

# Human Capital from Entrepreneurs' Perspective – Case Study Świętokrzyskie Voivodeship<sup>1</sup>

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The aim of this paper is to analyse human capital problems faced by entrepreneurs, on the example of Świętokrzyskie Voivodeship. Both theoretical and empirical methods of analysis are used. The descriptive method of research is used to conduct a survey of the literature on the topic. The notion of human capital is presented, as well as the structure thereof in the individual dimension. Next, the paper includes the methodological premises of the empirical research and defines the research sample. It also discusses the results of qualitative research, which used the research method of a focus group. Finally, research conclusions are drawn, and recommendations are made regarding the possible ways of solving human capital issues faced by Świętokrzyskie entrepreneurs.

**Keywords:** human capital, competence, qualification, entrepreneur, Świętokrzyskie Voivodeship

## Introduction

Nowadays both source topical literature and economic practice stress the significance of human capital as a root of competitive advantage of an organisation. In the context of constructing a knowledge based economy, and the increasing pressure for organisations' innovativeness, it is becoming strategically vital to skillfully obtain, and then use, the organisation's human capital. Therefore, one cannot successfully manage a business without managing human capital. The organisation's human capital ensures the highest quality of provided services,

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creates connections with customers by building their brand loyalty, and ensures the organisation's competitive advantage due to its innovativeness. The aim of this paper is to outline the basic concerns connected with human capital, which have been voiced by the sample of entrepreneurs from the Świętokrzyskie Voivodeship, and to present some recommendations facilitating the solution of these problems. In order to obtain primary source data, the research method of Focus Group Interview has been used.

## Background and related work

Topical literature emphasizes that human capital is a component of intellectual capital. According to Edvinsson (2002) "intellectual capital is a combination of human capital – the brains, skills, insights, and potential of those in an organisation and structural capital – things like the capital wrapped up in customers, processes, databases, brands, and IT systems. It is the ability to transform knowledge and intangible assets into wealth creating resources, by multiplying human capital with structural capital". Although human capital is discussed by many researchers, the literature does not contain a generally accepted definition of this term. According to the definition in the report "The Well-being of Nations. The Role of Human and Social Capital" prepared by the Organisation for Economic Co-operation and Development (OECD) human capital is "the knowledge, skills, competences and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being". In the opinion of Dess and Picken (1999) human capital is "generally understood to consist of the individual's capabilities, knowledge, skills and experience of the company's employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning".

The definitions of human capital proposed by Polish researchers are quite uniform. According to Juchnowicz (2014), human capital is "knowledge, skills, attitudes and features brought to work, which include e.g. intelligence, entrepreneurship, flexibility, involvement, ability to learn: talents, imagination, creativity, motivation to share knowledge, ability to cooperate, goal-orientation, physical health and mental well-being". A similar view is postulated by Poczrowski (2007). In his opinion, "human capital encompasses a spectrum of features and properties embodied in people (knowledge, skills, talents, health, motivation, values), which have a particular value and constitute a source of future income both for the employee – the owner of the human capital, and for the organisation using that capital on certain conditions".

This paper refers to research results presented in the report “Rynek pracy widziany oczami pracodawców<sup>2</sup> [Labour market from the employers' perspective]”, which examines human capital problems throughout Poland, basing on the 2014 data. The report suggests that in 2014 the professional categories most demanded by entrepreneurs included: skilled labourers and plant and machine operators (44% of recruiting employers – mainly tilers, turners, carpenters, seamstresses, etc.), specialists (22% of recruiting employers – mainly family doctors, nurses, physiotherapists, vocational subject teachers, language teachers, economic specialists, programmers), sales workers and service workers (21% of recruiting employers). The biggest recruitment problems were connected with the professions labelled as the most desirable<sup>3</sup>. The competence shortages of job applicants included those most significant in the recruitment process: occupational, interpersonal, and self-organisational (e.g. independence, resourcefulness, stress resistance). The crucial factors for the recruiting entrepreneurs included the candidates' experience (measured by work experience in a similar position), education level and the command of foreign languages. Basing on the 2014 data, more than half of the employers evaluated their workers' competences as satisfying. Almost the same number of employers saw the need for their workers to develop their competences (especially occupational, self-organisational, interpersonal and office competences). Only 3% of the employers were dissatisfied with their workers' competences<sup>4</sup> (Kocór, Strzebońska, Dawid-Sawicka, 2015).

