusive assets. The results also implied that all of the human capital management indicators served as the impact factor and play important role in enhancing organizational performance in Indian pharmaceutical companies.

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