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The Role of Human Capital in Enterprises Based on Empirical Research

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Abstract: The present-day economy has already been labelled by many as a “knowledge-based” economy, which means that the importance of human capital in contemporary companies is significant and continues to grow. Human capital is undoubtedly the main source of competitive advantage. This can be explained by the fact that the remaining assets of the company can be measured more easily and therefore can be standardized. Moreover, they are fully comparable. Human capital is presently seen as the most essential among the strategic resources of any company. It is the people who determine the company’s advantage over its competition. The transition of the world economy from an industry- and commerce-based one to an information and service economy results in a devaluation of the traditional resource-based approach to one based on strategic thinking.

Keywords: Human capital, relationships, competitive advantage.

THE DEFINITION OF HUMAN CAPITAL

Both in theory and in practice, it is very difficult to find a uniform definition of human capital. Human capital is a term which is heavily “loaded” theoretically and empirically. The term is associated with a wide range of keywords, which impedes its operationalization. Dozens of different definitions of the term are found in the literature. Table 1 presents various definitions of the term supplied by Polish and foreign authors.

Human capital consists of competence, skills, experience and applied approaches in management practice. If it is considered in relation to a particular employee, it is often called individual capital and defined as “individual, personal and social skills, experience, education and other abilities oriented outwards, towards the company’s customers” (Sveiby, 1998).

We can conclude that human capital is indispensably linked to a human being, and it includes knowledge, skills, experience and competence of employees. Human capital is defined as the ability of an employee to

Table 1
Various definitions of the term supplied by Polish and foreign authors

<i>Author</i>	<i>Human capital definition</i>
A. Baron, M. Armstrong	Knowledge, skills, abilities and potential for growth and implementation of innovations possessed by the employees of a company.
N. Bontis	The human factor of the company, which combines intelligence, skills and expertise - all of which give the company its distinctive character.
D. Ulrich	Competence multiplied by commitment.
B. Kozuch	The stock of knowledge and skills acquired through education and work experience, but also human resources of health and vitality.
A. Sajkiewicz	The people permanently associated with the company and its mission, who display such features as the ability to collaborate, creative attitude and qualifications. They are the driving force and the heart of the company, and without whom the company's further development would be impossible.
J. Grodzicki	Knowledge, skills and abilities possessed by individuals, that are of economic value to the company.
A. Pocztowski	The entirety of unique attributes and properties embodied in employees which have a certain value and are a source of future income for both the owner of human capital and for the company benefiting from it.
M. Rybak	People who can collaborate - people permanently associated with the company and its mission,
M. Gableta	It is inseparably connected with the physical mental, intellectual as well as moral characteristics of individuals.

Source: H. Król, A. Ludwicyński: Zarządzanie zasobami ludzkimi. Tworzenie kapitału ludzkiego organizacji. PWN, Warsaw 2006, p. 11.

perform tasks, solve problems emerging in the company, but it is also the ability to create relationships which are based on understanding and trust. Human capital serves as a vehicle for generating knowledge in the company. The basic feature of human capital is that it is not owned by the company, and is only used by the company at the time of a person's employment. Should the employee leave the company, loss of certain skills and abilities occurs in the company (Bayer, 2010).

Many authors draw attention to the fact that human capital could be developed through investments in people, investments in the advancement of knowledge and skills, and investments in maintaining and improving the employee's health and vitality (Piotrowski, 2009). It is the human capital - the carrier of which is a competent employee - that enables the company to achieve the added value contained in new products or methods of improving productivity growth. One of the characteristic features of human capital is the possibility of a spontaneous increase in the value of the human capital thanks to continuous learning or gaining experience. This is the only kind of capital that can add value to itself and by itself (Fitz-Enz, 2000).

J. Fitz-Enz points to the fact that that resources such as cash, credit, materials, machines do not add to their own value until a human being increases their value through their appropriate application use. The

theory behind human capital clearly emphasizes the importance of the added value brought to company by its employees. It presents people as valuable assets, and stresses the fact that any investments in staff made by the management of the company allow them to get a satisfactory return on the investments. Once you have considered the company's employees as its assets, the application of the theory of human capital is of great importance in management practice (Fitz-Enz, 2001).

