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COMPETITION AND COMPETITIVENESS OF FIRMS AND THE LABOUR MARKET

Abstract

In presented in the literature researches and opinions referring to competitiveness and factors which determinate it, it is emphasized significant influence of human capital on the economy and companies' development. In this context labor market' importance is increasing, as a mechanism of creation and allocation of human capital which is materialized in labor. The article presents a character of relations which happen between competition and competitiveness on the macro- and the microeconomic level and the situation on the labor market. Hence, discussing companies' competitiveness aspects on the target market demand high competitiveness in the resources sphere, therein: competitiveness on the labor market. Additionally, companies' behaviors which create their competitiveness on the internal and external labor market are realized within strategic management of human resources.

Keywords: competition, competitiveness, human capital, labor market, strategic management of human resources.

Introduction

In consideration of challenges and processes which shape contemporary economy, competitiveness mechanism gather new meaning. Conception of subjects' competitiveness which take part in rivalry process is linked with the competition. Researches referring to competitiveness wind up in the development stage, and among issues which are mostly undertaken are comparisons of domestic economies' competitiveness; comparatively rarely are undertaken structural analyses of economy's elements; sectors, regions, companies. Taken up and analyzed by researches aspects which refer to competitiveness in the large notch relate to elements and possibilities of stimulating competitiveness improvement. However, the common post concerning notation of competitiveness was not elaborated yet. The predominant aim of this paper is the presentation of selected issues referring to: (1) concepts, aspects and levels of competitiveness, (2) human capital as a modern element of competitiveness' improvement. (3) impact of the labor market on companies and economy's competitiveness.

1. Competition, competitiveness - concept, levels, survey

Competition is a characteristic which is immanently connected with the market economy's mechanism. Moreover, competitiveness idea is resolved to rivalry of many units or groups for achieving the same goal, in this meaning, it defines main impellent of domestic economy, lines and companies' success or defeat. Its content and characteristics, methods of

rivalry and its results for the market and its subjects were researchers' objects for economists practically from the beginning when has appeared and developed the capitalistic way of managing economy. Despite primitive character of this economic category and - in practice-common understanding of its meaning, in the economic literature occur many definitions and approaches to competitiveness' phenomena: during more than two hundreds years these conceptions appointed the way of thinking about societies and economies' nature, and most of all about motives and methods of organizing a private and economic people' lifestyle.

The condition of coming into being competitiveness' process is resources' limitation in relation to needs. In market competitiveness usually the main problem is limited scale of demand for goods, therefore a significant part of the papers about competitiveness theory refer to competitive behaviors of a competitors and its consequences. In the result, competitiveness theory can be reckoned as an explication and application of the fragmentary method of markets, economic entities, and its groups' equilibrium for analyzing various market situation which differ among each other witch the level of rivalry' s elements intensity, notwithstanding rivalry's intensity can be determinate both with the amount of actual and potential competitors, and used competition instruments, both with pricier and beyond pricier character.

Furthermore, multiplicity of frames of economic competitiveness' aspect can be come down to treating that phenomena in double way:

- as a processes- so as a kind of activity with dynamic character- inseparably connected with market economy
- as a certain final stage of the market, in which appear definitive effects of emulation between participants of exchange process, in that way defining specific "equilibrium" of market and/or its subjects, this type of approach is usually described as a structure (form) of the market (Blaug 2000, p. 3)

The structure of the market covers very important place in the classic paradigm: structure – market behavior - market situation. It is described by means of such a variables: number and size of suppliers, market shares of companies which are classified according to size, number and structure of buyers' size, characteristic features of products, conditions of entering to the branch.

Furthermore, the structure of the market has a significant meaning for the character of the market behaviors which are described in the literature by means of such an elements, as pricier policy, collusions and agreements of companies, strategic behaviors, marketing activity, scientific and research activities etc.; it determinate also market situation, so short and long term conditions of equilibrium.

Recently, in the conditions of up growing globalization, technological progress, and the wide spectrum of social and cultural transformations, succeed a considerable intensity of competitiveness processes. Contemporary economy becomes an arena, on which rivalry takes part on few levels (Uwarunkowania...,2000:113):

- macro level - macro regions (e.g. the European Union, regions of Asiatic countries)
 - countries
 - regions
- mezzo level - sectors and lines
- micro - companies
 - households
 - products

To be able to efficiently equal competition and accomplish planned objectives, rivalry subject should be competitive, so characterize by competitiveness.

