

Towards An Effective Management Model for High-End Human Capital: A Taiwanese SME Case Study

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Abstract

Teachers are important human capital in a society since they are the key figures to promote other human capital. This study takes a Taiwanese small-and-medium enterprise (SME) as an example and analyzes its human resource (HR) system for managing its high-end human capital --teachers. This study finds that strict selection and professional training system can not only guarantee the teaching quality but also enhance a teacher's incentive and job satisfaction.

Keywords: human capital, SME, case study

INTRODUCTION

Tangible resources, such as buildings, equipment, and financial resources and intangible resources, such as human capital, social capital, and brand equity, are vital for producing higher returns. Between the two types of resources, intangible resources are more likely to yield a competitive advantage because they are rare, valuable, and difficult to imitate (Barney, 1991; Black & Boal, 1994; Itami, 1987; Peteraf, 1993). In this rapidly changing world, firms are always seeking competitive advantages to survive. Human capital is the essential source of competitive advantage for a firm and is defined as the skills, capabilities, and knowledge of a firm's staff (Hitt et al., 2001; Knight, 1999; Lynn, 2000; Pennings et al., 1998).

Human capital theory addresses the worth of an organization's human resource base for performance. Human capital focuses on the benefits for an organization, ultimately, in terms of profitability, solely by its stock of human resources. A firm's performance influenced by its human capital is not a new concept. More and more managers realize that human resources are a strategic asset because of their special roles and features.

In theory, there is an expectation that the higher a firm's stock of human capital, the more successful the firm will be and the greater its competitive advantage over its rivals will be. The strategic importance of human capital in terms of achieving enhanced performance is now increasingly recognized. Most executives believe that employees are their most important assets. However, they are uncertain whether their staff can transform human capital into a valuable outcome. A possible reason for this is that the influence of human capital on the performance of an individual or a firm is difficult to measure. To a firm, employees are expected to contribute their knowledge, skills, and experience to increase profits. Therefore, organizations need to develop an effective management system to select qualified employees sensitively and to provide continued training. In addition, organizations should design some mechanism to increase employees' work commitment as well as to improve the identification of the products or services that the organization produces to lead to better overall organizational effectiveness.

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HIGH-END HUMAN CAPITAL

Teaching is a profession for not only human capital but also for the key figures to promote other human capital in a country. Therefore, it is an important issue to explore how to manage teachers effectively.

The following characteristics are for teachers who are not in permanent positions and are not formally authorized by a national certified system (i.e. they are cram-school teachers):

1. Teachers have autonomy and flexibility in sharing the knowledge they possess. They make their own decisions when instructing students. However, for teachers who are not formally authorized by a national certified system, it is difficult to objectively evaluate the sufficiency of the teaching materials they have prepared since there are no clear requirements on the lessons given.
2. Teachers have a higher degree of independence. These teachers will instruct students with their knowledge expertise in specific areas and will only be in the classrooms when they have to teach a class instead of staying at the institution for the whole day.
3. Teachers have a higher degree of mobility. The teachers will also be motivated to work for educational institutions that provide higher compensation.
4. These teachers usually do not belong to any individual institution or company. They can be employed by many companies at the same time. Therefore, their commitment to a specific institution is less when compared to teachers with permanent positions.

It is important for companies to effectively manage these teachers. If the teacher management system is not well established in these companies, the operational risks will be elevated and the management costs will be increased. In addition, qualified teachers are a valuable resource for educational institutions and companies providing educational services. If the teacher management system is not effective, they will not only lose their best teachers but will also damage their corporate image. Furthermore, the students will be negatively impacted.

A CASE STUDY

This study takes a Taiwanese small-and-medium enterprise (SME) as an example and analyzes its human resource (HR) system for managing its high-end human capital. In addition, the effectiveness of this system is discussed.

PowerFull is a SME founded in 2003. It has only four employees and capital of US\$35,000. Their core business is to sell imported educational aids – a Rich Dad Cashflow board game for adults and one for children. They also provide Financial Quotient (FQ) training programs to companies and schools.

Based on *PowerFull*'s years of experience in promoting FQ, in 2011, and the professors in the Department of Early Childhood and Family Education and the Department of Educational Management of the National Taipei University of Education (Taiwan's most reputable university in teacher training) cooperatively compiled the Children Financial Quotient (CFQ) in a series of 12 books. They planned to promote their product to after-school educational institutions. The business model was for the after-school educational institutions to purchase CFQ usage directly. Meanwhile, they provide a list of qualified teachers for the institutions to be selected for teaching.