THE ROLE OF HUMAN CAPITAL IN THE RELATIONSHIPS BETWEEN COMPANIES

Not only do properly shaped inter-organizational relationships provide access to valuable resources in the form of human capital, but are also conducive to creating, connecting and sharing of resources, and obtaining values for those involved in the relationship. According to some managers, 'as long as the value is being created, everything in the relationship remains good' (Ritter, 2008).

Undoubtedly, the success of any modern enterprise largely depends on how the relationships with the others are handled (Skalik, 2006). Hence, enormous importance is placed on the role and activity of the management, employees and teams willing to cooperate with outside entities. Great significance for the development of the company is given to human capital which uses its own competence, intellectual ability, motivation, and abilities to perform certain organizational roles, including the development of inter-organizational relationships. Relationships with customers, suppliers, competitors and other stakeholders are built via the company's employees. It should be borne in mind that the structural capital is formed through, among other elements, human capital. It includes new products, patents, licenses, software, technologies and relational capital (ie, reputation, customer loyalty, strong relationships with stakeholders) (Danielak, 2012).

Ability and competence, especially relational competencies associated with the use of knowledge, skills, abilities and attitudes in the area of cooperation, are particularly important in the evolution of the relationships. The creation of relational capital is supported by direct and personal contacts (links) of the employees and executives with the stakeholders which are based on the ability to cooperate, on the ability to trust others and also on one's own credibility and one's core competencies (Grudzewski and Hejduk, 2009).

It is created on the basis of relational resources which are formed between the company and external stakeholders. It results from the formation of appropriate relations with customers, distributors, suppliers and other entities the company deals with (Chomiak-Orsa, 2013).

Relational capital could determine the efficacy of the company's affairs and its market success, both from a static perspective—seen as a resource associated with interpersonal relations, as well as from a dynamic perspective—seen as the ability to create and maintain close and lasting relationships based on trust and cooperation.

Relational capital is created on the basis of inter-organizational relationships involving employees as well as the management. It can not function as a separate phenomenon, but it exists only in relation with human and structural capital, both of which create intellectual capital. As opposed to structural capital which remains the property of the company, relational capital is described as difficult to manage and control. This stems mostly from the specific character of this kind of capital which takes an intangible form that is hard to describe, quantify and measure (Urbanowska–Sojkin and Banaszyk, 2004).

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As opposed to structural capital which remains the property of the company, relational capital is described as difficult to manage and control. This stems mostly from the specific character of this kind of capital which takes an intangible form that is hard to describe, quantify and measure. The relations are unique and unrepeatable to the cooperating entities. This is due to the specific arrangements between the parties. Hence, a possible acquisition or replication of such relations by other competitive entities may lead to a number of hindrances.

As a result of the formation of strong bonds between the entities involved in the relationship, there is a flow of knowledge and information. And this, in turn, results in the creation of a new range of products or innovations that promote the formation of values.

Dynamic changes in the environment help to strengthen the relations between the parties as they lead to greater flexibility of the organization's activities in the field of solving problem and decision making through involving their own and other entities' competences. The transfer of knowledge is carried out through the means of human and relational capital, whereas the acquisition, maintenance and the renewal of resources necessary to create structural capital is carried out through the means of relationships.

Those involved in the relations must identify variables prior to, during and at the end of the relations. These variables tend to be found in the areas of benefits and costs resulting from the cooperation. Such values as trust and honesty, respect, openness, clear rules of communication play an important role in the formation of inter-organizational relations in the area of human capital. Moreover, the evolution of the criteria for the evaluation of values shows that the non-material criteria are becoming increasingly important, which stems from a growing complexity of economic relations. Therefore, the evaluation of values is burdened with a constantly growing level of subjectivity and uncertainty (M¹czyńska, 2011).

THE IMPORTANCE OF HUMAN CAPITAL IN EMPIRICAL RESEARCH

Between September 2015 and March 2016 the authors of this paper conducted a pilot study on the role, size and importance of human capital. The study group in quantitative research consisted of individuals holding managerial positions in small and medium-sized companies in the region of Podkarpackie.

