The Importance of Human Resources in Management Development (A literature Review)

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Abstract

Today, the role and importance of human resources in the process of production and delivery of services in human societies is recognized as a main factor and is evident in industrial, economic, and service organizations and firms. Human resource management is one of the necessary needs of today's business. Human resource management department has a very important role for supply of the human being to main resources of companies. Human resource management department has fundamental role for personnel recruiting, orientation and performance appraisal and so on. Human resource management issues to be addressed at the highest level in the organization and management of strategic decisions are required. The purpose of current paper is based on a review of 43 refereed article and dissertation that focused on human resource management, scope and affecting factors on human resource management, human resource management functions and relationship between organizational effectiveness and human resources management.

Keywords: Organizational Effectiveness, Management, Human Capital, Human Resources Management, Management.

Introduction

Today, it is emphasized using intangible assets by potential capacities of organizations, but the recognition of intangible assets for organizations is ambiguous. To understand intangible capital, Leslie and Weatherly in 2003 have defined them in four levels, including individual, social, Society and structure. The concept of human capital is rooted in the economic literature (Becker 4551). In fact, the qualitative characteristics of the staff are their capital assets. Human capital is not physical capital and financial capital, but human capital is defined as the individual's knowledge, skills, creativity, and health (Becker 2002). Becker points out that human capital, physical capital and financial capital are all considered as some forms of capital, but the difference is that one cannot be separated from his skill, health and values, while this is possible with respect to the assets and property of the individual. That means the most stable and most renewable capital is human capital. According to Schultz in 1971, official education and training are important and even vital tools to improve production capacities. Also he knows Investing in human capital as a criterion for educational registration. (Schultz, 1992)Several definitions have been proposed for human capital, each of which emphasizes different properties and characteristics of human capital.

Human capital is the main generator of wealth in work, skill and knowledge (United Nations, New York, 1997). Peter Hutz (1998) has defined Human capital in the time, experience, purpose and capabilities of a member of the family who has a main role in production process. In most cases, organizational success depends on people who have higher competencies and it is in such a situation that they become valuable assets for an organization. In other words, human capital can be regarded as one of the factors that can be considered the high added value for organization and community. A new definition of human capital has made human capital as a set of characteristics, a business of life, Knowledge, creativity, innovation and energy that people choose to invest in their work (Leslie and wetherly 2003). Human capital is the investment in human resources to increase their productivity with the purpose of exploitation in the future. This means that: The learning organization chooses to invest in people because people are actually Valuable human capital that has different qualities. Generally speaking, organizational capital is a coherent set of qualitative, academic, skill and Cultural qualities that creates added value for the organization.

Introducing Return on Investment Analysis

Return on Investment (ROI), strictly speaking, is an accounting-based way of comparing the "costs and profits of an endeavor or enterprise by converting all costs and profits to financial measures." It can be used, though, in a less "stringent manner to include intangible costs and benefits, and this is particularly important when the endeavor is within the education/training environment. "Evaluation is defined as a systematic process by which pertinent data are collected and converted into information for measuring the effects of training, helping in decision making, documenting results to be used in program improvement and providing a method for determining the quality of training (Basarab & Root, 1992). According to Pat Kittle, manager of the Daimler Chrysler Academy, People say that training is expensive. If you think training is expensive, try ignorance" (Sussman, 2006, p.20.). This statement reflects a time period when Chrysler was not doing well against any of their competitors. Yet when Chrysler established a program of dealership training, their sales increased significantly.

The evaluation process should be closely linked to the process of measuring performance within the organization. First, accurate measurement and evaluation can provide an organization with data representative of their current performance situation. That data can then be used to make strategic and managerial business decisions that can direct the future of the organization. Second, measurement and evaluation serves the organization as a means of communicating current and expected levels of performance. Employees may know what their expected levels of performance are, but without a good measure of current performance, it becomes difficult to institute corrective action. Third, both measurement and evaluation encourage employee performance improvement, which in turn will lead to Organizational success (Sleezer & Gradous, 1998).

