

**МІЖНАРОДНА ЕКОНОМІКА І ЗМІНИ
ГЕОЕКОНОМІЧНОГО ПРОСТОРУ**

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**KEY ROLE OF HUMAN CAPITAL IN MANAGEMENT OF
INTERNATIONAL COMPETITIVENESS OF A FIRM****Marta Vovk, PhD in Economics***Prydniprovs'ka State Academy of Civil Engineering and Architecture*

Today's post-industrial economy emphasizes the importance of developing intellectual capital as a key element in the system of management of firm's international competitiveness. There have been revealed the main features of post-industrial society comparing to pre-industrial and industrial epochs. There has been concluded that knowledge and information are the main sources of economic performance and international competitiveness of the enterprises. Skills, creativity, ability to learn and other features people own became important characteristics of intellectual capital and at the same time key sources of sustainable competitive advantages of the firms. There have been highlighted three main dimensions of intellectual capital: human structural and customer. Also there has been identified social, technological and spiritual capital. Human capital has been outlined as the most important intangible asset in an organization. Literature review has shown that understanding the role of human capital in management of international competitiveness of a firm is impossible without awareness of the main trends in human capital trends and fundamentals of human capital management. Conducted theoretical research allowed elaborating theoretical model of the impact of human capital on international competitiveness of a firm.

Keywords: human capital, intellectual capital, management of international competitiveness of a firm.

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**КЛЮЧОВА РОЛЬ ЛЮДСЬКОГО КАПІТАЛУ В УПРАВЛІННІ
МІЖНАРОДНОЮ КОНКУРЕНТОСПРОМОЖНІСТЮ
ПІДПРИЄМСТВА****Вовк М.С., к.е.н.***Придніпровська державна академія будівництва та архітектури*

Сьогоднішні умови постіндустріальної економіки наголошують на важливості розвитку інтелектуального капіталу як ключового елементу в системі управління міжнародною конкурентоспроможністю підприємств. В статті розкриті головні риси постіндустріальної економіки порівняно з до індустріальною та індустріальною епохами. Зроблено висновок, що знання та інформація є

головними джерелами ефективності та міжнародної конкурентоспроможності підприємств. Навички, креативність, здатність швидко навчатися та інші властивості, якими володіють кадри, стали важливими характеристиками інтелектуального капіталу та в той же час ключовими джерелами стійких конкурентних переваг фірм. Виявлено три головні компоненти інтелектуального капіталу: людський, структурний та клієнтський капітал. Також визначені в якості структурних елементів інтелектуального капіталу соціальний, технологічний та духовний капітал. Людський капітал представляє собою найважливіший нематеріальний актив фірми. Аналіз літературних джерел показав, що розуміння ролі людського капіталу в управлінні міжнародною конкурентоспроможністю фірми неможливе без знання головних трендів людського капіталу та основ управління людським капіталом. Проведене дослідження дозволило побудувати теоретичну модель впливу людського капіталу на міжнародну конкурентоспроможність фірми.

Ключові слова: людський капітал, інтелектуальний капітал, управління міжнародною конкурентоспроможністю фірми

The topicality of the problem. The problem of the development of human capital is crucial for Ukrainian firms first of all because it prevents innovation capacity development. According to current data of Global Competitiveness Report 2014-2015 Ukraine takes 82d place among 144 countries included in report. By the quality of scientific research institutions Ukraine takes 67th place [7]. This is the evidence of poor development of human capital management and low innovation activity in the country. But at the same time by the data of the Global Creativity Index 2015 Ukraine takes 45th place, exceeding such EU countries as Poland, Bulgaria, Lithuania, Slovak Republic, Greece, Cyprus and Romania [9]. Thus, it can be concluded that Ukrainian economy has a potential for developing human capital but there are many gaps in human capital management.

