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# Human Resource Management: how human resources use and utilize the other factors of production and add value to the enterprise vis-à-vis the national economy

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**Abstract:** *In a world of scarce resources, activities that fail to add value are not worth pursuing. HRM value added means here that HR uses its strength to utilize other factors to produce outcomes for the stakeholders. It is true that well recognized factors of production like land, labour, capital and entrepreneur are required in combination at a time to produce a commodity. Consider entrepreneurship as a factor of production which combines the other factors of production. This entrepreneur is none but the human resource. Human resource or people in any organization play the prime role to add value and drives the other factors of production. Capital itself cannot do anything without the help of people. People or organizer takes capital and pays interest and thus adds value. In the same way land cannot grow anything, people uses land to produce something and pays rent for it. So people play the pivotal role to utilize land and capital to add value and cumulative value added is Gross Domestic Product. No doubt, human resource is the only factor which cannot be imitated and contribute to the national economy helping other factors contribute. So, to develop a country like Bangladesh, we need to give due concentration to human development.*

**Keywords:** *Human Resource Management, Entrepreneur, Labour Market ,Economy*

## 1 Introduction

Human Resource (HR) drives the performance and leads management to increase the performance of employees by using tools from Human Resources. HR contributes to the results of the company, and it is responsible for finding the effective ways to improve the business efficiency. HR is crucial for the modern organization as the organization can maintain its modernism over a long time. Human Resources is not static; it continues in the development and growth. New approaches and practices are developed. The theory of the people management is evolving, and the researches publish many studies, which do not confirm all the “truths about the HR management”. This paper brings out a new dimension of HR from the value added perspective where people as HR plays the role of utilizing and managing the other factors of production and how the other factor of production is dependent on the human or people factor during the production process. HRM adds value when their work helps someone reach their goals. It is not the design of a program or declaration of policy that matters most, but what recipients gain from these actions. In a world of increasingly scarce resources, activities that fail to add value are not worth pursuing. No matter how interesting or valuable an activity may seem to those doing it. The HRM value added means here that HR uses its strength to utilize other factors to produce positive outcomes for key stakeholders, employees, line managers, customers, and investors. Value becomes the bellwether for HR. When others receive value from HR work, HR will be credible, respected, and influential. It is true that conventional well recognized factors of production like land,

labour, capital and entrepreneur are required in combination at a time to produce a commodity. Consider entrepreneurship as a factor of production, leaving debate aside. In markets, entrepreneurs combine the other factors of production, land, labor, and capital in order to make a profit. Often these entrepreneurs are seen as innovators, developing new ways to produce and new products. What roles these factors play in utilizing the other factors of production? Through this article the answer to this question will be clarified.

## 2 Literature Review

Human Resource Management (HRM) is the policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising (Dessler). *Value Added* is the difference between the sale price and the production cost of a product is the value added per unit. Summing value added per unit over all units sold is total value added. Total value added is equivalent to Revenue less Outside Purchases (wikipedia, 2011). Value Added is a higher portion of Revenue for integrated companies, e.g., manufacturing companies, and a lower portion of Revenue for less integrated companies, e.g., retail companies. In national accounts used in macroeconomics, it refers to the contribution of the factors of production, i.e., land, labour and capital to raise the value of a product and corresponds to the incomes received by the owners of these factors. The national value added is shared between land, capital, labor and entrepreneur (as the factors of production), and this sharing gives rise to issues of distribution. *Economic Value Added* (EVA) is a measure of surplus value created on an investment.  $EVA = (\text{Return on Capital} - \text{Cost of Capital}) \times \text{total investment}$ . *Value chain* Products pass through all activities of the chain in order, and at each activity; during utilization of capital, labor, and land; the finished product gains some value. The chain of activities gives the products more added value than the sum of the independent activities' values (Porter, 1996).