Obtaining participants' satisfaction with the training they have participated in is not uncommon. Asking the participant how, they felt about the training and even asking them to place a value on that learning is an easy and cost effective way of getting data. Somewhat less common is determining whether learning has taken place by measuring the amount of change in knowledge at the end of the training intervention. Going out and seeing how that training is used on the job is even less common, and determining how the organization benefits financially from its training activities is seldom seen. The latter is referred to as the calculation of an organization's return on investment from training.

Human Capital Investment Through Education & Training

Business is made up of three basic economic resources: land, labor, and capital. Land is the physical resource used to produce goods or services, labor is the human manpower that transforms the resource into consumer products, and capital is the money used to purchase both. Within all this is the important economic concept of developing human labor, commonly referred to as human capital investment.

Facts

Human capital investment is the process companies use to develop employees. Businesses invest in employee training to improve business operations, which reduces wasted resources from unskilled workers and increases overall employee efficiency. Companies calculate education/training benefits with a cost-benefit analysis, which analyzes the total cost of improving employee output against the benefits of the investment.

Types

Two common types of human capital investment include education and training. Education often includes reimbursing employees for traditional college degrees or paying for seminars or trade schools. Education is often used to develop an employee's technical skills in areas such as accounting, finance, or production. Supervisors working on the job with employees, showing them how to complete specific functions, most often conduct training.

Function

Using education and training to improve human labor helps company's create a competitive advantage, as when companies train employees to produce goods or services not available from other businesses. Business owners and managers with specific technical skills can train employees to duplicate processes effectively and efficiently.

Considerations

Companies need to consider which employees should receive training. While certain employees respond positively to business education or training, others might not. This response often depends on an employee's motivation. Employees may also not be willing to work at a company during the education or training process.

The Importance of Human Resources in Management Development

Among the many factors in management, human resources are of the highest importance because other factors ‘efficacy also relates to the state of the human being and his behaviors, and therefore in capital return as one of the most valuable indicators of productivity , the organization indebted the more vital factor titled human resource efficiency. The significance of this point is to the extent that J Watson, one of the management experts says that if the organizational problem is deeply studied, finally, you will see that the problems are rooted in human resource behaviors. Human resources have a special place in today's world. What determines the process of development and progress is the efficient and healthy human resources of the society not the capital, material resources and equipment. Human resources are the real wealth of the nation. Every effort of development should pay particular attention to human beings and their education and training. Human resource strategies in developed countries have always been ahead of other development strategies. In Japan, for example, 81% of national resources are human resources, and the remaining percentage includes natural and physical resources, and it is noteworthy that there are limitations in material and physical resources, but human resources as the most important resource can be used for a long time. According to an expert: If you want to profit after six months, grow wheat and if you call for the 41-year-old's profits grow trees and if you want more and better profits which profit you for 100 years , educate people.

Social and cultural values

In pursuit of a comprehensive planning in the country and the development of management in the broad sense of the word ,and the study of the economic affairs and geographical and natural conditions, raw materials, capital, human resources and the establishment of a supervisory and management system with paying attention to the cultural and social values of the people and the study of the characteristics of each of these elements and the desired combination of collection of these factors emphasizing on human resources and its adaptation to the specific conditions of the country require a number of studies and researches which in this regard, the recognition and analysis of the interplay of the three basic elements: 1-state institutions (the governing body) 2-Economical and productive institutions ,3-Educational and research institutions have a special significance and status. Interactive effect of these three aforementioned elements, however, is mingled in the frame of social, cultural and religious values of each society.

Generally, it can be argued that human resources play a major and important role in the development of management and these two categories, human and management, have mutually influential effects. That is, by training effective human resources we try to develop the management and improve the status of the management of the organization, on the other hand, if responsible, competent, and efficient people manage the community and organizations, they will emphasize on educating and fostering the human resources as the most important factor in development. Shortly, according to Schumacher, development does not begin with material goods, raw materials and sophisticated technology. But with respect to humans, their education begins with organization and discipline. Development cannot be produced through the skillful bonding of foreign technocrats or internal constituents who are not in contact with ordinary people. Development cannot be achieved through the miracle of scientists and technologists with economic planning and development can be achieved through an all-encompassing growth that embraces the education, organization and order of all people. Everything less than this leads to failure.

