

PART II

FACTORS INFLUENCING THE COMPETITIVENESS OF FIRMS

Elżbieta Kolasińska
The Institute of Economics
The State Higher School
kol8@o2.pl

DEVELOPMENT OF HUMAN CAPITAL OF THE COMPANY

Abstract

The purpose of the paper was to introduce influence of the development of human capital on an effectiveness of the company. The main theses of the article are:

1. The employees competence affects the effectiveness of the company
2. Entrepreneurship affects the human capital management

The aim of the surveys was to demonstrate the changes in human capital management in industrial companies operating on the principles of the knowledge economy.

Key words: human capital, development, entrepreneurship, management, company

Introduction

Competitiveness and effectiveness of companies in modern economy depends, to a lesser degree, on material resources (capital, land and work) and more on non-material resources (knowledge, information, competence of the human capital) which make it possible to create new technologies, products, services, and to efficiently manage a modern enterprise.

Regardless of the field of activity, size, goals and location, modern economic subjects must face new challenges, a few of which are:

- modern technologies
- globalisation
- cultural diversity
- knowledge-based economy
- intellectual capital, deciding about competitive advantage
- functioning in a changing environment (Pocztowski, 2003).

Effectiveness in management requires changes related to building, using and developing the human capital in Polish enterprises. Building the human capital should be treated as a special kind of returnable investment in the development of the employees' competence, constant education and training. The human capital, its knowledge, experience, dedication, competence, skills, character predisposition and motivation to constant learning are all

sources of competitive advantage.

The main purpose of the research was to prove an influence of the entrepreneurship on the development of human capital in the Polish industrial companies.

The objective of the research process was an attempt to answer the following question: what changes are taking place in the practices of human capital management?

The research conducted was accompanied by the following hypotheses:

- Entrepreneurship affects the human capital management
- The employees' competence affects the enterprise's effectiveness

The subject of survey encompassed the human capital management in the industrial companies.

The human capital and its development

The human capital includes / covers a body of features and characteristics personalised / embodied in people (knowledge, skills, professional experience, abilities, health, motivation), which have particular value and constitute a source of future income both for the employee – the owner of the human capital, and for the organisation using this capital on certain conditions (Pocztowski, 2003). The human capital includes knowledge, skills, health and vital energy present in every human and in society as a whole, defining the ability to work, and adapt to environment changes, and the possibilities of creating new solutions. The human capital are therefore people who can cooperate with each other, strongly bound with the company and its mission (Rybak, 2003). Valuable human capital is one making it possible for the company who owns it to realize strategies improving organisational performance and economic effectiveness and to use marketing opportunities or neutralise potential risks. In other words, the value of the human capital is expressed by its usefulness to achieving competitive advantage as a result of ensuring key abilities for the enterprise (Rybak, 2003).

The process of training and developing the human capital is perceived as an important investment, a stimulus and a tool for improving the effectiveness of an enterprise. The development of staff covers activities directly contributing to the development (increasing the potential) of the human capital in a company:

- creating an atmosphere for professional development
- encouraging the employee to raise their qualifications
- the functioning of a system of material and non-material incentives for outstanding achievements
- offering clear possibilities of training
- conducting development talks – employee coaching
- the functioning of a mentor system
- preparing individual career paths
- the functioning of a program of employee development and other (Jamka, 2003).

Employee development covers a body of quality changes in the social system of an enterprise, which lead to increasing the market value of the human capital and the effectiveness of work. It can be analysed on three levels: of the whole enterprise, particular employee resources and individual workers. The development of the human capital amounts to permanent in-service employee training with view to adapt them to the changes taking place and anticipated changes. The general development of the human capital is realised by achieving the following goals:

- adjusting qualifications to current employment requirements
- raising qualifications in the context of anticipated organisational and technical changes
- increasing the flexibility of employees
- developing the ability of self-control and self-evaluation

- developing the ability of creative thinking
- developing the ability to work in various organisational forms
- strengthening the integration of the employees with the enterprise
- forming attitudes towards the company, co-workers, work and clients
- forming the employees' behaviour according to the enterprise's objectives (Pocztowski, 2003)

Transmitting specialist knowledge, teaching new skills or forming desirable attitudes of employees should not be a one-time action but rather constitute a system of permanent training, which forms a series of actions, resulting from the policy of human resources development. The human resources training program, accepted for realisation, covers the following actions:

- defining training needs in the planned period
- creating a plan of compulsory and optional training
- realisation of the training planned
- evaluation of the course and the effects of training

Enterprises invest in the development and training of employees, so they give priority to knowledge, which should be regarded as a process of adapting to competition needs and the globalisation of the economy. The human capital, its performance, competence, adaptability to changes and the ability to learn at all levels of the enterprise – only now allow to gain advantage in the competitive battle. The future belongs to those enterprises whose strategic resources comply with the formula: knowledge, information, entrepreneurship.