Competitiveness derives from competition and is its element. Thus, the mechanism of

the competition make that obtainment of prize on the market is linked with the necessity of undertaking by market subjects activities which will rise their attractiveness. It is because, win with the competitors is possible only when competitive subjects possess ability and potential, which enable them achieving competitive advantage, in the other words, to be able to compete, they have to be competitive. Hence, following this way of thinking it can be assumed, that the concept **competitiveness** means certain skill (ability) of competition, so activities and survivals in competitive surroundings (Luka...2002, p.48)

Such a presentation of competitiveness' concept requires emphasis its particular aspects. Firstly, competitiveness is a define characteristic (position) of competitive subject, which level can be taken under evaluation, both with quantity and quality. That characteristic is directly connected with rivalry, from which it depends; market processes of rivalry, their dynamic and intensity release necessity of creating abilities to activity in competitive environment. However, such an accurate relation of competition and competitiveness does not mean identity of concepts describing them, which illustrates Figure 1.

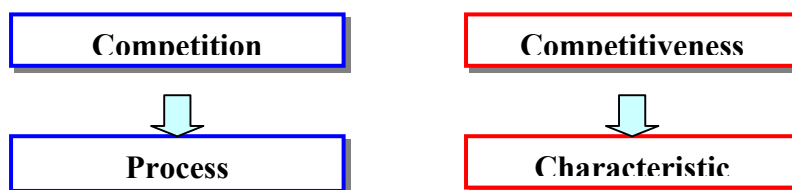


Figure 1. Competition and Competitiveness

Source: H.G. Adamkiewicz – Drwiłło, Uwarunkowania konkurencyjności przedsiębiorstwa, PWN, Warszawa 2002, p.91

Second substantial attribute of competitiveness is its relativism. (Luka...2001, p. 49). For needs of the evaluation of competitiveness' level, which characterize the participating in competition process subject, occurring some regard element is necessary (competitive object) and making comparisons. Competitiveness belong to this category of relative features, which is defined as a comparative characteristic.¹

The term competitiveness, even that is in common use, has not been define unequivocally. Competitiveness is an ambiguous concept, it is considerate in the various scale, in the different aspects and diverse context. Generally, it can be assumed, that this concept refers to participants of the market game. About significant - in many competitiveness' definitions - level of generalization and not unequivocally decides complexity of the problem. Moreover, the state like this is traditionally linked with the dynamic of changes in the economy, and this leads to differentiation of the static competitiveness- in given moment, and the dynamic- understood through prism of elements which define ability to competition in long term (Ziemiecki, Żukrowska, 2004, p.18).

To be able to completely and correctly identify and research competitiveness – its content, sources and conditions - level of welfare has to be isolated, which defines base for surveys and effectuated comparisons. In a view of adopted market borders, on which competitive battle take place (shown before), it can be said about various levels of competitiveness analyze:

1. macro- international competitiveness of economies,
2. mezzo- lines, sectors of economy,
3. competitiveness on the micro level - e.g. competitiveness of workers on the labor

¹ As a consequence, an empirical researches which refer to competitiveness have to be proceeded by defining the subject of comparison, measures of evaluations and their wages, and what is more the choice of the research methods, which are adjusted to analyzed subject.

market, competitiveness of companies within activity domain (Stępień, Sulimowska- Formowicz, 2003, p. 52)².

Ad. 1. The tries of defining content of competitiveness in macroeconomic frame can be seen in the elaborations of some international economic organizations, which are recently strongly involved in surveys about countries competitiveness.³ The leading role in this scope have International Institute for Management Development (IMD) from Lozanna and The World Economic Forum (WEF) from Geneva. World Competitiveness Report 1994 (elaborated by IMD) defines competitiveness as an ability of the country or company to build up grater wealth than the competitors on the world market. In the experts opinion, competitive ability of the country resulted from transformations of countries' sources which already exist (as natural resource), or which are produced (infrastructure, human capital), through processes (as production) in economic outcomes, which are afterwards verify in the competition on the international markets. According to approach which has been proposed by OECD, under the competitiveness conception, has to be understood an ability of companies, sectors, regions, countries, and over national areas for concentrating comparatively high incomes of production factors and comparatively high level of employment in conditions of constant surroundings of international competitiveness (Konkurencyjność przemysłowa...,2000, pp.11-13).

Presented definitions of economy's competitiveness take notice on the open character of the contemporary economies, which means that in reference to macro economical surface it can be said about international competitiveness of economy.

On the other hand, competitiveness is understood in a different manner by J.Bossak, who assumes, that competitiveness of a country can be defined as, such a shape of institutional, macroeconomic conditions and competitiveness conditions, and efficiency of market mechanism, which build economic basis for companies' dynamic development in conditions of changing surroundings (Bossak, 2000, p. 38).

Without doubt, competitiveness of economy defines a result of complex and dynamic interaction between its control sphere and real sphere. Moreover, it has to be ascertain, that it is in a specific way linked up with companies' competitiveness. Some of the authors treat economy's competitiveness as a derivative of companies' competitiveness. However, other authors emphasize, that about economy's competitiveness decides not only simple efficiency of companies, but efficiency of whole economic system, which enables adequate interaction between micro economical and macro economical surface (Marek, Kornacka, 2000, p. 41).

In the literature referring to competitiveness of economy, there are similar concepts which are marked out:

- international competitiveness of domestic economy
- international competitive ability
- international competitive position of domestic economy.

