Management of a Public Organization and the Effects of Human Capital Development on Organizational Performance

Besmira Botusha[1]

Enida Istrefi Zhugri[2]

Xhesida Tragaj[3]

1MSc., Lecture, Faculty of Political and Legal Sciences,
University "Aleksander Moisiu" Durres, Albania
2Dr., Lecturer, Faculty of Business,
University "Aleksander Moisiu" Durres, Albania
3MSc., Lecture, Faculty of Political and Legal Sciences,
University "Aleksander Moisiu" Durres, Albania

Received: 25 September 2025 / Accepted: 15 November 2025 / Published: 25 December 2025

Doi: 10.56345/ijrdv12n3s146

Abstract

This paper aims to bring to everyone's attention how important effective management of an organization is and the impact that good management has on the development of an organization.The responsibility of management in our society is crucial not only for the organization, but also for the public attitude towards management, for its success and status, for the future of our economic and social system, and for the survival of the organization as an independent institution. From an almost unknown position in 1990, management has today become a central activity of the economic era, a powerful and innovative force on which our society relies in the material field and economic well-being. All organizations, whether private or public, profit-oriented or not, regardless of the field in which they operate, have one thing in common: they need to be managed. Also, the purpose of this paper is to emphasize the effects of human capital development and its impact on organizational performance. To create a competitive advantage, it is essential that organizations invest their entire arsenal in the workforce, viewing it as a competitive weapon.

Keywords: *Management, Public Organization ,Human Capital, Organizative Performance,Competitive Advantages, Economy*

1. Introduction

Management is the process of achieving organizational objectives by working with human capital and other organizational resources. As a result, this concept demonstrates that management has several key characteristics: a) it is a process that involves a series of continuous and interconnected activities, b) it focuses on achieving organizational objectives, c) it aims to achieve these objectives by working with and through human capital. In the era we live in, with prominent features of globalization where innovation has become a dominant element in the context of economic and social developments, the clear identification of what we now call the "knowledge society" highlights new challenges for organizations and management. This paper aims to emphasize the fact that the realization of challenging changes, economic growth, global stability, and the success of organizations will increasingly depend on innovative management and leadership. Management is considered a modern invention, the importance and impact of which has been compared to the most significant technologies that have changed the world. Public organizations are capable of facing challenges and failures and have sufficient power to influence the distribution of resources. The challenges of our era are numerous and have their own characteristics in different countries, but the most dominant ones are globalization, demographic factors and workforce diversity, the technological revolution, the interaction of public organizations with society, and government regulations. Human capital is closely linked to two dimensions: Firstly, the financial dimension, physical capital; Secondly, the capital considered intangible wealth, where the development of human capital changes inputs into outputs, and development takes place through education and training to improve the skills and attitudes of individuals within an organization.

2. Methodology

This paper aims to highlight the importance of effective management in a public organization and how the development of human capital impacts organizational performance within the modern context of the era we live in. To ensure the effectiveness of the paper, we employed both qualitative and quantitative methods, integrating them to provide a comprehensive approach. Additionally, we relied on a review of existing literature and previous studies related to management, making comparisons between the management of public and private organizations and the impact of management on the development and maximization of their objectives. By combining data from various sources, reports, and official documents, the paper offers a structured assessment. A key aspect of the paper involves a detailed treatment of historical periods related to management, bringing attention to its origins as well as how the concept of management has evolved, and how crucial the development of human capital is in enhancing organizational performance and achieving organizational objectives.

By integrating qualitative knowledge with official statistical data, this paper offers an overall perspective on the transformation of the role of management and human capital in an organization. The findings contribute to the existing discourse while providing practical implications for policymakers seeking to improve management strategies and organizational performance.

Thus, several key points were considered in this paper:

- **Management is a function of our past**: We must learn from our past efforts to understand management properly. Viewing it from a historical perspective allows us to examine and rationally judge what is valuable and discard what is now simply part of history.
- **Management appears in various forms**: It should not be forgotten that there is no "best way" and we should not adhere to the principle "one size fits all."
- **Management requires multiple perspectives**: Ethical management is the most important because managers are under pressure, and choosing the right path for ethical decision-making is difficult but simultaneously a distinguishing trait that highlights an ethical and successful manager.