Recent usage has distinguished human capital-the stock of knowledge from the other factors of production in economics (Samuelson). What value do the human resources (HR) contribute from the top to the bottom line of the organization? Over the years, there has been tremendous emphasis placed on HR practitioners becoming strategic business partners and being a value-added source within organizations. Traditionally, HR professionals could talk generally and conceptually about employee morale, recruitment, selection, placement, training, appraisal, compensation, firing and retention, turnover, and employee commitment being outcomes of HR efforts. Furthermore, the HR function is often viewed as an expense-generator and an administrative function and not as a value- to be replaced with evidence, ideas with results, and added partner (Ramlall, 2002). To fulfill the business partner role of HR, concepts need perceptions with assessments. In a planned economy, central planners decide how land, labor, and capital should be used to provide for maximum benefit. Of course with the help of right entrepreneurs the benefits may mostly be accrued. Contemporary analysis distinguishes tangible, physical, or nonhuman capital goods from other forms of capital such as human capital. Human capital is embodied in a human being and is acquired through education and training, whether formal or on the job or not. Human capital is important in modern economic theory as this plays the prime role to ensure the utilization of other factors during production (Shamim, 2022).

### 2.1 Objectives of the Study

1. To identify how human resource or people in any organization play the prime role to create value or add value
  2. To know the importance of Human Resources in the organization as a factor of production
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3. To recognize the Human Resources as the driving force to Gross Domestic Product
4. To show the linkage between human resource development and national economic development of a nation
5. To show the relationship among the recognized factors of production

## 2.2 Methodology Used

This article is descriptive and qualitative in nature. In addition to the hard resources, the E (electronic)-methodology is mainly used to generate information from the gained and collected data. The data collection and analysis method was all secondary in nature and the source is the learned knowledge from different published books and journals. The E-library is used to gather knowledge besides physical library.

## 3 Development & Discussion

To know the value addition perspective of human resource management, we need to know the answer to the question- what is the contribution of a firm to the national economy? The answer might come from different perspectives. The common answer may include Profit making, Employment generation, business expansion, Poverty elimination, Donation etc. etc. But these are not the absolute answer to the question. The answer can be made by single term “value addition” because every firm creates value to survive in the market. Each firm creates value and cumulative value addition is the Gross Domestic Product (GDP). Value addition is a simple term. Value addition is the total market value of the product minus the value of raw materials. In the form of equation: Value addition =  $P \times Q - \text{MatC}$  Where ‘P’ indicates Price ‘Q’ indicates Quantity and ‘MatC’ indicates Material Cost of the product.  $P \times Q$  is the Market value of the product. So value addition is the market value of the product minus the cost of raw materials used. To explain value addition, we need to be familiar with Land (Rent): Land is Allah gifted or natural resources. Rent is given for utilization of land, Capital (Interest): Produced means of production. Interest is given for capital consumption, Labor (Wages): Human resources/people. Wages is given to the people for performance, Entrepreneur (Profit): Human resources/People. Profit is given to the organizer, Market Value ( $P \times Q$ ): Market value is the sum of Materials cost, rent, interest, wages and margin of the organizer/entrepreneur.

Suppose a Tailor creates a shirt in his own home by using his own capital and employing no outside labor and sold it in the market for Tk.100.00 for which he purchased raw materials of Tk. 50.00. In this case his distribution of total cost would be as the following:

Cost of Raw Materials	Tk. 50.00
Cost of Land	Tk. 00.00
Cost of Capital (Interest)	Tk. 00.00
Cost of Labor	Tk. 00.00
Entrepreneur’s Gain (Profit of Tailor)	Tk. 50.00
<b>Market Value</b>	<b>Tk. 100.0</b>

*Here, Value Addition = Tk. (100.00-50.00) = Tk.50.00*

Further suppose, the same Tailor creates a shirt in his own home by using his own capital and employing an outside labor for Tk. 10.00 and sold it in the market at Tk.100.00 for which he purchased raw materials of Tk. 50.00. So his distribution of total cost now would be as the following:

Cost of Raw Materials	Tk. 50.00
Cost of Land	Tk. 00.00
Cost of Capital (Interest)	Tk. 00.00
Cost of Labor	Tk. 10.00
Entrepreneur's Gain (Profit of Tailor)	Tk. 40.00
<b>Market Value</b>	<b>Tk. 100.0</b>

*Value Addition = Tk. (100.00-50.00) = Tk. 50.00. But the impact falls on Entrepreneur's Profit. It reduced to Tk. 40.00 from Tk. 50.00*