First from mentioned concepts has to be treated as the most general category. Next two appears from the fact, that competitiveness as a characteristic is shaped in the dynamic process, in which occur factorial and resultant elements. International competitive ability - which is also defined as a factorial type of competitiveness – is a dynamic characteristic, state, and structure of domestic economical system, depicting competitive abilities of the economy in the prospect of others countries, seen ex ante. Thus, to **indicators** of international competitiveness, which is understood in this manner, have to be accepted:

² There are generated separate groups of measures and factors which influence on competitiveness of rivalry subjects for every of selected above main levels of competitiveness.

³ Researches allow to construct the indicators, such as The World Competitiveness Index and Growth Competitiveness Index – which constitute the basis for the countries of the word's ranking according to the level of competitiveness.

- indicators of the general economic development of the country, especially tempo of domestic product growth, inflation rate formation, value of external and internal debt.
- indicators informing about structural changes and changes in efficiency of usage particular production factors, as well spatial mobility in the country and abroad.
- indicators informing about rank of involvement in international economic exchange. At the same time, that group of indicators is used as initial for defining international competitive position of the country. (Ziemicki, Żukrowska, 2004, pp. 24-26).

Furthermore, concept of international competitive position of the economy mainly refers to participation of the country's economy in the international economic exchange, understood in wide spectrum. Consequently, in such a system, international competitive position (position of the country in the world - wide ranking of economies' competitiveness) has to be treated as a measure of achieved competitive advantage, therefore in this meaning position of the economy has to be treated as a result of competition, and not as a source of strengths which are used in competition (competitiveness ex post).

Ad. 2 Mezocompetitiveness is analyzed on the line or sector level. Alike in the case of the whole economy, competitiveness of that analyzed area is an outcome of the ability for equaling competitive strengths of economic entities which belong to the given branch. Obtained results of survey about the level of mezocompetitiveness define a kind of "average" for the line. The real "inside lines" differences between particular companies can be significant, and can be a consequence of such an elements as: localization, combination of outlays, structure of production and the scale of economy, historical conditions and many other elements (Mcfetridge, 1995, p.11).

Whereas, competitiveness of individual companies operating on the local or regional market can be compared with the local or regional competitors, the level of competitiveness of the line has to be evaluated through comparison with the same line in the other region or in the other country, with which exists trade relation.

Thus, under the definition of line or sector's competitiveness has to be understood an ability of the companies, which create this line, to profitable functioning in the conditions of open market, in interregional or international dimension.

Ad. 3 Defining the content of competitiveness **on the companies level**, is indicated that it is:

- an ability to competition – so an ability for enlarging the share in the market or keeping present position (Krugman, 1994, p. 45)
- an ability for adapting economic entities or their production for changing conditions, which enables to keep or improve their position on the market in the global conditions. (Żukrowska, 1995, p.17)
- an ability of the company for balanced development in the long term and pursuance for keeping and enlarging market shares (Lubiński, 1995, p.10)
- a comparative ability for extending own system of objectives, projects or values (Jakóbik, 2001, p. 3).

On the mentioned above base, bringing about a generalize try of indicating the content of companies' competitiveness, it can be supposed, that this concept means an ability for efficient achieving objectives on the competitiveness' market arena (Stankiewicz, 2004, p.36). In this meaning, competitiveness of the company has to be understood as a characteristic (attribute) of the company, which feature a significant role in formularization of the company's development strategy. Similarly, competitiveness is interpreted by Gorynia – as an ability for achieving and/or keeping competitive advantage - who treats this definition as identical to competitive ability (Luka..., 2002, p. 69).

Achieving a success on the market, which is a reflection of planed objectives realization, demands from the company elaborating specified model of activities and

behaviors on the operational market., in frames of the competitiveness strategy. Additionally, forming the competitiveness by companies can be enclosed through elements of the model, which includes:

- competitiveness potential, which are whole material and non-material resources of the company, necessary for functioning that company on the competitiveness market arena.
- competitive instruments, which can be defined, as elements intentionally created by company with the aim of gaining contractors for presented or planned (future) offer.
- competitive advantage – which is understood as company’s achieved competitive result in the sector, exanimate on the background of results achieved by competitors (Stankiewicz,2004, pp.86-89).

The advantage of presented model of forming company’s competitiveness, is complex enclosing and indicting that phenomena as a dynamic process, in which occur resultant and factorial elements. The result of managing company’s competitiveness and a good measure of its efficiency is the company’s share in the market and its position on the market in comparison to competitors. However, the source of company’s competitiveness is its competitive potential, so company’s possibilities and activities in the sphere of gaining resources and converting them into key - competences and abilities.