3. Historical Context of Management Science

Management is undoubtedly considered one of humanity's most important "inventions." For more than a hundred years, advances in management, structure, processes, and techniques used to unite or combine human efforts have helped strengthen economic progress. Tracing the history of management accurately is difficult because most scholars view it from a modern perspective, and in this sense, management would not have a pre-modern history, but only faint signs of it. In fact, the origin of management can be broken down into several chronological periods:

- Ancient documents discovered in areas where city-states once existed show that although management as a scientific discipline is just over 100 years old, practical examples of its use have a millennia-long history, even though during this period management techniques were primarily applied in support of political, religious, or military activities.
- Despite the above, the pre-modern period can be said to have begun with the "commercial revolution," which includes the development of trading corporations.
- The industrial revolution brought new methods of production, highlighting the use of new forms of managerial organization.

Various studies have highlighted different types of management, each with its own specific features. Scientific management encompasses the work of individuals and the search for the most efficient methods to perform tasks in order to achieve objectives and develop human capital. The successful completion of tasks is closely linked to the fact that each employee must have clearly defined tasks and suitable conditions. The effectiveness of task fulfillment is inherently connected to the precise implementation of several basic principles:

- The scientific study of every element of work, which should replace the empirical method;
- The scientific selection and subsequent training, development of human capital;
- Close cooperation with employees to ensure that all tasks are performed in accordance with scientific principles;
- Tasks should be distributed almost equally between managers and employees.

Practice has shown that the orientations and techniques of scientific management, designed to improve efficiency, are still in use today. When managers analyze the basic tasks that need to be completed within a set time frame, use time and motion studies to eliminate excessive movement, recruit employees with the highest qualifications for various jobs, or design incentive-based pay systems, it is said that managers are applying the principles of scientific management. Administrative management shifts attention to broader issues, such as how organizations should be structured, and it is this management that highlights basic functions like planning, organizing, commanding, coordinating, and controlling.

To better understand management and how it has evolved and influenced the functioning of organizations, we also analyzed modern management theories, among which the most important are:

- **Systems Theory**: This theory is considered the originator of the concept of management systems. It specifies that all organizations are cooperative systems, and according to it, the cooperative system is a complex of physical, biological, personal, and social elements that have a specific systematic relationship through the cooperation of two or more individuals for one or several specific purposes. In this way, it becomes possible to study the essential elements of the organization in the context of their interaction with each other and the external environment. In fact, the systemic approach allows the manager to focus on the internal and external aspects of the organizational environment, meaning that the manager, when making decisions, should treat the organization as a unique whole, not as a mechanical combination of parts.
- **Situational Theory**: This is considered the modern perspective of management and seeks to move away from universal management concepts in favor of situational treatment, unlike the universal approaches to management. Although management generally requires universal answers to problems, this theory emphasizes that there is no "best way" of management that suits every situation, because the complexity of social systems and human behavior makes each situation unique from others.

4. The Importance of Human Capital Development in Organizational Culture

Organizational culture is the "heart" of any organization and is closely tied to how the organization is formed and how it develops its activities. In the past, structures were more rigid, and values and missions were determined by a few individuals, with human capital not being directly involved. Today, however, the most important asset of any organization is its human capital. Achieving organizational goals is directly linked to the involvement of employees so that everyone shares the same organizational culture. One of the biggest challenges today is implementing these values.

On the other hand, organizations face new changes, whether in the way services are delivered or in adopting and adapting to significant technological changes. As a result, they need to educate themselves to continuously be prepared for these changes without negatively affecting employee motivation. Public organizations today operate in competitive environments, and this is considered a critical force for change. The pressure on organizations to add value, achieve sustainable advantages, quickly adapt, and remain flexible in the face of new challenges has intensified. However, the response to these pressures has taken different forms, including new organizational structures with flexible, process- or project-based designs, increased reliance on information technology, and a strong emphasis on the continuous improvement of human capital performance, quality, and service to individuals.