Training and development of human resources in the organization

Achieving the goals of the organization depends on the ability of employees to perform their duties and adapt to a changing environment. Training and promoting human resources will enable individuals to continue their activities and increase their efficiency according to organizational and environmental changes. On the other hand, the most important feature of today's organizations is changing and transformation. In such a complex and diverse environmental conditions with rapid changes, if we cannot adapt the organization, managers and employees to these changes, we will be scarified. So, the need for organizational learning is proven on all levels of the organization. The researches have shown a positive relationship between investment in training and organizational productivity. In this regard, the required process, resources and necessary educational measures should be identified in the organization and planned in an appropriate scientific model. Because training and promoting the staff is a strategy that at the individual level leads to the value and satisfaction of the individual staff and at the organizational level, improves and develops the organization.

The objectives of the human resource training and improvement

The main purpose of the training is to help the organization achieve its goals. Training means investing in people to make them better for their ability to function and to better utilize their natural abilities. In other words, education is aimed at developing competencies and employee competence and improving their performance.(Haji Karimi and et.al, 2011,270) Mersepasi has summarized below the goals for the education or upgrading of each institution in line with the threefold objectives for the human resources management system .

Social goals

Social goals are the main focal point of programs and operations of various institutions and organizations. Paying attention to these objectives enable managers and employees to realize objectives and how to navigate the targets in the relevant organs and with the bottlenecks in the work environment of the positions based on the ideology, the culture, economic system and national rituals.

Organizational goals

The provision of organizational goals necessitate that the capabilities and skills required performing assigned tasks and roles to be strengthened to fit needs and necessities. In addition to the skills and appropriations required, creating co-operation morale, joint collective work, the informed acceptance of laws and regulations, and customary and organizational ethics, establishing administrative and management practices are the characteristics that help in achieving organizational goals.

Human Capital Measurement

The importance of measuring human capital

Understanding the issue and importance of human capital has led many countries to make extensive efforts to effective and efficient measure of human capital to provide an accurate understanding of their current position in external environment to identify their strengths and weaknesses in their organization. In other words measuring human capital is a very important source for developing and implementing human resource policies. Research on human capital, have been reviewed and revised more than before ,taking into account human capital research recently found in countries such as Australia, Canada, China and Finland, New Zealand, Norway, the United Kingdom and the United States (Kristian 2010). In the research carried out in United States using the Jorgensen and Farameni approach, (1988-1992) human capital measurement and investment on human capital were studied in nominal and real terms in the period between 1994 and 2006have given. In modern methods used to measure human capital, Lou and Colleagues (2003) have adopted three approaches to measure human capital which include:

Cost-based approach, income-based approach and the third approach education -density based approach or Indicator approach that some researchers also refer to as output approaches. Index approach is simple and it is based on indicators or a combination of indicators based on human capital education .For example, an academic year or literacy level is used for this type of measurement. Barrow in 1991 and Bardouli in the year 1993 have measured the human capital concomitance measurement using school enrollment rates.

2-In the cost-based approach, the value of human capital density in the cost of production is taken into account; in fact, the cost-based approach is based on human capital density through the total cost of investing on individual human capital. Studies on cost-based approach by Kondrik in 1976 have showed that it is the measurement of human capital using the costs of raising children's education, training people and other activities related to human capital that, recently estimated using the human capital-based approach in Finland (Cocini 2008). A drawback of this approach is based on the indirect measurement of human capital density, and researchers have experienced the difficulty to find an obvious and distinct boundary between the investment and consumption.