2. Human capital as a modern factor of economy and companies’ competitiveness

Complex formulation of issues which refer to competition and competitiveness on the companies and countries’ level have been enclosed in M. Porter elaborations (Porter, 1980, 1985, 1990). That remarkable expert of problems referring to competitiveness - even though he didn’t define competitiveness concept unequivocally - identify them with economy’ productivity. Applying to sources of companies’ competitiveness advantage, Porter assumes, that some of the countries create internal base for international competitiveness of their companies in particular branches. In his opinion, it is important to define determinants of the productivity not only for economy as a whole, but for separate branches and groups of companies (segments of branches). Porter proves, that growth of economy and its lines’ productivity is a function of “diamond” competitiveness advantage, which includes:

- factorial conditions (position of the country’s endowment in production factors, such as qualified labor, infrastructure etc.);
- demand conditions - the character of the domestic demand for goods and services;
- branches related and supporting presence or absence branches of suppliers and related, which are international competitive;
- strategy, structure of the companies and rivalry between them- conditions which regulate managing companies and character of rivalry in the country;
- supporting factors - human resources (qualifications, labor costs, business ethic), physical resources, knowledge resources, capital resources, infrastructure (Porter,1990).

Analyzing the differences between the level of particular countries’ competitiveness, Porter stated a thesis, that the strength of influence of mentioned factors on economy’s competitiveness change whole time. In the past, traditional factors of productivity were the base of competitiveness, such as natural sources, machines and low qualified labor force. The characteristic which decided about attractiveness of the factor (positive impact on the competitiveness) was the access simplicity. Recently, globalization challenges, development of modern information technologies, and accompanying them transformations in the social and cultural sphere, change the character of competition and sources of competition. Those countries, which have top positions on the world-wide lists of competitiveness, owe it not only by “possessing” resources, but by creative and dynamic ability for using them. In other words, about competitiveness does not decide state of resources which the country possess ,

but their tempo and efficiency of improving and creating new factors. In Porter's opinion, recently about economy's competitiveness decide innovations, modern technologies and human capital.

The reorientation in perception of social- economic development factors find a reflection in economic theories about economic growth models. Within, so called: new theory of growth, direct factor of production becomes knowledge. Investments in knowledge can rise production abilities of other factors of production and transfer them into new products and processes, it causes, that knowledge has to be treated as a product and an impulsion element for economic growth. The conception of the new theory of growth is connected with names of such an economists as Romer and Lucas Jr. Those economists when improving innovation idea of Schumpeter and his students (such as Galbraith, Solow, Goodwin and Hirschman), proposed a change in neoclassic model of growth, by treating technology – and knowledge on which it is based - as an important element of economic system (Hillman Ch, 2002, p.7). According to Romer :

- Knowledge is specific, key-form of capital. Economic growth is a result of knowledge accumulation.
- New technological solutions can create technical platform for further innovations, and in this way that technical platform becomes a factor of economic development.
- New technologies can rise rate of return from innovation . It explains, why developed countries can keep high rate of economic growth, and developing countries- despite availability of labor and capital-can not achieve such high tempo of growth.

The most important implication which comes from new theory of growth is the ascertainment of the fact, that there is no other way of achieving social and economic growth, than learning and creating knowledge. Furthermore, an ability of the economy to gain advantageous international competitive position depends, how fast it can become learning economy. In endogenous models of growth it is put a pressure on increase widely understood knowledge as a factor driving growth. Additionally, it has to be noticed, that for needs of entering the path of the stable and balanced growth, technical progress, and improvement of competitive abilities, it is necessary, that the tempo of investments' growth in human capital is higher than investments in material capital. The reduction in the tempo of outlays' growth on investments in a person under the tempo of growth of GDP per capita moves the country to the state of economic stagnation (Domańska,2000, pp. 36-37).

Summing up, mentioned above theories (only two, but complexly defining challenges of economy in XXI century) emphasize the role of changing character of factors which decide about economy's success. Traditional factors of production, as too simple to take over by competitors, are thrown out in favour of unique and difficult to imitate. Recently, within the most important determinants of economy's competitiveness are mentioned: human capital, knowledge, technical progress, research and development works, improvement of new technologies, innovativeness, entrepreneurship, access to information.

Out of mentioned modern factors of competitiveness, leading role has to be attributed to **human capital**. Factor this not only autonomously possess an ability for achieving planed advantages for its owner and for others, but also completely enables and rises productivity of other resources. The basic characteristic, and at the same time a trump of human capital is that it determinates an ability of economic entities to activity, defines and supports creation of new solutions (entrepreneurship).

In the literature of the subject, can be found many, not always precise definitions and formulations which refer to human capital.⁴ Their synthesis can be perception of human

⁴ The conception of the human capital was created on the tern of 50s and 60s of XX century., on the basis of classic economy, and to their creators are ranked: G.Becker, T. Schultz, B.Wiesbrod, J. Mincer, W.L. Hansen (creation of complex theory of human capital usually is linked with the name G. Becker. However, it has to be

capital as a resource of knowledge, skills, energy and health, personified and examined both in whole country's community of citizens, and individually, in every person (Domański 2000, p.32). Similarly, human capital is defined by Edvisson and Malone, who treats it as connected knowledge, abilities, innovativeness, and ability of particular company's workers for efficient fulfilling assignments (Edvisson, Malone, 2001, p. 17). According to mentioned in the literature definitions of human capital, it appears, that possessed by entities and society human capital consists of education and experience, and such an elements as innovativeness, ability and method of learning, flexibility, motivation. Thus, it can be assumed that human capital is built on specific types of capital: knowledge, abilities, motivation and fulfilling assignments.