The quality of intellectual human capital possessed by public organizations is treated as a key factor for achieving high results. The cliché that "people are the most valuable asset" is still widely believed, but behind this statement lies a deeper truth: how effectively the organization uses the hidden value of its employees and to what extent it increases the chances of success. This is especially true today, as intellectual capital and both general and specific knowledge are becoming increasingly important. Regardless of how the management activities and the nature of organizational processes are defined and identified, the essential part of the management process is paying the right attention to the efficient use of human capital.

The importance of human capital, the most important asset of any organization, is highlighted through the following key points:

- There are fundamental differences between individuals as assets and financial or technological assets.
- Understanding these fundamental differences creates an entirely new way of thinking and working within the organization.
- Strategies can only be realized through individuals, and creating a strategic approach necessitates dialogue across the entire organization.

Human capital management is part of the management process, focusing on human relations and ensuring their well-being, so that they can contribute maximally to the achievement of organizational tasks and objectives. Since human capital management is closely tied to organizational effectiveness, it is addressed in two aspects:

- It is considered a specialized field within the organization, realized through human capital specialists who are responsible for planning, recruitment, selection, training, performance evaluation, and maintaining effective employee relations.
- Regardless of the field in which they operate, it is recommended that every public organization have a person who serves as a human capital specialist. To perform their duties effectively, this person should have comprehensive knowledge in economic, legal, psychological, and social fields, and most importantly, should always judge within the framework of cooperation for the interests and objectives of the organization.

When public organizations undertake initiatives to design policies in the field of human capital management, they should consider the following key points:

- Employees should be provided with not only sufficient wages to live a normal life, but the wage category for the same work should be at the same level within the organization.
- Employees should be assured that their employment in the organization will be long-term.
- Employees should feel that they are treated equally, with the sole criterion for privileges being their work and results.
- Continuous development and training of employees should be aimed for, and all benefits provided by current legislation should be utilized.
- Aiming for democratic treatment of employees, ensuring they feel they have the right to voice their opinions and thoughts.

Training not only impacts the development and motivation of employees, but it also makes them feel secure by having the necessary knowledge and skills to perform tasks effectively. It also motivates them to take on new responsibilities and adapt to external changes, ensuring they do not constantly doubt their development and success paths. A well-developed and trained human capital is not just an asset for the organization, but an element that directly impacts the achievement of organizational goals. The development of human capital is more than an effort to increase values; it is a means of acquiring the knowledge needed to complete both general and specific tasks. Training itself carries many positive effects and is seen as an advancement of human capital, which should be a right for all employees. Furthermore, a training program represents a priority for the future of the organization, enabling the planning of future goals.

5. Performance Evaluation of Human Capital

Performance is defined as the way tasks are carried out in alignment with organizational functions, and its effective evaluation is a process that contributes to the proper management of employees, aiming to achieve higher levels of organizational objectives. The performance evaluation process establishes a common understanding of what needs to be achieved from the perspective of leadership and the development of human capital. As an essential part of the functionality of public organizations, performance evaluation is carried out for several purposes, which are considered important for their continuity:

- To provide employees with feedback on the results of their work, highlighting their strengths and weaknesses, and pointing out areas where they need to improve their work in the future.
- To provide managers with the necessary information to make effective decisions regarding training needs.
- To allow managers to identify top performers and make distinctions in rewards.

One of the key aspects of performance evaluation is the establishment of standards. In performance evaluation systems, standards are referred to as criteria or methods for identifying success in a given activity. The performance evaluation of long-term employees is usually conducted once a year, while new employees are evaluated more frequently. The timing of evaluations generally depends on the situation and the purpose for which the evaluation is conducted. It is important to note that performance evaluation programs should be viewed as an ongoing process, focusing on work results, individual development, and the effective realization of organizational goals.