3-In an income-based approach, the value of capital density is studied using the income of individuals in that density. (Jorgensen & Farameni 1989-1992). The basis of this approach is the return of the results and market achievements of individuals which is done through achievement investment. This approach has recently been viewed as the most popular choice to measure human capital in countries such as China (Lee 2010) the United States (Christine 2010) Canada(Gowfrand 2010) England (Jones and Christopher 2010) and Australia (Wee, 2004 and 2008) but today, an income-based approach has been used for the human capital measurement project in OECD. Hanson in 2008 points out that OECD's measure of human capital is closely related to International statistics. The factors of this measurement are classified into three groups: investing in human capital, quality adjustment and the result of education.

Investment in Human Resources

In present era, the human resources are considered as the most important capability of the organization in gaining competitive advantage as well as the most intangible assets, and the organizations believe that they should consider the staff as the basis for the improvement and the quality and productivity of all organizational processes and therefore, this factor should be the basis of the process of increasing efficiency and effectiveness, as well as the most valuable capital and golden brand of competition.(Ellinger ,Yang, 2005). So nowadays organizations focus more on human capital investment because human capital investment and the prosperity of the quality of labor is one of the main areas of productivity promotion and accelerating the growth and development of the organization and leading organizations are trying to attract, develop, maintain and employ knowledgeable forces to guarantee the competitive advantage of today and tomorrow (Baron & Dreps, 2002). There are multiple configurations of human resources that each one is designed to influence the different characteristics of the workforce (Delery, 2001). This research focuses on human resource strategies of buy strategy and make strategy to develop two human resource configuration which have led to Increasing human capital (Huselid, 2003).

The strategy of providing human resource that has the necessary expertise and experience from outside of the organization creates a human capital. Based on these two types of human resource strategies, there are two kinds of investment in human resources which create two distinct configurations of human Resources: Investment in Buy and Investment in Make. Investment in Buy is a kind of investment in human resources that emphasizes on the attraction of human capital from the outside of the organization which requires more funding and efforts in measurements like human resource planning, widespread recruitment and employee selection. Investment in Make is a kind of investment in human resources that emphasizes the development of human capital within the organization and may require additional funding and efforts in actions such as evaluating the performance of development, formal and informal education, participation, developmental feedback and performance-based compensation .(Walker, 2004).

Human Capital at the organizational

The theory of human capital was used for the first time by economists for analyzing the impact of human capital in macroeconomics level .The focus of these studies is the relationship between human capital and economic outcomes at National and social level , such as economic activity, social health and per capita income growth (Nubler, 2000). The concept of human capital once became important in the analysis of the level of business that other companies with Physical and material assets were not able to gain sustainable competitive advantages and competed against each other on their Intangible assets (Becker & Huselid, 2001).

When the term human capital was first introduced in business-level analysis, this concept in the analysis of the effect of investment and the rate of return of individuals are widely used as a level-of-person structure. (Mincer, 1993). Hence, definitions of human capital often include structures such as knowledge, skills, abilities, experience and motivation that support the individual level analysis approach. Though later in order expression of the overall strength of a company's workforce to generate intellectual capital, human capital by management Knowledge theorists was considered as an organizational level concept, but an individual approach is used still for definition and measuring this concept (Edvinsson & Malone, 2000).

For example, in the first study by Baker (1962), on the theoretical model of investing in human capital and its final productivity, human capital was classified as the in service education and training. In a research in 2004, to investigate the direct and moderating effects of human capital on the company's performance by Heath, Birman, Shimizu and Kochhar, they use the following criteria as two indicators for two important dimensions of human capital: 1- the quality of the training center in which the labor force participates as an indicator for explicit knowledge; and 2. general labor experience in the company as an indicator for specific implicit knowledge.(Hudson, 1993). Peninghs, Lee and Wen (2001) in the study of the effect of human capital on the dissolution of the company have used the ratio of the skills of employees to colleagues and the average years of experience in the industry as indicators of human capital of the specifics industry and their recruitment time in the company as a measure of individual human capital. Vaker (2001) in the study of the relationship between the value of human capital and company performance has calculated the value of human capital through the whole salary and benefits of a company divided by the number of its employees. Carmeli and Tishler (2008) Yandet and Esenl (2008) have used a perceptual questionnaire for identification the level of skills, knowledge and competency of the workforce in the study of the effect of human capital on organizational performance. (Carmeli & Tishler, 2008)