Noteworthy, distinctive feature of human capital is that it is attributed to concrete person. It means, that resources of human capital can be enlarged and enriched owing to investments in biological and intellectual potential of a person.

Human capital is a source of arising knowledge in organization, and is precisely connected with the category of intellectual capital (see Figure 2). The primary use of that concept by J. Galbraith in relation to M. Kalecki (for Strojny, 2003, p.100) has been suggesting its examination on the dimension of individual intellectual advantages of the person. Recently, it is assumed to consider intellectual capital as a set of non material resources of organization. In accordance with division which was made by K.E. Sveiby, one of the first researcher of factors of non material character which influence on the company's market value, on the intellectual capital of organization composed:

- human capital, understood as a knowledge, experience, and widely comprehended competences of labor
- structural internal capital, is created by all members of organization and is its property, consists of: organizational culture, patents, conceptions, models, computer and administrations systems;
- structural external capital (client capital), which depicts relations between companies and market, i.e. clients with suppliers, composed with companies' reputation and market brands, network of contacts, data base about market and clients (Rozwój...,2002,p.139).

Although, from undertaking first researches about the content of intellectual capital lots of time has elapsed, still it is a ambiguous category differently defined by particular authors (Poczkowski, 2000, p. 58). Nevertheless it can be assumed, that the content of company's intellectual capital is an interaction between:

- capital which is attributed to entity (individual capital or human capital), understood as an education, experience and personal and social skills of labor, external oriented in the direction of company's clients
- capital which is attributed to organization (structural capital), so experience and conceptions elaborated in whole organization, with the aim to solve clients' problems (Rozwój, 2002, p.140)

In the newest shots of a the company's structure of intellectual capital, additional element occurs : competitive capital, it covers this type of knowledge which refers to competitor activities: their strategy, marketing way of creating own offer, etc. Similarly as other types of intellectual capital, it is an element of unique knowledge possess by entities or labor groups, who understand better than the others how the competitors think and act (Ericson, Rothberg, 2000, p.193).

noticed, that the elements of the human capital conception appeared in the elaborations of precursor of modern economy A. Smith. and since then in smaller or bigger degree they appears in the many economic theories.

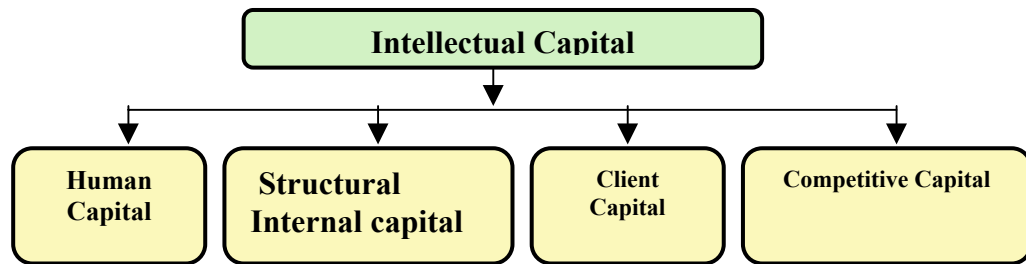


Figure 2. Elements of intellectual capital

Source: Elaboration on the base of the literature of the subject

Summing up :technical and organizational progress, abilities to adaptation in new situations, creating new solutions, are the results of not only material investments, but mostly investments in a person. Thus, economic theory of human capital, especially thesis, that investments in human capital is a necessary condition for constant economic growth and achieving good position in the international division of labor, brings significant macro and microeconomic implications.

Macroeconomic implications refer to stimulating of activities- within economic policy understood in wide spectrum – favoring economy’s development in the country on the base of knowledge, as a main productive factor. Recognition the knowledge as a key- factor of development and competitiveness found its place in the Lisbon Strategy, which constitute a declaration of the European Union countries about creating competitive, dynamic, able to constant development economic area. General challenges which are stated as significant in the Lisbon Strategy can be assumed as universal activities, necessary in the process of building competitive knowledge - based economy. These are (Strategia...2005, pp.21-22):

- development of information society, through growth of the science researches, innovations, and citizens’ education,
- liberalization and integration of markets and sectors
- development of entrepreneurship
- growth of employment and change of social model (growth of professional activity, reduction of poverty and social exclusion);
- care of lasting fundamentals of development and natural environment.