## Methodology

The aim of this research was to analyse human capital problems faced by entrepreneurs, on the example of the Świętokrzyskie Voivodeship. In order to obtain data from primary sources, qualitative research was conducted in the form of a focus group study. For the purposes of this research, a definition of human capital postulated by Juchnowicz (2014) was adopted. According to the definition,

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<sup>2</sup> The report is part of the fifth round of the “Study of Human Capital in Poland” research project conducted jointly by the Polish Agency for Enterprise Development and the Jagiellonian University (Centre for Evaluation and Analysis of Public Policies).

<sup>3</sup> Most employers who had problems finding adequate workers were in the building and transport sector, health care and welfare (almost 9 out of 10 employers seeking workers had recruitment difficulties), and also in the industrial and mining sector.

<sup>4</sup> Nationwide background for our study can also be provided by the “Human Capital in Poland in 2014” report, published by the Polish Central Statistical Office and Statistical Office in Gdansk, and by the 2008 “Stan Kapitału Ludzkiego [The State of Human Capital]” report by Polskie Stowarzyszenie Zarządzania Kadrami [Polish Human Resources Management Association].

human capital is knowledge, skills, talents, attitudes, motivation, health, mental well-being, values and ethical norms. The research method entails investigating a specific topic during meetings in a small group. The moderator leads and directs the discussion so that tangible conclusions can be obtained within more or less two hours. While the small number of participants ensures everyone's active participation, it also enables researchers to gather crucial information and formulate general conclusions. Within this study, seven focus groups were organised in the following counties of Świętokrzyskie Voivodeship: Busko, Kielce, Sandomierz, Skarżysko, Starachowice and Włoszczowa. The focus groups had between six and eight participants. The participants represented the leading enterprises of the Świętokrzyskie Voivodeship in the areas of construction, healthcare, information and communication, mining, agriculture and industry. The interviewees featured the greatest proportion of big enterprise representatives (42.9%), followed by medium-sized (34.7%) and small ones (14.3%). The least numerous group was representatives of micro-enterprises (8.1%).

## Results and discussion

For the needs of this paper, the human capital problems voiced by Świętokrzyskie entrepreneurs have been divided into two categories: those connected with recruiting workers with the desired human capital, and those referring to employers' use of their workers' human capital. The main problem that Świętokrzyskie entrepreneurs have in obtaining human capital is the failure of job seekers to meet their requirements, resulting from the inadequacy of education profile and quality. This results in problems in both the supply and the demand sides of the labour market. On the one hand, students finishing secondary schools of general education and humanities graduates have problems with finding employment. On the other hand, entrepreneurs have problems recruiting vocational school graduates (e.g. sales workers, welders, bricklayers, steel fixers, electricians, carpenters, turners, plant and machine operators, cooks, bakers, tractor unit drivers, mechanics), technical university graduates and medical graduates. As a result, Świętokrzyskie enterprises suffer from human capital deficit, and some job vacancies remain open. At the same time, a significant number of graduates become unemployed. What is more, problems in recruiting adequate workers with adequate competences lead to hiring people who require long-term and often expensive training. Therefore, entrepreneurs face the need to invest in human capital development to an extent which should be shaped within an effective education system.

A few main reasons can be pinpointed for the mismatch between graduates' education profile and the needs of entrepreneurs. First of all, many vocational schools in the Świętokrzyskie Voivodeship have been shut down. This resulted from cost cutting programmes implemented by the authorities, since education costs in vocational schools greatly exceed those in secondary schools of general education, where no vocational training takes place. Shutting down vocational schools also resulted from the scarcity of candidates<sup>5</sup>. Secondly, pre-secondary school graduates have problems choosing their career path at such an early age, which makes them delay the choice of professional development area, and study in a secondary school of general education instead of a vocational school. Thirdly, the youth do not choose technical majors in order to avoid science subjects, which are regarded as more difficult than humanities. Finally, the number of free places in medical majors is much lower than the number of candidates willing to study there.