Analysis of recent scientific research. Human capital development and its impact on firm performance are investigated by Hitt M.A., Marimuthu M, Schultz T [11;20;25;]. Key elements of human capital management are researched by Koka B.R., Roos.G. Stewart A.[18;23;27]. A substantial contribution to understanding structural components of intellectual capital was made by Shaari J., Inpen A., Kalkan A. [12;15;26]. But at the time there is still lack of literature concerning theoretical models of the influence of human capital on international competitiveness of the firms.

The objective of the article was to elaborate theoretical model of the influence of human capital on international competitiveness of the firms.

The main material. The effectiveness of economic activity and international competitiveness of firms today is dependent on their ability to adjust the requirements of post-industrial society. But without understanding the key features of post-industrial society is impossible to gain high economic yields.

Most firms today understand the importance of technologies, innovations but post-industrial economy is much broader. Understanding of modern features and peculiarities of post-industrial society as well as its difference between industrial and pre-industrial epochs can contribute to better awareness of today's conditions of well-being in the national and international markets (table 1).

Table 1 – The post-industrial society: comparative analysis [2]

Modes	Pre-industrial	Industrial	Post-industrial
Mode of production	Extractive	Fabrication	Processing: recycling
Economic sector	Primary: agriculture, mining, fishing, timber, oil and gas	Secondary: goods-producing, manufacturing, durables, non-durables, heavy construction	Services Tertiary: transportation, utilities Quaternary: trade, finance, insurance, real estate
Transforming resource	Natural power: wind, water, draft animals, human muscle	Created energy: electricity-oil, gas, coal nuclear power	Information: computer and data-transmission systems
Strategic resource	Raw materials	Financial capital	Knowledge
Technology	Craft	Machine technology	Intellectual technology
Skill base	Artisan, manual worker, farmer	Engineer, semi-skilled worker	Scientist, technical and professional occupations
Methodology	Common sense, trial and error, experience	Empiricism, experimentation	Abstract theory: models, simulations, decision theory, system analysis
Time perspective	Orientation to the past	Ad hoc adaptiveness, experimentation	Future orientation: forecasting and planning
Design	Game against nature	Game against fabricated nature	Game between persons
Axial principle	Traditionalism	Economic growth	Codification of theoretical knowledge

According to Table 1 it can be concluded that knowledge and information are the main sources of economic performance and competitiveness of the enterprises. Thus, skills, creativity, ability to learn and other features people own became important characteristics of intellectual capital and at the same time key sources of sustainable competitive advantages of the firms. Today terms «Innovative economy», «Network economy», «Knowledge based economy», «IT society», «Learning society» are used to emphasize the importance of intellectual capital while considering crucial factors effecting international competitiveness of the firms.

Thus, understanding of the essence and main components of intellectual capital can greatly contribute to effective management of firm’s international competitiveness. A literature has helped to identify favorable definition of intellectual capital: the total stocks of the collective knowledge, information, technologies, intellectual property rights, experience, organization learning and competence, team communication systems, customer relations, and brands that are able to create values for a firm [27].

There have been generally recognized three main components of intellectual capital, such as human, structural and customer. Also scientists emphasize the role of social, technological and spiritual capital (table 2).