Few authors develop the definition of the organizational level human capital beyond a simple set of Staff knowledge, skills and capabilities. They have other criteria, such as customer demand, effort sharing, and uniqueness. Story (1995) has defined human capital from resource-based point of view as intangible assets derived from unique configurations of complementary skills and tacit knowledge that comes from the demands of the customers and the internal processes.(Story, 1995) Edwinson and Malone (1997), in addition to the ability, have considered knowledge, skills, innovation and experiences of employees and managers; values, culture and philosophy of the company in defining capital human beings. Sullivan (2003) describes human capital as a staffing capability for solving customers' problems; collective experience, skills, and the public trick of all individuals in a company. Harris and Coca-Cola (2004) argues that human capital is the assets of individuals, including unique capabilities and expertise of the staff Individually and Collectively (Sullivan, 2004) Chen and lin (2006) have defined human capital as the investments made by the organization in the talents and technologies that lead to competitive advantages which are valuable and unique and must be protected from the threat of other companies. Penninger, Lee and Van (1998) emphasize the ability of a company to produce quality services and have defined human capital as the knowledge and the skills of its specialists that can be used to produce professional services. (Chen & Lin, 2006)This group of authors has a more selective view of human capital in an organization. They believe that any feature or knowledge, skills and ability cannot create value for an organization, even if this feature is worthwhile for the person who is doing it. Only features which can be combined to satisfy customers' demands and generate economic value for the company are recognized as human capital.

Because the companies meet the very different demands of the customers or to meet these demands, they use different methods of tactics. The Composition of Organizational Level HC is also widely differentiated among companies. The combination is different not only in terms of Inventory of Individual HC, but also because of the method that these Individual human capital stock is combined in a company to create a collective power for the production of goods and services to meet the needs of the customers. (Skagge & Youndt, 2007) By combining these definitions into subject literature, a more comprehensive definition of human capital can be offered at the organizational level. Human capital at organizational level is "the level and configuration of the complementary and unique features of the employees that are suited to organizational values and goals to meet customers' demands and to gain value for the company."By reviewing the literature on human capital at the organizational level, the four substructures (or dimensions) have emerged for human capital at organizational level.

Methods of investing in human resources

Investing in human resources is the allocation of resources of a company that is directly involved in recruiting or rearing human resources. Investing in human resources includes both financially funded resources and efforts dedicated to this issue. Two general strategies for investing in human resources that the organization takes advantage of them are: the strategy of construction and purchasing strategy. (Youndet et al. 2004).Building the strategy of the development of internal talent and buying strategy in attracting external talent. Indeed, organizations for investing in human resources have two approaches to the development of internal talents and external talent absorption. The inner-talent development approach is rooted in the source-driven theory. According to this theory, the control and owning the resources and abilities of the company allows the company to have its own competitive advantages. (Barney, 1991) privileged resources, has four valuable features of scarcity, unimaginable and unobtrusive Alternatives. In fact, the development and absorption of all types of human capital can be considered as an invaluable, scarce, intolerable, and irreplaceable resource, according to the mission of the company and the proper combination of them and it creates and maintains a competitive advantage (Bairdand Meshonlam, 1988). Since 2004, the source based theory of was the basis of an important foundation for empirical research in the field of strategic human resource management and the effective and efficient administration of the companies. Following this approach, the researchers came to the conclusion that indispensable properties specially value creating human capital is key resources of competitive advantage, because in comparison with the tangible sources , the imitation of these resources are very difficult and because of the inherent quality, their replacement is hard to imagine (Barney, 2005). The basis of the absorption of external talents is rooted in transaction - cost theory of Williamson. This theory implies that companies gain competitive advantage when it has special interests for the company and not easily copied by competitors (Baker, 2007).Therefore when companies expand their organization's scope of activities, they recruit the human talents that are compatible with the culture and strategy of the organization to reduce risk and accountability to respond to the growing needs of customers.