Analysis of own research

The subject of own research, analysed in the present work, were privatised Polish industrial enterprises from the List of 500, published annually by Rzeczpospolita. Research was carried out by the authors two years ago. Intentional selection was used, but the research included only industrial enterprises (service enterprises, financial enterprises and commercial partnerships) from the List of 500. The enterprises were chosen on the basis of the number of employees over 500. Altogether, over 110 enterprises were surveyed, which had the following legal structure: employee partnerships, state sole shareholder company of the State Treasury, joint ventures, capital enterprises, private enterprises.

The objective of the empirical research done was the analysis of privatised industrial enterprises from the point of view of their ownership structure, human resources management and internal entrepreneurship.

The objective of the research process was an attempt to answer the following question: What changes are taking place in the practices of human capital management?

The research conducted was accompanied by the following hypotheses:

- Entrepreneurship affects the human capital management
- The employees' competence affects the enterprise's effectiveness

Internal entrepreneurship understood as actions in an enterprise meant to implement innovation, new products / services, changes in structures and resources, undertaking risks and employing strategies that use the possibilities of external environment. Entrepreneurship understood in this way should be supported by building enterprising human capital which is part of its value in engaged in enterprise activities. Human resources (its competence, professional experience, personality predispositions and enterprising attitudes) constitute the enterprise's social structure. Shaping and building the environment for enterprising initiatives is conducive to building a system of dependences between entrepreneurship and the policy of

human resources management. Enterprises with competent and unique human resources of good quality are eager to undertake innovative actions, there is, therefore, a relation between the entrepreneurship of companies and attitudes of the human capital.

The analysis of empirical data allows to consider the companies surveyed, as regards contextual factors (age and size of employment), as senior and large business entities (table 1).

Table 1. Arithmetic means and deviations for age, number of employees and profitability of the companies surveyed

Variables surveyed	X	SD
Company's age	50,15	39,37
Number of employees	1014	1178
Profitability	1,91	8,12

Source: own research

The average age of the surveyed enterprises is about 50 years and the average size of employment, defined by the total number of employed workers, equalled 1014 persons. Profitability of the surveyed business entities equalled 1,91. On the basis of empirical data, it has been stated that the companies surveyed are big industrial enterprises of varied legal form, with a majority of capital partnerships.

The property structure of the surveyed enterprises has been defined as concentrated. The dominant shareholder in the group of the companies surveyed is a foreign investor, owning on average $X=67,62$ of enterprise's shares. The second important shareholder are other enterprises owning on average $X=59,34$ of shares in partnerships. Other institutions concentrate on average $X = 58,30$ of the controlling interest. Financial institutions gather $X=43,19$ of shares of the enterprises surveyed. Smaller number of shares in the enterprises surveyed are owned by the management ($X=39,99$) and banks ($X=26,38$). Insignificant controlling interest is owned by the workers ($X=16,23$) and local authorities ($X=15,21$). Analyzing the property structure of the industrial enterprises surveyed, we can specify four groups of dominant shareholders (table 2) who control the partnerships:

- foreign investors
- other enterprises
- other institutions
- financial institutions

Table 2. Means and standard deviations of audited companies

Property structure Shareholders categories	X	SD
Board of Directors	39,99	37,85
Employees	16,23	17,09
Ministry of Treasury	39,09	36,80

Local Authorises	15,21	26,27
Banks	26,38	15,51
Other companies	59,34	31,46
Individual shareholders	35,08	31,75
Financial Institutions	43,19	34,43
Foreign Investors	67,62	32,02
Others	58,30	26,41

X – Arithmetic mean, SD – Standard deviation

Source: own research

Property changes in the examined companies resulted in the reduction of employment, covering 77,3 % of companies, and only 22,7 % of companies which underwent the processes of ownership transformation; did not reduce their staff. The average employment reduction in companies amounted to about 30 % and concerned the employees of all departments.

The research form – contained a list of enterprise assessment factors on a five point scale. The presidents assessed the enterprise activities paying special attention to their application in the enterprises management.

Enterprise was measured in terms of the following criteria:

- introduction of n\new products by the company,
- making changes in their products,
- implementation of high risk projects,
- establishing their position on the market,
- engagement in research resulting in technological development and innovations,
- preferences of strategies which use the possibilities of the outer environment.

The assessment of the enterprise of the examined companies has been presented in table 3. The highest means have been achieved for three criteria:

- undertaking activities aiming at establishing their position on the market,
- making changes in their products,
- preferences of strategies which use the possibilities of the outer environment.

