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Building Organizational Resilience through Human Capital Management Strategy

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Abstract

Purpose – This paper examines the role of human capital management strategy in shaping organizational resilience. Resilient organizations thrive in uncertain and adverse conditions. The organization's capacity for resilience can be developed through human capital management strategies that are focused on employee capabilities, training, and development. When individual capabilities and resilience are developed, those can be aggregated at an organizational level to develop the capacity in an organization for resilience.

Design/methodology/approach – A review of relevant studies and literature was conducted to develop strategies and insight into developing the human capital of an organization to support organizational resilience.

Findings: Supporting individual capability development and resilience builds the organization's capacity for resilience. By shifting human capital management strategies to building capabilities and then skills, organizations develop individual resilience and then organizational resilience. The implications of how to build such human capital management strategies are presented.

Originality/value – This paper provides support and guidelines for building individual capability and resilience to enhance an organization's resilience.

Keywords: *organizational resilience, human capital management strategy, employee development, employee resilience*

Building Organizational Resilience through Human Capital Management Strategy

Organizational resilience is a strategic necessity for organizations to prosper in the dynamic and ever-changing world. Threats and disruptions such as economic recessions, natural disasters, and pandemics all require resilience through building competencies and capabilities across all aspects of the organization. Organizational resilience is defined as “the ability of an organization to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper” (Denyer, 2017, p. 3) and includes the development of new capabilities and an expanded ability to keep pace with and even create new opportunities (Coutu, 2002). The organization’s capacity for resilience can be developed through human capital management strategy. When aggregated throughout the organization, it achieves the ability to respond in a resilient manner when experiencing disruptions, changes, or shocks.

Proactively approaching responses to unexpected conditions and the ability to identify opportunities within a crisis event to further expand capabilities and create new business opportunities are factors in strategic resilience (Sullivan-Taylor and Wilson, 2009). Successful businesses are those that focus on building and maintaining strategic resilience (Mitsakis, 2019). Knowledge and expertise developed in employees to increase the productivity of organizations refers to human capital management. Human capital management strategies such as performance management and optimization that individually and collectively enhances resilience must be a component of a firm’s strategy in building organizational resilience. The more successful firms tend to be prepared for adversity and yet are proactive and flexible when encountering crises largely due to human resources and skills that support an organization in achieving goals (Denyer, 2017).

Human Capital Management Strategy and Organizational Resilience

Human capital is a vital component for organizational effectiveness and performance as well as enabling organizations to become resilient. The relationship between individual resilience and organizational resilience is explained through interactions between systems and subsystems (Lengnick-Hall *et al.*, 2011). Organizational capabilities are derived from a combination of individual-level knowledge, skills, abilities, and other attributes that are part of an organization’s human capital management strategies centered on employee capability, motivation, and performance. Fostering resilience through individual training and the development of specialized competencies in individuals will enhance resilience (Coutu, 2002). Increasing motivation and psychological resources such as self-efficacy, optimism, hope, and resilience training in individuals will boost the group and organization’s collective resilience (Sutcliffe & Vogus, 2003). The individual level is then leveraged and aggregated to the organizational level which supports organizational resilience.

Human capital management (HCM) strategy is a strategy that outlines the human resources and skills needed to allow an organization to achieve goals. HCM strategy encompasses plans for compensation and benefits, long-term workforce strategy, succession, diversity, learning, retention, and HR technology updates and upgrades (Tucker, 2018). Human capital management strategies that develop the employee’s resilience contributes to organization

resilience which supports organizations during turbulent and uncertain business and economic times (Mitaskis, 2019).

Resilience is dynamic and represents both individual and the organization's adaptability (Denyer, 2017). For individuals, resilience results from processes that enhance resources accessible to the individual within the organization that fosters one's ability to be flexible, adaptable, and able to cope positively with unexpected events (Coutu, 2002). Positive relationships built through the organization's sponsorship of employee development and training, are linked to resilience and recovery in organizations (Lengnick-Hall *et al.*, 2011). The organization's capacity for developing resilience is achieved through human capital management strategies supporting individual capability development which contributes to the organization's ability to absorb uncertainty, develop responses, and engage in transformations to capitalize on disruptions.

How to Build Capabilities in Individuals for Organizational Resilience

The focus on the human capital of an organization is essential to developing resilience (Lengnick-Hall *et al.*, 2011). Resilient individuals are prepared for adversity and are simultaneously proactive and flexible when encountering a disruption, supporting the organization's response as well.

The organization's resilience is achieved through human capital management strategies that create individual competencies among employees which then transfer to the organizational level to absorb uncertainty, develop situation-specific responses to threats, and then engage in transformative activities to capitalize on disruptions. Organizations should focus on the capability or potential of the human resources and derive actions from strategies that focus on opportunities and incentives for employees to grow and adapt not only in skills, certifications, or even roles; but, also based on the capacity to develop in new areas and ways. The following are implications for organizations to build resilience through human capital management strategy:

1. Shift the focus on building skills to the commitment of developing capabilities first and then skills. Capabilities such as curiosity, collaboration, creativity, and empathy. In organizational environments where capabilities are cultivated and nurtured, employees reskill and reinvent faster and with more sustainability.
2. Employee development should shift from the specific workforce needs focusing on short-term strategies to cultivating passion to help solve unseen and future problems. This means fostering employees' motivation to make an impact, seek out challenges to improve performance, and promote collaborative environments that build relationships and gain insights. This contributes to the organization's sustained performance.
3. Move away from focusing on formal training to learning through experience. The development and training for employees should integrate learning into the flow of work to make it more personal to the individual and allow for learning to be delivered at preferred times and in targeted ways.

4. Change how the performance management system rewards individuals. In the turbulent environment, create incentives that motivate people to continuously learn, adapt, and improve. The rewards can be based on capability development, rather than solely on work output.

The above implications for shifting human capital management strategies to build resilience for employees and organizations revolves around focusing on developing capability of human capital and then job or task specific skills. Improving employee skills is necessary; however, equipping employees with tools to adapt to a range of uncertainties in addition to the skill development is needed in the organization's human capital management strategies.

Conclusion

With the scale and rate of disruption organizations face, developing employees and the investment in human capital should not be lessened. Investment in human capital is critical given the need for employees to constantly adapt and evolve their skills and capabilities in the same fashion as organizations evolve. During disruptions such as economic recessions, rapidly changing markets, and pandemics, employees quickly assume new roles, leverage strengths to effect meaningful change, all of which highlight the value of resilience in employees that supports the organization's resilience. Organizations that shift their human capital management strategies giving opportunities and incentives for employees to grow and adapt skills as well as capacity to develop in new areas are more likely to build the collective resilience necessary for organizations to respond effectively to adversity.

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