According to the theory of human capital, development of a company on a competitive market is conditioned by two factors. In the first place, the company must posses human capital, appropriately to the position, aims and scale of activity; this capital enables adjusting behaviour to changing requirements of surroundings. Human capital shouldn’t be coherent only with directions, aims and scale of activity, but also should be harmonized with other resources that are used by the company. In the second place, a company should correctly choose and keep under control, management system in each level (strategic, tactical and operational), that is to say it should be able to demonstrate its ability to effective exploitation own resources.

Such kind of approach that stresses the function of company’s resources(especially non- material) , dominated in 90’s, XX century theories which were built on the basis of the strategic management. In contrast to classic approach to the strategies, in which the roots of success were perceived in ability to company’s adjustment into the system of external requirements, the feature of resource-based view of the firms reference to internal factors and company’s capability and give them priority before external factors (Maniak., Zelek, 2002, pp. 392- 393). In accordance to resource- based conception, a company’s success is determined by its strategic potential in form of properly chosen and competitive resources and company’s skills to their innovative and effective exploitation (Konkurencyjność..., p.

21). The basis, to the theory that is here under discussion, is the thesis that obtaining lasting competitive advantage by a company is enabled by these resources and skills, which are rare, deficiently mobile and difficult to imitating. Furthermore, individual companies differ from each other by ability to obtaining and developing strategic resources, which influences on their final market position and profits.

In the field of philosophy and management's instruments of human resources, can be found microeconomic implications treating human capital as a factor of companies' competitiveness (MHR).

3. Labour market and companies and economy's competitiveness

The value of non- material resources, especially human capital, as a potential source of obtaining competitive advantage causes the growth of importance of labour, which embody – create and develop- worth of company's intellectual capital. The impact of labour resources (and exactly: knowledge, skills, motivation and behaviour) on competitiveness, finds its reflection in increasing role of management of human resources (MHR). MHR can be understood in two ways (Borowska, 1999, p. 6).

- in narrower point it applies to an organization (internal labour market),
- in broader point it applies to the labour resources existing beyond an organization (external labour market).

In the literature there is strongly undermined the fact that in case of a company aiming for high ability to compete in dynamic and volatile surroundings, the management of social potential (narrower point of MHR) requires strategic approach and it is one of the most important component of contemporary strategic management. Strategic management of staff includes these decision concerning labour, which in long- term way show actions in personal sector and have basic meaning to the realization of company's targets, supporting company's aims to achieve competitive advantage (Armstrong, 1996, p. 36).

From the point of view of company's competitiveness very essential is the value and uniqueness of human capital. The value of human capital can by measured means of degree , in which it enables the realization of development's strategies and competition's strategies, therefore it expresses its usefulness to achieving competitive advantage. As it can be seen at the Figure 3, activities in the personal area and attained thanks to them worth of human capital must be every time applied to the strategy that is planned and realized. Importance of the integration of personal strategy with the adopted by the company economic aims and ways of competing is in the literature. It was also accentuated by Porter, in his research (Porter, 1980 and 1985), including human capital to so called "the circle of competition's strategies". Relation of management of labour resources to strategy allows to motivate labour in an appropriate way, to acquire, develop and consolidate key labour's skills, their approaches, behaviour and results that are achieved (see Figure 3)

Consequently, to achieve competitive advantage it is especially essential to develop unique competences, which – reflected in particular activity- cause to create added value. The source to form unique competences are the activities in support of constant self- development and self- study of employees. Process of employees' education and development is perceived for very important investment, impulse and instrument to improve present and long- range company's effectiveness and competitiveness⁵.

⁵ In order to make investments in development of human capital a practical source of company's competitiveness, it is necessary to measure present value of human factor and also to measure the effectiveness of investments that are made in theirs development Measurement of human capital in both aspect, in view of his non- material character and correlation with other resources, is thought to be very difficult and complicated. Nevertheless, attempts of measuring human and intellectual capital of a company that have been made since 80s,