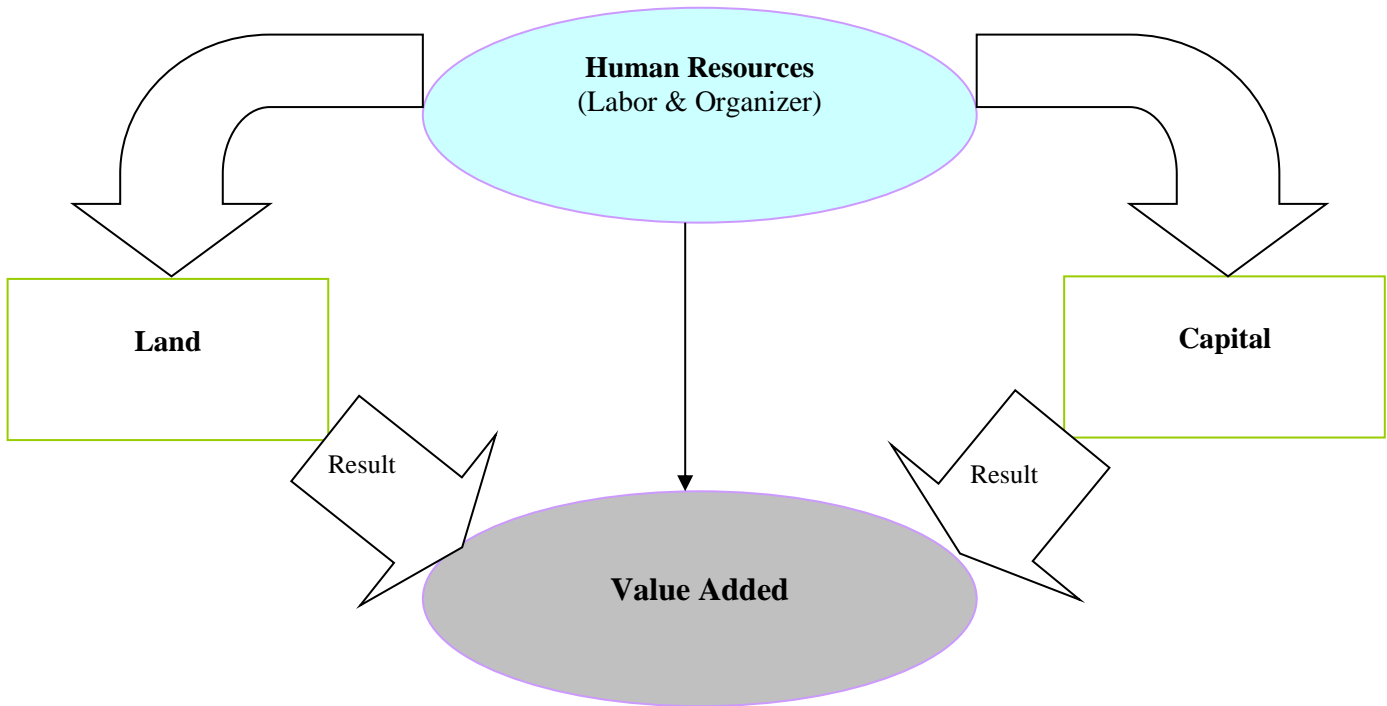
Again suppose that the same Tailor creates a shirt in a rented shop and paid Tk. 10.00 as rent. He also borrowed some fund from a bank and paid Tk. 10.00 as interest and employed an outside labor for Tk. 10.00 and sold it in the market at Tk.100.00 for which he purchased raw materials of Tk. 50.00. Here his distribution of total cost would be as the following:

Cost of Raw Materials	Tk. 50.00
Cost of Land	Tk. 10.00
Cost of Capital (Interest)	Tk. 10.00
Cost of Labor	Tk. 10.00
Entrepreneur's Gain (Profit of Tailor)	Tk. 20.00
<b>Market Value</b>	<b>Tk. 100.0</b>

*Value Addition = Tk. (100.00-50.00) = Tk. 50.00. But the impact falls on Entrepreneur's Profit. It reduced to Tk. 20.00 from Tk. 50.00*