The reasons for the inadequate education level, maladjusted to entrepreneurs' needs, include:

- current education model, neglecting learning by practical actions. It often focuses on theoretical knowledge, which is often outdated or of little use in professional work,
- vocational schools and universities lack the facilities which could aid a more practical approach to education process. Obsolete equipment is incompatible with that used in companies, and the costs of buying cutting-edge machines, appliances and materials are too high,
- too little cooperation regarding practical training between companies and vocational schools and universities. Implementing such methods of educating the future employees entails the need to provide job vacancies and assign company employees to supervise the students. This generates certain costs, which cannot be reimbursed by the schools. Another reason for the entrepreneurs' reluctance to implement practical training is connected with the inherent bureaucracy and the risk that the trainees (who lack experience) might make costly mistakes leading to damaging expensive equipment<sup>6</sup>. An enterprise's costs often lead to entrepreneurs forfeiting cooperation with schools or universities,
- teachers have problems updating their expertise regarding e.g. cutting-edge technology used in economic practice, thus failing to convey state-of-the-art

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<sup>5</sup> The reason for this reluctance can be seen in the low prestige of vocational schools and of the jobs they train for.

<sup>6</sup> Civil liability insurance for the training time is costly.

knowledge to their students. The teacher training system is limited, and the too low salaries prevent teachers from improving their specialist qualifications in commercial education facilities,

- inadequate level of foreign language education in schools and universities. This prevents the graduates from working in a foreign language environment (especially in positions where knowledge of specialist vocabulary is required), and hinders work in international teams, cooperation with foreign suppliers and recipients, ongoing monitoring of innovation fields, or running international projects,
- lack of obligatory vocational exams, which would certify the practical skills and qualifications upon finishing vocational school. As a result, vocational school graduates do not have the qualifications necessary to start working in the job they trained for. Therefore, the graduates have to incur costs connected with gaining qualifications indispensable for particular jobs. Moreover, the lack of such exams does not promote commitment to education and care for its quality,
- inadequate knowledge of high school and university graduates regarding conducting business activities. This is mainly caused by insufficient attention to entrepreneurship issues in curricula. Increasing the graduates' knowledge of business management might help them direct their competence development and take a holistic view on the enterprise, instead of looking narrowly in one job position.

It is worth stressing that too low human capital of the unemployed results not only from education system inadequacies, but also from insufficient effectiveness of organisations responsible for activating the unemployed. They offer forms of human capital development which are at odds with the current labour market situation.

Moreover, it is worth stressing a few of the problems that Świętokrzyskie entrepreneurs have with using human capital. According to entrepreneurs, the employees do not exhibit adequate involvement in their work, and do not want to develop their human capital in response to the position's needs<sup>7</sup>. This is connected with the fact that some employees perceive their current job as temporary, and connect their work future with an entirely different profession. This problem can be seen in the case of students, who – during their studies – perform jobs unrelated to their majors. Another related problem is the excessive employment fluctuation. It results mainly from students changing jobs after graduation, and

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<sup>7</sup> Some people even refuse to take on legal employment and prefer to work illegally for higher wages (without paying income tax and social insurance contributions), or rely on the social welfare system.

from experienced workers emigrating to Western Europe in search of better pays than those in the Świętokrzyskie labour market. Employment fluctuation generates costs related to recruiting and training new employees. Moreover, occasionally an employee quits without notice, and the vacancy remains open for a long time, which causes losses and disrupts company operations. Similar problems result from abusing leave on demand, as the employer is obliged to grant up to four days off at a date stated by the worker in each calendar year. The time off can be demanded as late as on its starting day, which makes it difficult to find a replacement worker. In addition, by jointly using their leave on demand, the workers can organise quasi-strikes<sup>8</sup>, which can paralyse the company in a very short time. Access to workers' human capital is also effectively hindered by their abuse of sick leaves. It is also worth stressing that entrepreneurs incur significant costs connected with such unjustified employee absenteeism.

Another problem is the unwillingness of experienced workers to share their knowledge, for fear of the younger employees taking their jobs if they develop their human capital. Having unique secret knowledge, obtained during the years of employment, is often treated as a safeguard against being replaced by another employee. Besides, employees expect additional remuneration for sharing their knowledge with colleagues.