The scope of commercial activities of businesses operating in this geographic included trading, services, real estate, healthcare and social assistance, and construction. As for the size of these companies, the vast majority of them were small and medium-sized enterprises. When it comes to the type of activity, the biggest number of the companies were engaged in trading (44.9%), followed by companies operating in the service sector (34.6%), construction (12.8%) and production of goods (7,7%). No other types of business activities were found. Figure 1 is a representation of the aforementioned data. The study included more than 300 respondents randomly selected from the SME sector in the Podkarpackie province. The aim of the survey was to identify the role of human capital, its definition and implications. The first question in the survey asked the respondents about their definition of human capital. Respondents could choose of the five possible answers provided. The following table illustrates the answers given by respondents.

Table 2
Definitions of human capital

<i>Human capital</i>	<i>Percentage of answers</i>
Skills and competencies of employees	46,51%
Expertise, experience, health and vitality	20,93%
Adaptability and production potential	9,3%
Knowledge, education and experience of employees.	23,26%
Other	0,00%
Total	100%

Source: Own research-based survey.

The most frequently chosen answer was the one which defined human capital as people and their skills and competencies. Almost half of the respondents (46.51%) chose this option. As many as 23.26% of the respondents opted for a definition which saw human capital as knowledge, education and experience of the employees. The next most frequent answer was the one which defined human capital as expertise, experience, health and vitality. Lastly, only 9.3% of the responses saw human capital as adaptability and production potential. None of the respondents attempted to provide their own definition of the term. The distribution of responses shows clearly that human capital is understood by the respondents as a set of employee skills rather than a source of income which the employee embodies.

The second question in the survey asked which type of capital is more important in the company. The distribution of these responses is illustrated in Figure 1. A total of three possible answers were provided. The most frequent answer was the option that the employees' skills, knowledge and experience were the most important component of the company. This answer was chosen by more than 67.50% of the respondents. In contrast, 32.5% of the respondents believe that the financial and material capitals were the most important ones in the company.

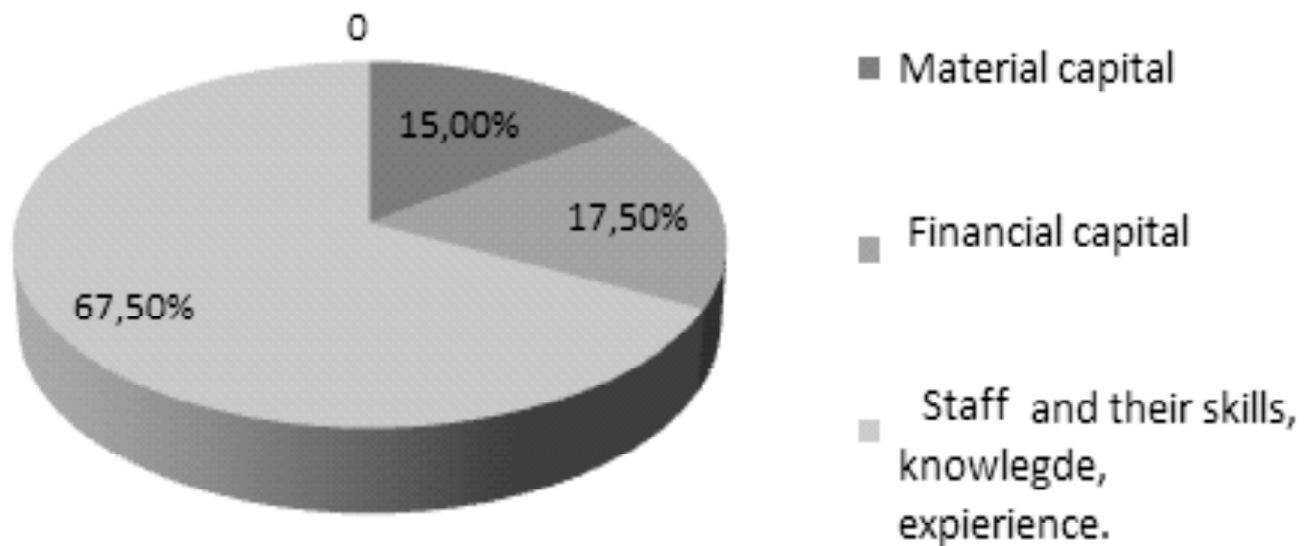


Figure 1: The importance of different types of capital in the company

Source: own research-based survey.

The results discussed above indicate that the staff and their skills, knowledge and experience are seen as one of the most important elements in the company, however, the financial and material capitals without which any cooperation between people would be impossible.