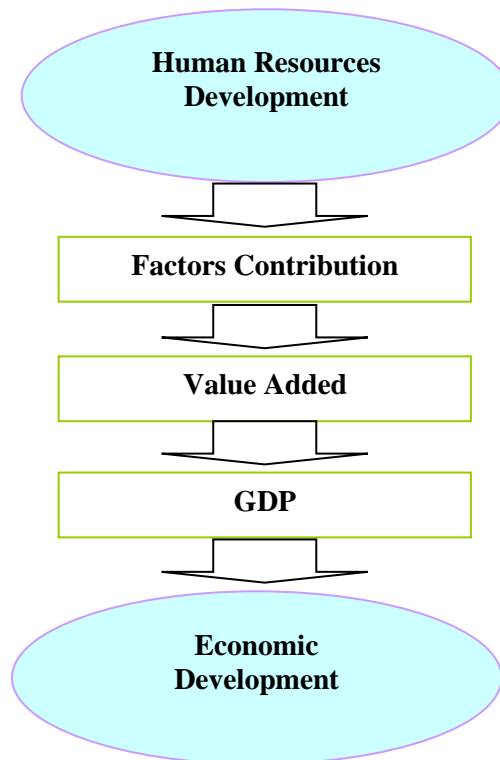
So, value addition is the total cost of Land, Labor, Capital and Entrepreneur. As the cost of land, labor, capital increases; the gain of the organizer decreases or *vice versa*. But value addition of a particular product remains the same.

*Who Adds Value:* Already we have noticed here that there are four factors of production which are universally accepted i. e., Land, Labor, Capital, and Entrepreneur/organizer. These four factors add value to the national economy thorough rent, wages, interest, and profit respectively.



**Figure-1: Summarized Value Added Perspective of HR**

Cumulative value addition is the GDP. Now the question arises and our concern is who adds value? Is it Land? No, land cannot do anything with the help of People, Is it Capital? No, Capital cannot do anything with the help of People also, Is it Labor? Yes, labors utilize the capital and Land, Is it Entrepreneur? The same role is played by entrepreneur as labor. Labor and Entrepreneur/organizer add value to the national economy through proper utilization of Land and Capital. People or Human Resources play as driving force to utilize capital and land. Capital itself cannot do anything without the help of people. People or organizer takes capital and pays interest and thus adds value. In the same way land cannot grow anything, people uses land to produce something and pays rent for it. So people plays pivotal role to utilize land and capital to add value. So it is only the human Resources who can add value to the national economy in the form of labor and organizer. To develop a country we need to develop Human Resources first and there is no alternative. *Linking HR to the Development:* We know that cumulative value added is the Gross Domestic Product (GDP) and GDP is linked to the development of a country. As per our previous discussion, development of any country depends on the factors (Land, Labor, Capital, & Organizer) contribution. And people factor is the main player to contribute. So, ultimate development totally depends on the Human Development.



**Fig-2:** Relationship of Economic Development to Human Resource Development

To develop a nation, more concentration would be given to human resource development because developed human resource would utilize the factors more fruitfully which would add more value to the economy, the effect will fall on higher GDP growth reflecting economic development.

#### 4 Conclusion

No doubt, human resource is the only factor which cannot be imitated and contribute to the national economy helping other factors contribute. So, to develop a country like Bangladesh, we need to give due concentration to human development. The worker or people concept should be transformed into human concept and this human to be transformed into resources to help the proper functioning of the factors of production.

#### 5 Recommendations

1. Every individual or entity should concentrate on human development, in case of individual this would be termed as self development. Without developing human resources in any organization, the organization will never be successful; in any community, the community will never be successful; in

case of any nation, the nation will never be successful. So to develop the nation ultimately, human resources to be developed and the developmental tools may be proper education, ethical learning, social learning, humane learning, etc.

2. conventional issue of factors contribution would be replaced as people contribution for economic and organizational development as people play the role of driver of the other factors
3. the contribution of a firm to the national economy is value added not interest, rent, profit or labor overhead, national economy can be made affluent through human development and there is no other alternative.
4. It is recommended to look for desired outcomes and desired outcomes will never be improved unless or until the HR is improved. Remembering the HR roles in total production process and product creation, it is highly appreciated to look for educated and trained people.

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