Related Literature

Jahanian and et.al (2015) in a research entitled the study of the relationship between Intellectual capital and Innovation and creativity of human resources in the organization has achieved the following findings: The results of this study have showed that there is a positive and significant relationship between intellectual capital and creativity and innovation of staff in the organization. In other words, there is a positive and significant relationship between intellectual capital in dimensions of human capital, customer capital and structural capital and staff creativity. Also, there was a positive and significant relationship between intellectual capital in dimensions mentioned before and innovations in dimensions of product innovation, innovation in the process and overall organizational innovation. The presence of high intellectual capital has resulted in increased creativity and innovation of employees in organization, and if the ground is ready for creativity, organizational performance will be improved and if intellectual capital is low in this interaction, the level of creativity and innovation will decrease.

Dehghan and et.al (2015) in an article entitled "The Relationship between Intellectual Capital and Organizational Performance in Tosee Taavon Bank in Tehran province." has achieved the following findings: the results showed that there is a meaningful and positive relationship between intellectual capital and its components, namely, human capital, structural capital and relational capital and Bank organizational performance. Negahdari (2014) in a research titled "The Role of Human Capital in the effectiveness of Foreign Direct investment on economic development of the Persian Gulf region countries has achieved to these findings that Foreign Direct investment has positive and significant effect on the economic growth of this countries. The Interactive effect of human capital and foreign direct investment on economic growth of the countries is negative and statistically significant. In other words, given the low level of human capital in these countries, there was no possibility of transferring technology through foreign investment, which prevents increasing productivity and using technology overflows, which is a deterrent to economic growth of these countries.

Sepahvand (2014) in a study titled "Investigating the organization Investment Methods and human resource value creation and the mediating role of human capital has reached to the following findings: the results of the research on 59% confidence level have showed that the organization's intelligent investment in its human resources has a positive and significant effect on value creation of human capital. Also, the results show the positive effect of human capital as a mediator variable in the effect of organizational investment methods on human resource value creation at 59% level of confidence. Yegane and colleagues (2014) in a research entitled investigating the value creation of human resources reporting on Financial Performance and Value of Listed Companies in Tehran Stock Exchange market. The results of the research show the positive and meaningful effect of human resource value creation on improving financial performance and an increase in dividends of the companies listed on the Tehran Stock exchange market.

Seyed Naghavi et al.(2012) in their research to examine the role of intellectual capital and organizational learning in branches of SADERAT Bank of Tehran Province. The purpose of this study was to investigate the mediating role of organizational learning in the relationship between intellectual capital and organizational performance. The Importance of organizational performance evaluation was studied in different researches and studies. Therefore, the present study intends to improve the performance of the bank of SADERAT, taking into account the variables of intellectual capital and organizational learning. The statistical survey of this research is the directors and managers of the branches of SADERAT Bank in Tehran province. To measure the variables of the research, a 31 question questionnaire with likert type was given to 250 managers of the branches of SADERAT Bank of Tehran Province. Also, the results showed that learning abilities intermediates the effect of intellectual capital on organizational performance and, finally, suggestion were provided to improve to the organizational performance situation.

Rahimi and Haji Karimi (2011) studied the effect of human resource investment on competitive advantage, the results of their research have showed that investing in human resources would create competitive advantages in organizations .Haji Karimi and his colleagues (2011) in a research entitled “The Effect of Emotional, Cognitive, and Social competencies of human resources’ managers of public sector of Iran “came to the conclusion that the competencies of human resources that includes individual credentials, business knowledge, human resource technology, and changes has a lot of effect on human resource value creation.