The enterprise strategy of examined companies was oriented towards taking activities for establishing their position on the market, changes in their products and activities which use the possibilities of outer environment.

Table 3. Means and standard deviations of enterprise assessment of examined companies

Criteria of enterprise assessment	X	SD
Introduced many new products onto the market	3,81	1,30
Made essential changes in their products	4,03	0,90
Took activities establishing their position on the mar-	4,42	0,80

ket		
Got involved in research resulting in technological development and innovations	3,44	1,33
Preferred strategies which used the possibilities of outer environment	3,91	0,94
Implemented high risk projects	3,4	1,24

Source: own research

In order to analyse which of human resources management practice is the activity undertaken by the companies to the widest extent, the research form contained a list of factors, which were assessed on a five - point scale (1- min, 5 - max) by the presidents, taking into consideration their application in the company. Table 4 contains human resources management practice, used by the companies, to the widest extent. The achieved average data allow stating that the most emphasis in the examined companies is put on acquiring qualifications by the employees ($X = 4,12$), training ($X = 3,62$) and motivating the employees ($X = 3,60$). The management puts emphasis on the qualifications of employees ($X = 4,12$), because they constitute a constant competitive advantage of the company. In-organizational changes and employment restructuring in the examined company's forces the putting an emphasis on specific, unique qualifications, which makes a strategic company resource. Human resources management system projected towards the development of employees' competence contributes to the productivity increase and creates a market value of human capital.

Table 4. Means standard deviation of human resources management practice undertaken by the company

Human resources management practice	X	SD
Acquiring qualifications by employees	4,12	0,88
Employees training	3,62	1,06
Motivating of employees	3,60	1,02
Communication policy	3,57	0,88
Employee remuneration	3,54	1,02
Promoting of Employees	3,54	0,98
Employees Assessment	3,37	1,05
Mobility of employees	3,05	1,02
Employment reduction	3,00	1,50
Recruitment of employees	2,71	1,26

Source: own research

Among the applied practice of human resources management the companies effectiveness is influenced by (table 5) employees qualification ($X = 4,29$), motivation ($X = 3,87$) and information policy ($X = 3,69$). The condition of creating a value of companies by the human factor is supporting and developing the employees' qualifications. The increase in employees' knowledge and competence increases the value of company among shareholders and customers. The objectives targeted at optimal company's value result in the necessity of creating a practice of human resources management which will effectively improve the quality of human capital competence structure.

Table 5. Influence of human resources management practice on the companies effectiveness

Human resources management practice	X	SD
Acquiring qualifications by employees	4,29	0,69
Motivating of Employees	3,87	1,00
Employees remuneration	3,77	1,03
Information policy	3,69	1,02
Promotion of employees	3,57	1,17
Employees training	3,52	1,02
Employment reduction	3,37	1,00
Methods of staff recruitment	3,20	1,20
Assessment of employees	3,15	1,42

Source: own research

The analysis of empiric data proves that there is a relation between human resources management practice and companies enterprise (table 6). Positive correlation occurs between acquiring qualifications by the employees and the firms' enterprise ($r = 0,299$; $p < 0,05$). Companies applying a strategy of enterprise (practised through introducing new products, implementing high risk projects, involvement in research bringing about a technological development and innovations, establishing their position on the market), put special emphasis to the qualifications of the employees, since these constitute renewable sources of knowledge and quality value of companies.

Table 6. r = Pearsona correlation rate between human resources management and companies enterprise

Human resources management practice	Correlation of HRM practice with enterprise	Value p
Recruitment of employees	0,041	0,693
Qualifications of employees	0,299**	0,003

Motivating of employees	0,191	0,061
Information policy	0,246*	0,015
Remuneration of employees	0,244*	0,016
Training of employees	0,229*	0,025
Assessment of employees	0,100	0,332
Employment reduction	0,141	0,171
Mobility of employees	0,160	0,118
Promoting of employees	0,265**	0,009