Performance is characterized by many dimensions, and although there are numerous evaluation methods, they are generally divided into three major groups:

Behavior-oriented methods: These include graphical representations of scaling, where all the factors that are thought to determine the employee's performance are listed in a table and evaluated according to a specific scale. This method tends to focus more on the characteristics of the employee, or in other words, it attempts to evaluate almost all employees as average performers. Evaluating very few employees above or below the average level not only fails to motivate employees to perform at a higher level but also does not reveal those who have unsatisfactory performance levels.

Reference method: Although this is a relatively new method, it represents an evaluation technique where certain characteristics are predetermined and used as reference points to judge whether the performance is at the appropriate level. In order to determine the reference points, a detailed analysis of the work and events that have occurred in practice must be conducted. As such, this method can be costly in terms of both finances and time. Therefore, it is recommended primarily for cases where most employees perform similar or identical tasks.

Result-oriented method: This is the most prominent method in management by objectives and is widely used because the objectives set in collaboration between the supervisor and the subordinate serve as the standards against which their performance is evaluated. The advantage of this method is that employees are generally aware of how their performance will be evaluated.

6. Management in the Public Sector: Characteristics and Differences from the Private Sector

The management of public organizations and the application of modern principles is a critical issue in Albania. Problems faced in the public sector, such as the budget deficit and increasing pressure for higher efficiency, have highlighted the need for a well-organized management system. However, it is important to emphasize that there are several differences between the management of public organizations and private ones:

- **Legislative Objectives:** Private entities can pursue any potentially profitable legal objective they aim for. In contrast, public organizations, which deal with drafting laws and decisions, are explicitly told what they must do, which significantly limits their options.
- **Lack of Competition:** Public organizations, instead of being tested by the market, often spend a long and difficult time on cost-control programs and measures to assess the effectiveness of the organization.
- **Weak Incentive Systems:** Unlike the private sector, where impressive incentive systems exist to motivate staff, public organizations offer few incentives to their employees. As a result, they struggle to retain and attract top-tier employees.
- **Organizational Inflexibility:** Public organizations must have a high level of structuring to provide standard services, even though the existence of numerous bureaucratic procedures and rules hinders innovation. Public sector managers are constantly challenged to find new ways to encourage and cultivate innovation despite the emphasis on forecasting and uniformity in operations.
- **Uniform Treatment and Accountability to the Public:** Public organizations are more exposed to public opinion and media scrutiny. They must maintain transparency and ensure accountability to the public, making them more visible and under more public pressure.
- **Higher Employee Engagement in Unions:** Public sector employees are generally more engaged and involved in unions compared to their counterparts in the private sector.

These limitations present a unique challenge in the management of public organizations, especially in their efforts to increase efficiency. However, the qualification of employees in a wide range of issues remains the best way to improve their performance. Despite the differences, public organizations face many of the same managerial problems as the private sector.

7. New Public Management: Innovations and Impacts

The origins of New Public Management (NPM) can be traced back to the 1970s within neoliberal environments. According to various studies, NPM aims to modernize public sector management to improve the cost-service ratio and assess the pragmatism of management. NPM is based on a division of roles between political power, which makes strategic decisions and sets objectives, and the organization, which makes operational decisions. The basic postulate of NPM is that, under new development conditions, the traditional forms of functioning and the creation of public organizations must be deeply reconsidered.

Globalization and deregulation have forced many countries to reform their public organizations to provide better conditions and attract capital and a qualified workforce. With the multiplication of missions, a centralized public organization would no longer be efficient in navigating the complexities of the world. This is exactly where NPM steps in, denying any difference between public and private sector management. In this view, citizens are seen as consumers of public services, and public organizations must provide the best service at the lowest cost. Therefore, public organizations focus on managing public action by delegating their execution to operational units. In general, it is said that public organizations should "drive less and steer the ship better," and this shift is expected to result in more efficient and effective implementation.