Table 2 – Dimensions of intellectual capital

<i>The basic components</i>		
Human capital	Structural capital	Customer capital
- key element in improving a firm assets and employees to increase productive as well as sustain competitive advantage [25]; - refers to processes that relate to training, education and other professional initiatives to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s satisfaction and performance, and eventually on a firm performance [20]	- includes all the non-human storehouses of knowledge in organizations which include the databases, organizational charts, process manuals, strategies, routines and anything whose value to the company is higher than its material value [15]; - culture, distribution channels, and other «organizational capabilities» developed to meet market requirements as well as intellectual property [17]; - «what remains in the company when employees go home for the night» [23];	-relational capital and external capital; - refers to the organization’s relationships or network of associates and their satisfaction with and loyalty to the company [1]; - puts forward the value of the relationship of an enterprise with customers, suppliers and the rest of the society for consideration and states the loyalty of mentioned ones to the enterprise [6]; -connections that people outside the organization have with it, their loyalty, the market share, the level of back orders, and similar issues [24]
<i>Other vital components</i>		
Social	Technological	Spiritual
-the total set of information which benefits firms in value creation [18]; -the combination of relationships inside the firm and with external entities and helps organizations by absorbing knowledge to control and to gain access to resources [21]; -the set of relationships between individuals in an organization (internal social capital) and between individuals and organizations (external social capital) that facilitate actions [11]; -provides the flow of knowledge and information between types of networks [12]	- the set of intangible assets which is based on innovation and technical process; - has positive impact on the performances of organizations and it is a significant contributor of intellectual capital [4]; - derives from technical knowledge; an intangible asset and is considered as important part of intellectual capital [22]	- is based on spirit, influence, power and knowledge which can be derived from religion [3]; - the power and influence that are created by a person or organization with the help of spiritual knowledge and religious beliefs [19]; - the intangible knowledge, faith and emotions embedded in the minds of individuals and in the hearts of organization which includes vision, direction, guidance, principles, values and culture [14]

The majority of scientists acknowledge human capital as the most important intangible asset that organization has [12;14;15;23;25;26;27].

Thus, important questions appear to be: how human capital influences on firm international competitiveness? What indicators should be chosen for assessing that influence? How can intellectual capital contribute to managing international competitiveness of the enterprise? What is the value of human capital in international competitiveness of an enterprise?

It is rather hard to answer these questions as there is a difficulty on the way of quantitative assessment of the influence of human capital on international competitiveness of the enterprise.

The difference between human capital as a physical asset and human capital as an intangible asset is recognized as a problem when evaluating the contribution of human capital in international competitiveness of an enterprise. In this regard, it should be noted that some investments in human capital do not affect firm earnings.

A review of Global Human Capital Trends 2015 has casted a light on areas should firms focus on today in order to understand what investments will yield them high returns (table 3)[8]:

Table 3 – The 10 trends in the 2015 Global Human Capital Trends Report

Leading	Leadership Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.	Learning and development Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.	
Engaging	Culture and engagement Organizations are recognizing the need to focus on culture and dramatically improve employee engagement as they face a looming crisis in engagement and retention.	Workforce on demand Companies are taking a more sophisticated approach to managing all aspects of the workforce, including the hourly, contingent, and contract workforce.	Performance management The secret ingredient Organizations are replacing traditional performance management with innovative performance solutions.
Reinventing	Reinventing HR An extreme makeover HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.	HR and people analytics Too few organizations are actively implementing talent analytics capabilities to address complex business and talent needs.	People data everywhere Bringing the outside in HR and talent organizations are expanding their HR data strategies by harnessing and integrating third-party data about their people from social media platforms.
Reimagining	Simplification of work Organizations are simplifying work environments and practices in response to information overload and increasing organization and system complexity.	Machines as talent The increasing power of computers and software to automate and replace knowledge workers is challenging organizations to rethink the design of work and the skills their employees need to succeed.	

It should be noted that culture and engagement, leadership, and development have become urgent priorities. Thus, theoretical model of the impact of human capital on international competitiveness of a firm should consist of these priorities and supposed economic benefits (figure 1).