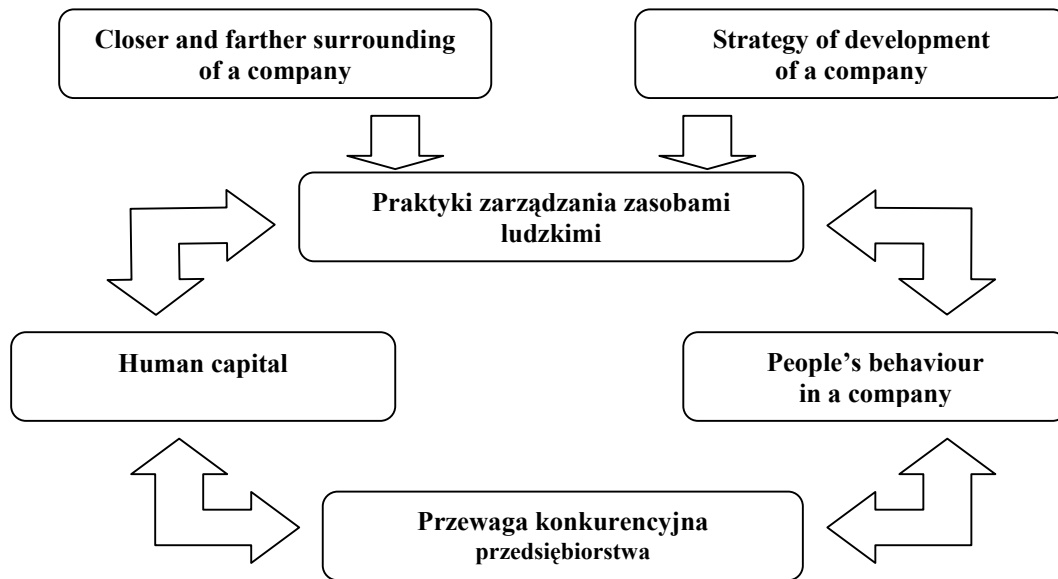


Figure 3. Model of strategic management of human resources supporting company's competitiveness

Source: own study on basis of the literature of the subject

From the point of view of companies and economies' competitiveness, the rank of labour market increases (in broader point). It is because, labour market constitutes social- economic space, which enables companies to gain labour resources that are vehicles and creators of human capital.

The meaning of labour market and basic parameters that describe its state can be seen in so called competitiveness's pyramid (see Figure 4; grey color means factors, directly and indirectly connected with labour market). The pyramid is built by means of collection of factors that determine the competitiveness. The top of pyramid accounts for synthetic indicator defining standard of life (GDP per person). Lower ranks are the decomposition of that indicator on the employment rate and level of productivity and then on the factors that determine employment and productivity (Konkurencyjność...,2000, p.13).

The impact of labour market on the companies and economy's competitiveness is many- aspectual, connected with quality and quantity, and determined by key - behavior of members of competition's scene- companies, households and country.

Nowadays, the requirement of knowledge and innovativeness treated as factors of competitiveness have a special impact on wanted by firms character of demand for labour. At one time, in industrial time, which characteristic feature is homogeneous work that is done on particular ranks, the condition to proficient functioning of a company was effortless access to workforce, in a quantity. Recently, high rate of changes of technological processes is the reason for the return in matters of quality of education and causes increasing demand not only for the high- qualified managers but also for high- qualified employees that belong to the lowest rank of a pyramid. At the same time, it becomes the change of character of a job that is done – companies put big adjusting requirements, they look for more flexible workers.

XX century, allowed to construct broad collection of indicators, which are being widely described in the literature nowadays. See i.a.: *Pomiar i rozwój kapitału ludzkiego przedsiębiorstwa* (2003), red. D.Dobija, PFPR, Warszawa; Edvinsson L., Malone M.S. (1997), *Intellectual Capital*, London.

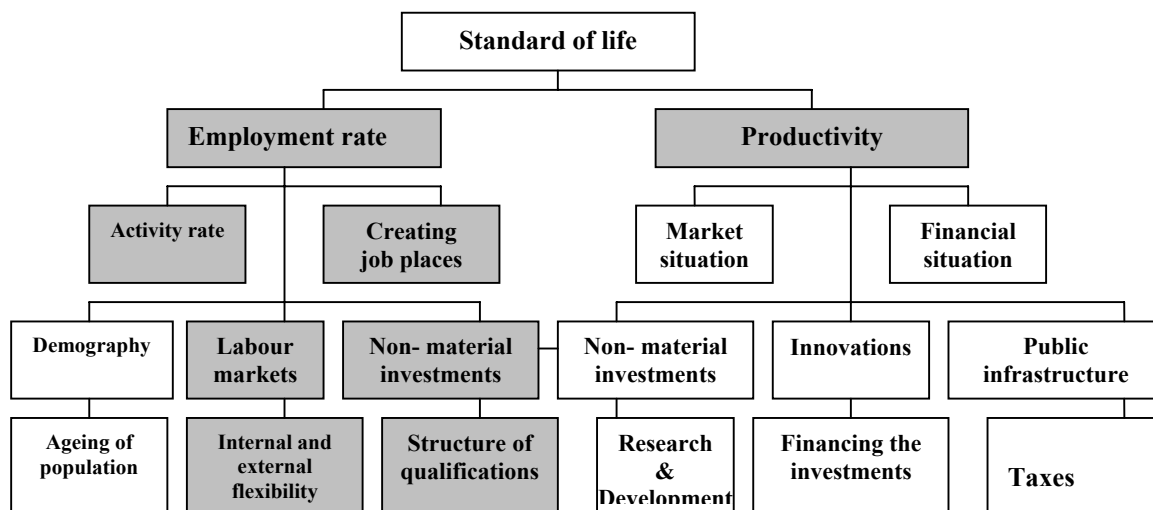


Figure 4. Pyramid of competitiveness

Source: Konkurencyjność...2000, p. 14

Additionally, important changes in the sphere of behavior, values and employees' expectations are under observation. Significant part of professionally active people invest individually in their human capital favour and they expect to benefit, which follows from work relations. Employees expect a progress in management of their work and hope for financial part in advantages, which follows from achieving of company's aims.