Services tasked with operational realization need sufficient freedom to allocate resources effectively, and for this, adaptable techniques are necessary. NPM requires applying management methods from private organizations to public sector tasks. To achieve this, public management needs to adopt "market principles," which are considered more efficient than traditional planning. Additionally, NPM moves away from traditional bureaucratic organization and towards new forms of structuring. At the operational level, NPM is inspired by widely implemented procedures in the private sector, such as total quality management, zero defects, and the pursuit of excellence.

8. Basic Principles of New Public Management:

- A distancing process, separating public organizations from traditional politics.
- A process of bringing public organizations closer to the citizen, who thus becomes the client.
- A process of dynamization and organizational transformation of public organizations.
- A decentralization process.
- A stronger focus on results.

Studies and analyses conducted over the years have highlighted that the implementation of NPM has led to a decrease in the performance of public organizations, and in many cases, this has been accompanied by a deterioration in the services provided. However, it should be acknowledged that there are fundamental differences between public and private organizations:

- The objectives of public organizations are defined in political terms, not contractual terms.
- The services provided by public organizations are seen in terms of the general public interest, as opposed to the specific interests considered by private organizations.
- The responsibility of public organizations to individuals is different from the responsibility of a business leader to its shareholders, who expect profits but do not fix missions.
- Public organizations cannot choose their clientele, and all must be satisfied, whereas private organizations can focus on specific market segments.

These differences underline the challenges and complexities of applying private-sector methods to the public sector, as they need to be adapted to the unique context of public service delivery and accountability.

9. Conclusion and Recommendations

Managing and addressing issues that impact individuals, improving and increasing the quality of services provided, and expanding activities and commitments for the benefit of individuals and society at large remain real challenges of our time. Undoubtedly, the role of public organizations in meeting these challenges is crucial. The efficient development of human capital significantly increases productivity and directly impacts the sustainability of organizational performance. From an organizational perspective, the development of human capital plays a key role in strategic planning and provides competitive advantages, while at the individual level, the importance of human capital depends on the extent to which it contributes to creating competitive advantages.

All studies in the field of management have shown that the "human" factor is the primary component of a public organization. As a result, training and development of human capital should be central to the organization's objectives. Focusing on practices and processes related to the management of human capital performance is considered an effective way to achieve the organization's goals as efficiently as possible. Motivating human capital also generates high performance, regardless of the management systems in place, with the simple logic that motivated individuals contribute to high-performing organizations. Ultimately, the role of public organizations is to inspire human capital and foster commitment to the vision by creating an organizational culture based on accountability and work ethics.

In a time of constant change, with organizations facing their own issues related to sustainability and efficiency, the following recommendations are made:

Human Capital Managers should ensure proper identification and evaluation of needs within the organization to align talent with organizational objectives.

Continuous research should be conducted on developments in the organizational environment to determine areas where employee skills need training and improvement.

Programs should be consistently developed to improve organizational performance by focusing on enhancing both individual and team capabilities.

Implementing these recommendations will not only help public organizations achieve greater efficiency and effectiveness, but also ensure that they remain adaptable and competitive in an ever-evolving landscape.

References

Absar, M. M. N., Nimalathasan, B., and Jilani, M. M. A. K. (2010). "Impact of HR Practices on Organizational Performance in Bangladesh," International Journal of Business Insights and Transformation, vol. 3,2, April - September 10, pp. 15-19.

Aguinis, H. (2005). Performance Management. UK: Edinburgh Business School Heriot-Watt University Edinburgh.

Aguinis, H. (2013). Performance Management. Kelly School of Business: Pearson.

Alliger, G. M., Tannenbaum, S. I., Bennett, W. Jr., Traver, H., and Shotland, A. (1997). "A Meta-Analysis of Relations Among Training Criteria," Personnel Psychology, Vol. 50, Issue 2, June, pp. 341–358.

Armstrong, M., and Taylor, S. (2014). Armstrong's Handbook of Human Resource Management Practice, 14th ed. Kogan Page Limited.

Articles from the Human Capital View. (2012). Cape Town: Knowres Publishing Pty Ltd.