Almasi and et.al (2008) in a research entitled "Investigating the relationship between investing in human resources and physical growth with Iran's economic growth has achieved the following findings: the results of the test of short-term and long-term Granger causality using error correction model shows that in short and long term ,there are a Granger causality two-way relationship between economic growth and human capital, a one-sided Granger causality relationship between physical capital and human capital and also a one-way Granger causality relationship between physical capital to economic growth .Therefore, by increasing human resources, it can increase the supply of specialized labor, researchers and entrepreneurs. Certainly, this highly trained workforce can provide faster economic growth of the society through innovations and optimal use of the country's material and financial resources.

Almasi and GhareBaba (2011), in a study entitled The Relationship between Investing in Human Resources and Physical Investments in Economic Growth, concluded that investing in human resources would lead to economic development and growth. Muhammad et al. (2013) in a research titled "The Importance of Investing in Human Resources for Organizations and the Economy” concluded that the developed and value-creating human resources is one of the most important competitive advantages for organizations, and the successful performance of organizations depends on the value-creating human resources." And organizations must pay special attention to human resources investment and development to remain in the global competition. In a research studying on the impact of human capital on productivity in 25 top pharmaceutical companies in India, Kamath (2008) has shown that Human capital has a greater impact on corporate profits than structural and physical assets. Tamasauskien et al. (2008) illustrates the effectiveness of investing in personnel training, adaptability and staffing with organizational culture and workplace safety. They found that investing in human resources related to the organization would increase the quality of these resources and, consequently, increase and improve the productivity of the workforce. Linch and Block (2007) found that, with increasing investment in human resource activities, productivity increases in organizations (Rahimi and Haji Karimi 2001).

Becker (2007), by reviewing the companies active in the field of nanotechnology has realized that investing in the adaptability and personnel compatibility with organizational culture also will create economic benefits for organizations and social effects through increasing work life and the balance between work and life Kosari and Petty (2007) have identified six human capital components, namely, knowledge, professional competence, professional knowledge, job competencies and entrepreneurial spirit and showed that such indicators play a significant role in the value creation of the organization. Riahi and Belkavi (2003) in the study investigated the relationship between human capital and business performance among 81 international companies who have worked in different domains, their research results showed a positive and significant relationship between human capital and business performance in the studied companies.

Mavridis (2004) has investigated the relationship between human capital and organizational performance in 141 Japanese banks, his research results showed that the optimal use of human capital causes the high performance of the organization in many respects, and organizations that rely only on physical resources have lower performance than organizations that emphasize on human capital. Chen and colleagues (2005) investigated the role of human capital in enhancing corporate profitability and income growth in 4254 Taiwan companies operating in different fields. Their research suggests the positive impact of human capital on increasing earnings and organization's profits. By studding the American management style, Griyson (1996) has found that human capital is more effective than financial and physical resources on the competitiveness, growth and productivity of organizations (Abiscara, 2007).

Conclusion

Human resources with developed talents and creativity who are able to reach and utilize information constitute the main power of competition in the world market. Those companies and institutions that make investments on human resources and attempt to create working conditions that are compatible with their requirements and wishes, are the ones who reach success. The employees are the biggest support that institutions need during renovation periods. Institutions that were able to please their employees in the past and were able to implement loyalty and trust, can endure difficulties more easily. The merit given to humans not only increases personal productivity but it also uplifts the quality of the company and the team. The main purpose of human resources management is the employment of human resources in the most efficient and productive way. Nowadays; the success of institutions is evaluated by their communication. Communication is the power of competition in production and service. Sharing information with the all the employees and managers, production of information, its distribution and reflection to daily life and service constitute the main structure of communication inside the institution.

Human resource management is one of the necessary needs of today's business. Human resource management department has a very important role for supply of the human being to main resources of companies. Human resource management department has fundamental role for personnel recruiting, orientation and performance appraisal and so on. The performance evaluation within this process, it's not only for evaluate of employees performance therewithal it's important to get strengthening of the bond between employee and employer. Performance evaluation is one of the important matters for companies getting successful. If the companies can use to performance evaluation correctly, it's bring to successful performance management and then bring success of the company. The aim of this study to give some information about human resource management and underline important of human resource department is then make prelude to performance evaluation and give some information about performance appraisal process.

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