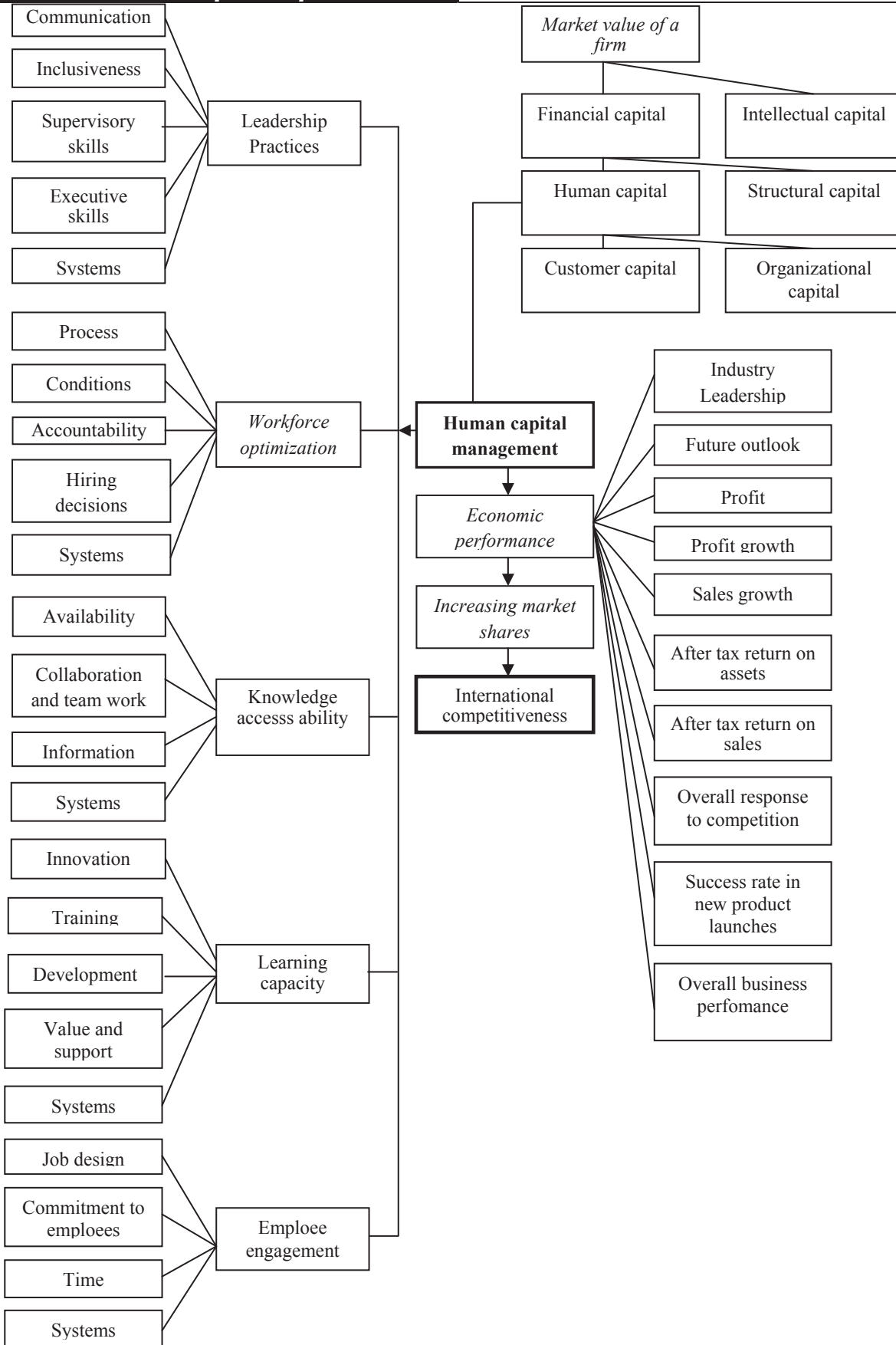


Figure 1. Theoretical model of the impact of human capital on international competitiveness of a firm

Source: [Developed by 10;15;17]

Conclusions. Human capital is significant source of increasing economic benefits and international competitiveness of a firm. Ineffective human capital management leads both to economic losses and poor innovation development. For achieving effective human capital management a firm should be aware of mechanisms through which it can integrate it with a whole management system. But taking into account that human capital is a component of intellectual capital it should be considered regarding to other components.

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