Arthur, W. Jr., Tubre', T. C., Paul, D. S., and Edens, P. S. (2003). "Teaching Effectiveness: The Relationship Between Reaction and Learning Criteria," Educational Psychology, Vol. 23, Issue 3, pp. 275–285.

Banfield, P., & Kay, R. (2012). The Management of Human Resources, Introduction to Human Resource Management, second edition. UK: Oxford University Press.

Banfield, P., and Kay, R. (2011). "HRM: An Academic and Professional Perspective," Introduction to Human Resource Management, Tirana, UET Press.

Beardwell, I. H. (2004). Human Resources Management: A Contemporary Approach (4th ed.). (Harlow, Ed.) Prentice Hall.

Bello, K. (2013). "Intangible Assets – The Invisible Part of Business," Economicus, no. 11, December, pp. 43-54. Tirana: UET Press.

Bogason, P. (2001). "Postmodernism and American Public Administration in the 1990s," Administration and Society, Vol. 33, No. 2, May, pp. 165-193.

Bourgon, J. (2007). "Responsive, Responsible and Respected Government: Towards a New Public Administration Theory," International Review of Administrative Sciences (Impact Factor: 0.78), vol. 73, nr. 1, March, pp. 7-26. Retrieved from: https://www.researchgate.net/publication/275513147_Responsive_Responsible_and_Respected_Government_Towards_a_New_Public_Administration_Theory (accessed on February 8, 2016).

Box, R. (1999). "Running Government Like a Business: Implications for Public Administration Theory and Practice," American Review of Public Administration, Vol. 29, No. 1, March, pp. 19-43.

Caldwell, L. K. (2002). Public Administration an Interdisciplinary Critical Analysis: Public Administration—The New Generation Management in High-Information Level Societies (pp. 151-176). New York: Marcel Dekker, Inc.

Ceni, Ahmet. "Public Organization Management."

D.C. Daniel, "The Effects of Human Capital Development on Organizational Performance."

DeCenzo, D. A., and Robbins, S. P. (2005). Fundamentals of Human Resource Management, Eighth Edition. USA: John Wiley & Sons.

DeCenzo, R. (2011). "Staff Employment and Human Resource Management," In Fundamentals of Management: Basic Concepts and Applications. Tirana: UET Press.

Dessler, G. (2007). Human Resource Management. New Delhi: Prentice Hall of India Private Limited.

Frederickson, H. G., Smith, K. B., Larimer, Ch. W., and Licari, M. J. (2012). "Theory of Public Management" The Public Administration Theory Primer, Second Edition. USA: Westview Press.

http://advocaynet.org

http://www.advocatesinternational.org
http://www.advocay.org
http://www.gender.org
http://www.justassociates.org
http://www.ngo.org/ngoinfo/define.html
Kirkpatrick, D. (1996). "Invited Reaction: Reaction to Holton Article," Human Resource Development Quarterly, Vol. 7, 1, Spring, pp. 23-25. Retrieved from: http://search.proquest.com/docview/234903438?pq-origsite=gscholar (accessed on November 8, 2016).
Koli, Z., and Llaci, Sh. (2005). Human Resource Management. Tirana: Albpaper.
Llaci, Shyqyri. (2017). Management: A Practical Perspective. Tirana.
McMahon, G., and Cross, C. (2013). Performance Management in Human Resource Management. Palgrave: McMillan.
Pollitt, Ch., and Dan, S. (2011). "The Impact of the New Public Management in Europe: A Meta-Analysis," COCOPS Work Package 1 – Deliverable 1.1, 14 December.
Shehu Lokaj, A. (2018). Processes/Practices of Human Resource Management and Organizational Performance. European University of Tirana, Doctoral School.
Weibel, A., Rost, K., and Osterloh, M. (2009). "Pay for Performance in the Public Sector – Benefits and (Hidden) Costs," Journal of Public Administration Research and Theory, Vol. 20, Issue 2, pp. 387-412. UK: Oxford University Press.