It needs to be noticed that individual investments "in yourself" give a strong division of state of human capital in particular groups of employees. Moreover, despite the general positive impact on economy's competitiveness, this kind of investment doesn't always have to have favorable impact on company's competitiveness. In the interpretation of the theory of human capital, worth of human capital is the final result of general skills and specific skills. As far as general skills are usually the effect of natural process of education and can be used to relatively simple and not very complicated tasks in many companies, while specific skills are mostly the result of long-standing process of courses and gaining professional experience in a particular company. In conditions of increasing competition and also intensive development of technologically advanced areas, the factor that determinates the market position is very often dependent on the fact if the employees have such skills that belong to the category of specific skills. In that case, in country's policy directed to improvement of economy's competitiveness it is very important to increase spending on education and growth of its level and in management of company's competitiveness- investing in professional development these workers, whom knowledge can have key - meaning for the realization of strategic aims.

On outlined above quality aspects of demand and supply of labour, which influence on competitiveness is put on quantity aspect. On this dimension, there is quite big group of factors that describe labour market i.e.:

- the quantity of accessible work resources
- professional activity of society
- the structure of employment according to departments of domestic economy
- the structure of employees according to level of education
- scale and structure of unemployment
- productivity and costs of labour
- professional and geographical mobility of labour
- law regulations influencing on the character of labour market.

In aspect of impact on competitiveness of economy and its economic entities, the role of flexibility of labour market is stressed. The matter of flexibility and/or inflexibility of labour market can be considered on micro- and macroeconomic level. Among companies there are usually four basic areas of flexibility in shaping employment (Wiśniewski, 1999, p. 71). These are:

- Quantity (numerical) flexibility, interpreted as an ability to adjusting of the level of labour outlay, relatively to requirements connected with the size of market demand, and so also with the scale of production. It can be seen in changes of needed work time, the number of employees etc.
- Task flexibility: defined as a ability of a company to achieving and developing the skills of employees , according to requirements of tasks, which are determined by the requirements of methods of production and/or technologies that are used and that are still changed. It is usually obtained by courses, skills development and employees' competences.
- Outsourcing, by means of signing up or making services. Subcontracting of labour increases quantity flexibility of an organization.
- Pay flexibility, formed by the pay and other financial benefits system, thanks to which an organization gains and sustains desirable structure and the degree of employee's flexibility.

The suggestion of flexibility of labour market on the macroeconomic level must be identified with liberty of employers and employees in shaping common relations, so with the process of deregulation and lower intervention of a country in the area of forming labour relations. There is no doubt that accepted system law solutions with reference to employment sphere influence on quantity flexibility of companies, mainly by so called untypical forms of labor's employment. The mobility of labour resources has also an impact on macroeconomic aspect of flexibility. Increase of tendencies of labour resources to spatial and professional mobility is perceived as a factor positively influencing on the competitiveness of economy. The more mobility of labour resources improve the efficiency of market mechanism of reallocation of human capital in economy and it affects the limitation of structural unemployment . On the other hand, there is also a second side of that process. As far as the mobility of human capital increases the adjusting capabilities of whole economy to requirements of competitiveness on the international scene, while in aspect of single companies it can be the factor that weakens theirs competitive potential. Therefore, on the microeconomic level of management of labour resources, companies should take into consideration not only the matters of gaining and creating necessary human capital, but also they should think of its sustaining for so long, as it will be crucial for the realization of company's strategy.

Conclusions

Summarizing, it must be remarked that new theories and researches go to overall look at the competitiveness, going outside the meaning of competitiveness, understood only as a feature of market subjects. Shaping the high level of companies, lines, whole economies and/or regions' competitiveness, is perceived as a one of the most important challenge of modern economy and describing economic theories. Among factors forming the

competitiveness, both on macro- and microeconomic level, the role of human capital is leading and creative. So the meaning of internal and external labour market increases, as under- systems influencing on the size and structure of this resource.

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Summary

First of all, in the process of economic growth, which is identified by achieving by the economy the high level of competitiveness, it is emphasized the role of human capital. The significance of the human capital is rising along with the rise of knowledge importance in all economic processes. Human capital is the creator of knowledge, hence, its high quality is obligatory, so that the processes of creating, passing and using knowledge in the economy proceed without any violations.

Furthermore, processes of creating and using human capital take place in specific social and economic system. From the point of human capital view, leading role have the processes which take place on the labour market, both internal and external (labour market of particular companies).

Issues which are brought up in the context of micro and macro economic competitiveness, and which refer to the theory of human capital are i.a.: flexibility of the labour market, structure of employment, mobility of labour, education and longlife learning, strategic management of human resources.