A further problem with the Świętokrzyskie entrepreneurs' use of human capital is the region's inadequate access to broadband Internet. This makes it difficult to overcome the distance barrier in using human capital by teleworking, by using teleconferences to cooperate in projects, or by using virtual desktops enabling e.g. joint text editing by several people in different locations. Furthermore, Świętokrzyskie has an inadequately developed network of business environment institutions, such as innovation and entrepreneurship centres (e.g. technology transfer centres, science parks), research and development institutions, entrepreneur associations. This is a significant obstacle, as these units provide human capital, which should be more broadly accessible to Świętokrzyskie entrepreneurs.

## Conclusions and recommendations

A number of recommendations can be made to counter the problems identified in the course of the research. With regard to the human capital problems connected with employee recruitment, it is worth stressing the possibility of

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<sup>8</sup> The employer has no way of counteracting such quasi-strikes.

implementing a number of actions in order to reduce the scale of graduates' education maladjustment to the entrepreneurs' needs, and to improve the quality of that education:

- creating vocational schools, education programmes and university majors<sup>9</sup> adjusted to the employers' needs. This should take place in close cooperation with companies and their associations, as well as with institutions doing labour market research, e.g. employment offices, the Central Statistical Office, or the Polish Agency for Enterprise Development. Such cooperation is indispensable for example in drafting curricula, which should be periodically updated,
- limiting education in professions which offer few employment opportunities for graduates,
- introducing professional entrepreneurship classes and obligatory career counselling on all education levels, regardless of their profile. For example, career counsellors could subject the students to aptitude screening, or psychological tests aimed at helping the candidates choose their career path. In addition, employment office representatives could provide students with reliable information concerning the current and projected labour market situation (by pointing to jobs where employment will be relatively easy and difficult). Moreover, study visits in enterprises could be organised for students, as well as workshops run by experienced employees from various company departments,
- promoting cooperation between vocational schools and companies willing to recruit workers in certain professions. This cooperation could entail running workshops and training in companies, using the company's machinery park. However, to make it possible, this has to be profitable to entrepreneurs. A solution here could be to replace vocational training practice in schools with such activities in companies. The money saved in this way could be transferred to companies which would sign vocational training practice contracts with vocational schools,
- involving business practitioners in practical training in high schools and higher education facilities,
- intensifying the cooperation between schools, higher education facilities, research and development institutions, Vocational Training Centres, Voluntary Labour Corps, enterprises, various public parties, and business environment institutions, aimed at making the education model more practical. This could

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<sup>9</sup> Looking for alternative sources of funding for vocational school facilities (EU funds, funds from enterprises willing to recruit graduates of certain specialisation vocational schools).



- be facilitated by creating a system of financial bonuses for schools and higher education facilities cooperating with business environment institutions,
- improving the science educational standards in order to enable students to choose technical majors,
  - introducing obligatory exams in vocational skills, certifying the qualifications gained on completion of all types of vocational schools<sup>10</sup>,
  - enabling teachers, especially those teaching vocational subjects, to update their knowledge, e.g. during in-company trainings or internships,
  - promoting the image of an employee who is a master in their profession, their high human capital leading to a high salary,
  - improving the effectiveness of institutions combating unemployment (especially employment offices) by offering to the unemployed such human capital development possibilities which would enable them to work in occupations desired by employers.

With respect to the problems of Świętokrzyskie entrepreneurs' use of the human capital of their workers, the following recommendations can be made:

- actions aimed at limiting the emigration of qualified workers and at encouraging the specialists who have already emigrated to return to Poland,
- increased monitoring of sick leave validity,
- teaching self-discipline and respect for work at schools,
- encouraging enterprises to create incentive schemes based on various, also non-financial, incentives for effective work. It is also important for these schemes to include rewarding workers for sharing their knowledge and experience. Collective forms of remuneration can be used here, basing part of the salary on the performance of co-workers,
- eliminating the leave on demand, or at least requiring the employee to make the demand on the working day before the start of the leave,
- promoting the development of infrastructure enabling the Świętokrzyskie entrepreneurs to use broadband Internet. It is also vital to use here the opportunities stemming from EU funds,
- greater involvement of all levels of government in building a stronger regional network of business environment institutions. A key issue here is to seek funds for creating and running these institutions.

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<sup>10</sup> It is also worth including students' vocational exam results in the evaluation of teachers' work.

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