Source: own research * $p < 0,05$ ** $p < 0,01$

Promoting of employees is correlated with the enterprise of the examined companies $r = 0,265$ ($p < 0,01$) due to the fact that effectively working people can be promoted or transferred so that they will be able to develop their skills, whereas those whose effectiveness is low, can be transferred to lower or less important positions or dismiss from work. Information policy is also correlated positively with enterprise, with rate $r = 0,246$ and $p < 0,05$. This connection indicates that while deciding to introduce innovations and enterprise strategies, the management staff should appreciate the role of information, as a catalyst minimalizing the resistance of the employees against introduced changes. A strong connection between enterprise and the employees training, revealed in the research, $r = 0,229$, $p < 0,05$ confirms a conception of integration between the human resources management practice and other functions of the company. In companies where effected enterprise consisted in introducing new products, technological changes, innovations or establishing the company's positions on the market, also a great importance was attached to the employees' training, that is to the development of the employees qualifications in the context of introduced enterprise activities. This dependence also confirms one of contingency perspectives, namely adjusting the human resources management practice to Rother aspects o fan enterprise functioning. In the research a dependence between the employees remuneration and enterprise was show, with $r = 0,244$, $p < 0,05$, which indicates that there is a connection of material motivation and the realization of enterprise strategy by employees. Human Resource management practice was grouped into several categories: mobility of employees, training of employees, participation and duties of employees and dependence between examined changeable data was attempted to be shown (table 7).

Table 7. Correlation rates between human resources management and enterprise

Human resources management practice	Correlation with HRM enterprise	Value p
Mobility of employees	-0,010	0,920
Training of employees	0,361***	0,000

Employment	0,105	0,291
Employee participation	0,149	0,133
Duties of employees	0,048	0,630

Source: own research $p < 0,001$

Changes in human resources management are expressed in going from routine activities of administrative character to creating of strategic programmes targeted at effecting gaining and using of human capital. The management staff put special emphasis to the employees qualifications ($X = 4,12$), because they constitute a constant competitive advantage of the enterprise. Improving qualifications is made by a system of employees training, which also takes a high rank (3,62) in human resources management practice.

The training scheme in companies results from the need of adjusting the competence of employees to the current job requirements, connected with ownership transformation and qualifications improvement in the context of organizational changes. In-organizational changes and employment restructuring in the examined companies makes the employees gain special qualifications, which are strategic reserves of the company, unique qualifications of employees at all company's level are the basis for creating a competitive advantage and increasing the effectiveness. Keeping the employees of highest qualifications, who get involved in a new process of company's functioning, is a key factor deciding about development and effectiveness of modern enterprises.

The analysis of the enterprise, and human capital assessment results confirmed the hypothesis assumed in the research:

Entrepreneurship affects the human capital management

There occurs a positive correlation between the qualifications of the employees and the enterprise of companies ($r = 0,299$; $p < 0,05$). The companies accomplish a strategy of enterprise (practised by introducing new products, implementing high risk projects, involvement in research bringing about a technological development and innovations, establishing their position on the market), attach a lot of importance to the qualifications of employees, since they constitute renewable sources of knowledge and a quality value of enterprises. Such dependence confirms a source enterprise theory, connecting human resources management practice with other functions and processes of the firm. The basic qualifications of employees make a "link" connecting the human resources management with the strategy of company's enterprise.

Employees trainings are correlated with the enterprise $r = 0,361$. A strong connection of enterprise with the training of employees, revealed in the research, proves a conception of integration of human resources management with other functions of a company. In companies where enterprise activities were carried out, also a great importance was attached to the trainings of employees, that is, to the development and change of employees qualifications in the context of enterprise changes introduced in the company. Such dependence also confirms one of contingency perspectives, that is adjusting a human resources management practice to other aspects of company functioning.

In privatized industrial plants, the enterprise activities have been undertaken, and the management staff put special emphasis to gaining qualifications by the employees. Key staff competencies made a unique non-material source while creating a firm's enterprises.

Conclusions

Own research has proved that in privatized industrial plants, several changes in human capital management have been made and reflected in perceiving the staff not as a source of costs but as valuable assets and value added. This dissertation does not satisfy all possibilities of considerations within this scope, but allows drawing conclusions and verifying the research hypotheses put forward in it:

- Human capital has a great importance for the introduction and strengthening the enterprise activities, and unique qualifications and skills difficult to copy, are beyond the financial capacities of the firm.
- Companies with a quality human capital are more prone to take risks and enterprise activities, to introduce new solutions and achieve higher effectiveness.
- Key competence of the staff made a unique non-material source while creating the enterprise of companies. Competence gaining and developing, by the employees, is made through a system of training, which takes a high rank in the human capital management practice.
- The correlation between a strategy of enterprise and gaining qualifications by the employees confirms a resource model of an enterprise, combining the human resources management practice.

REFERENCES:

1. Jamka B., (2003), Kierowanie karierą pracowników instrumentem stabilizacji kadr, Potext, Warszawa.
2. Pochtowski A., (2003), Zarządzanie zasobami ludzkimi. Strategie – procesy – metody, PWE, Warszawa.
3. Rybak M., (2003), Kapitał ludzki a konkurencyjność przedsiębiorstw, Poltext, Warszawa .