The next question concerned the role of human capital in the functioning of the company. The respondents were asked to choose an answers that best described their own opinions. Respondents could choose one of the four possible answers. The distribution of these responses is shown in the table below.

Table 3
The role of human capital in the functioning of the company

<i>Specification</i>	<i>Percentage of answers</i>
Significant role play people and their ideas and this factor influence the competitive advantage of an enterprise on the market	62,79%
human capital is not the main factor in the decision making process and that it is not the most important element,	25,58%
Human capital is not important for the company as much as new technologies and machines	11,63%
Human capital fulfils a different function	0,00%
Total	100%

Source: Own research-based survey.

A significant majority of the respondents (62.79%) perceived the role of human capital the same way. A dominating position on this issue read that that people and their ideas played a significant role in the functioning of the company and contribute to the achievement of the competitive advantage of an enterprise on the market.

Almost 26% of the respondents believed that human capital is not the main factor in the decision making process and that it is not the most important element, whereas only 11.63% of the respondents said that it was not important for the company as much as new technologies and machines. None of the respondents opted for other possible answers.

The next question related to the significance of human capital in small and medium-sized companies and whether it was crucial for the company. The following chart illustrates the answers provided by the respondents..

The respondents could choose one of the following four possible answers: rather yes, yes, rather no, or no. A vast majority of the respondents (56%) chose the 'yes' answer, which means that they thought that in their company human resources occupied an important position. As many as 37% of the respondents chose 'rather yes', whereas only a few percent of the respondents believed the significance of human capital to be of smaller importance. Clearly, most of the respondents believed that human resources play an important role in the company, which means that the companies they worked for placed great significance on people. The results of the survey confirmed that contemporary knowledge and qualifications and investing in human capital are the primary source of competitive advantage. Proper management of the most valuable capital as well as its formation and accumulation can bring many benefits and become the driving force for the functioning and development of companies regardless of their size, but also become

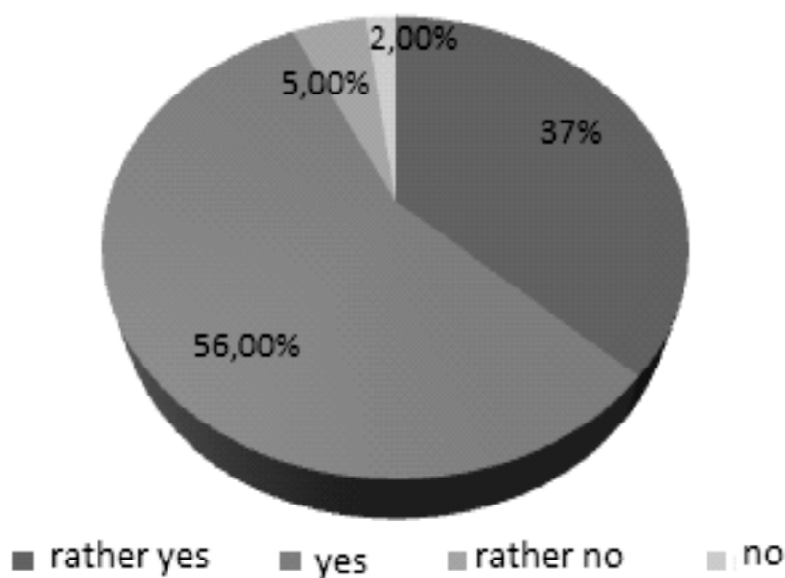


Figure 2: Human capital and its significance in the company

Source: own research-based survey.

a determining factor of their position. What justly emphasises the role of human capital is the following quote by Henry Ford - founder of the Ford Motors Company: "Take everything, but leave me my people, and in two years I'll be at the top again" (Ford, 2006).

SUMMARY

In business and in a dynamic environment, gaining competitive advantage requires having specific resources which distinguish the company from its competition. These resources should be characterized by their uniqueness, should be difficult to reproduce or imitate and should be flexible enough to allow for a quick response to any changes in the environment. Such resources should ensure that a lasting competitive advantage can be created. Human capital, the importance of which has been recognized by theorists and in business practice in recent years. Currently, human capital should serve as a foundation for the management and the development of the company's strategy which must be designed to increase the company's position in the market. It is the company's responsibility to acquire and develop appropriate human capital. Skillful use of human resources will allow companies to develop a sustainable competitive advantage in the market.

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