Human Capital Managerial Mechanism

After having in-depth interviews with *PowerFull* founder, scholars, and business practitioners, we initially helped *PowerFull* to establish a management system that included seven human resource management functions. These functions are as follows:

1. **Recruiting.** *PowerFull* will partner with textbook dealers. Salespeople will look for potential clients who are interested in their products by examining target markets. They will also attract people who are interested in teaching CFQ to apply. The participants can be teachers who are already government-certified, retirees, homemakers, or anyone who is interested in pursuing a teaching career or wants to increase his or her income.
2. **Selection.** The trainees will have to participate in strict professional training and must sign in for classes. This may help to weed out trainees who are not committed to the program. After training, each trainee will have to give a 15-minute oral presentation (along with a teaching plan and in field teaching) in order to pass the examination and obtain a teaching qualification. Furthermore, by charging a registration fee of US\$550, individuals who are not highly committed to a teaching career will most likely be screened out.
3. **Training.** The trainees will have to participate in a 54-hour systematic and strict professional training program to ensure that they understand the course material, such as educational theory and FQ theory, as well as possess required teaching skills, such as good teaching materials and mock teaching practice.
4. **Dispatching.** A simple and effective management information system was established for *PowerFull*. This included a website that provides good matches for after-school educational institutions that are in need of certified teachers.
5. **Re-training.** A two-day workshop will be held annually for certified teachers to participate. Outstanding teachers will be invited to give speeches and presentations in the workshop to share their experiences. Moreover, all attendees will discuss the difficulties they encountered while teaching in order to help improve teaching skills.
6. **Compensation.** A certified teacher will be compensated US\$85 for a 40-minute class. Highly evaluated teachers will be given more opportunities and be compensated more than those less-qualified teachers are. Furthermore, the market mechanism will automatically weed out the less-qualified teachers.
7. **Quality control system.** A credit system was also designed in the management system for quality control. Credit can be accumulated when teachers participate in teaching and training activities, such as teaching in the after-school education institutions, participating in workshops or giving presentations in the workshops, sharing teaching materials on the websites, and promoting these classes in government and school activities. Teaching qualification will only be extended for next year when credit is accumulated to the required level. This quality control system will monitor good teaching quality.

Human Capital Training Performance

By using a five-point Likert scale (with 5 being “strongly agree” and 1 being “strongly disagree”) as a methodology to evaluate the participants who completed the first training program ($n=16$), not only did they all have a sense of achievement (mean = 4.31, s.d. = 0.60), but they were also willing to use the CFQ series of books that was developed by *PowerFull* to teach their own children (mean = 4.81, s.d. = 0.54). Moreover, they

intended to recommend the training program to become a CFQ teacher to their friends (mean = 4.56, s.d. = 0.89). After the completion of the 54-hour professional training program, the participants' understanding of the course subjects reached a value of 4 (using the same five-point Likert scale) including a value of 4.24 for educational theory, a value of 4.35 for FQ knowledge, and a value of 4.36 for course teaching tools. In addition, the participants believed that the professional programs are helpful to their future teaching careers (mean = 4.6, s.d. = 0.51). Altogether, the quality of the educational training program is acceptable.

Based on the results of the survey, if participants were satisfied with *PowerFull's* human resource management system, they were motivated to become certificated teachers ($r = .59$, $p < .05$). Although their motivation is irrelevant in regards to the strictness of the program design, their satisfaction towards the program was positively related with the strictness of the course training and the quality control ($r = .67$, $p < .01$). When participants are more satisfied with the training system, they will devote more hours to educational work ($r = .66$, $p < .05$). In addition, when participants are committed to become qualified teachers, they will recommend that their friends also participate in an education career ($r = .79$, $p < .001$).

CONCLUSION

Although *PowerFull's* teacher management system is only in its beginning stages, it is expected to provide a certain degree of improvement to human capital management. As already mentioned, it is difficult to manage contract teachers. Therefore, it is important to establish good training and quality management mechanisms, especially for SME that lack operational resources (i.e. administration and finance). In conclusion, organizations should take advantage of contingent models for managing diverse human capital. The current study provides some findings and insights for not only academics in strategic human resource management but also for those in the field.

Acknowledgement-The author would like to acknowledge the financial support provided by the National Science Council to enable the author to present the earlier version at the 13th Annual Hawaii International Conference on Business.

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