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STRATEGIC FEATURES OF INVESTING IN HUMAN CAPITAL IN THE ERA OF INNOVATION

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Abstract

The article is devoted to the problem of increasing the efficiency of using the human capital of an enterprise through strategic investment in the personal management system. Creative personnel potential, its use and continuous growth become a prerequisite for the functioning of innovative industrial companies. There is a growing need to invest in the development of large-scale personal management systems at large companies, which prepare managers and employees of the future who are capable of self-development, motivated to acquire relevant competencies and ensure the production of high-quality goods and services. It is important for companies to apply the knowledge, skills, proficiency and abilities of their employees effectively, directing them to individual and corporate training, creating a favorable environment. Developed human capital involves the accumulation of investment in improving staff competencies through training and self-study, while the preservation of material capital involves the rational use of natural resources, the availability of appropriate building technologies, machinery and equipment. The paper reveals the essence of the concept of “human capital”, its meaning and main components; it outlines the concept of forming the structure of personal management of the enterprise and presents the relationship of its main elements with the process of developing the competence potential of the company; identifies the main features, models and strategies for investing in human capital, and also shows what determines the effectiveness of investments in human capital, methods for calculating its value.

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1. Introduction

The development of a modern company primarily depends on the employees who make up its human capital, which has a dynamic character, thanks to the ability of its composition, structure and many other parameters to change. Each organization is interested in increasing its corporate human capital, which can be achieved through investing. Investments in human capital are long-term and provide an ascent to a new level of economic efficiency (Niklas, 2018; Pasban & Nojedeh, 2016; Alkhanova, 2011; Kano, 2018; Ko & McKelvie, 2018; HunLee, Mauer, & Qianying, 2018; Holland, 2017).

Back in the middle of the last century, economists discovered that investment in human capital is one of the most important factors in increasing the individual wages of workers and employees. The main variable of the production function of the endogenous theory of economic growth is human capital, which includes education, training and other investments in personnel. In fact, human capital as a factor of production is currently regarded as an additional material cost in the production function. From the point of view of analytics, the more a company invests in human capital, the faster its growth rate (Bishin, 2017).

2. Problem Statement

Human capital is an important factor of production that has become a conscious investment in the future. This strategic resource arouses the growing interest of modern management, especially regarding work concerning the introduction and development of mechanisms for investing in the optimal use of capabilities and intellectual creativity through personal management (Bishin, 2017).

The main elements of self-management are defined based on the analysis of work in the problem area under study: self-motivation of a manager; planning one's activities; making decisions; implementation and organization; information and communication. The assessment of self-management elements being the priority for managers was made using empirical research and covered a number of enterprises of the North Caucasus Federal District (Kuzmenko & Boris, 2018).

The results of the study shows that respondents pay the most attention to planning their activities. As many as 98% of the respondents identified it as the main element of self-management. Such elements as “decision making” (63%) and “implementation and organization” (61%) are given as the next priority. At the same time, more than a third of the respondents underestimate the importance of self-control (37%) and self-motivation (35%) in managing the personal development of workers and managers, which requires special attention to these elements when implementing a personal management system.

If earlier investment in human capital was mainly carried out according to the principle of “improvement” of “weak points” by replacing outdated professions, advanced training, etc., investment should become “proactive” in the era of innovation, which means that personal management, self-development motivation in the specified direction should come out on top.

3. Research Questions

3.1. What does the category of "human capital" imply, what is its meaning and main components?
3.2. What is the essence of the concept of forming the structure of personal management of an enterprise and the interrelation of its main elements with the process of developing the competence potential of a company?

3.3. What are the main features, models and strategies for investing in human capital?

3.4. How does the cost of human capital determine the effectiveness of investments in it?

4. Purpose of the Study

Human capital is needed to perform any action in the world. Even with the ability of machines and equipment to eliminate the need for a multitude of workers for production, human capital is required to create this mechanism. Currently, a knowledge economy is being formed, depending on information and highly professional skills, where the value of human capital and investment is increasing (Tsirel, 2017).

This article considers human capital through the prism of the personal management of a company, which means a concept that summarizes personnel management and self-management.

5. Research Methods

The article uses abstract-logical, analytical, graphical, economic-statistical, logical and other research methods.

5.1 The systems approach allowed studying the problem in the interrelation of all its components: human capital, resources and personal qualities, its potential and determining the impact of each of them on ensuring the process of developing the competence potential of the company.

5.2 Abstract-analytical approach allowed to establish certain strategic patterns in the development of human potential by improving the personal management of the company.

5.3 The modeling method is presented in the work in the form of the concept of the relationship of the structural elements of personal management and the process of developing the competence potential of a company.

6. Findings

Human capital includes the abilities, knowledge and skills that people have gained through experience and training. This is a fairly broad concept, including investment in a person. Human capital contains the individual potential, knowledge, skills and experience of the company's employees regarding the task set, as well as the ability to supplement this information through self-training (Bishin, 2017).

This paper will focus on human capital as the total potential of the organization’s employees: from the manager to the subordinates.

A modern enterprise manager often lacks time and therefore hires deputies in areas of the organization’s activities in a constantly changing environment.

Figure 01 presents the concept of the structure of personal management of the enterprise.
The concept presented in Figure 01 means to improve comprehensively the human capital of an organization through the development of the capacity of the manager and staff of the organization.

Each chief of the organization has several varieties of resources, personality traits, and potentials, the effective use of which will provide the company with long-term growth through the application of staff motivators and, as a result, the development of human resources of the enterprise.

The basic resources of an individual are presented by time, knowledge, money, physical and psychological health, and power. The relationship of the structural elements of the resource potential of the employee and the factors of its development determines the construction of personal management in the company, which provides a combination of human capital management and self-management, which leads to the effective development of the enterprise (Kuzmenko & Boris, 2018).

Its organization should be based on the model of the relationship of the personality’s resources with its potential and the developed concept of the structure of the personal management of the enterprise (Figure 02).

**Figure 01.** The concept of the formation of the structure of personal management of the enterprise.

**Figure 02.** The concept of the relationship of the structural elements of personal management and the development process of the competence potential of the company.
The sense of the proposed concept lies in the integrated development of the potential of the human capital of an organization across all varieties of personal resources. In a constantly changing environment, modern managers often lack time and therefore hire assistants in their areas of activity.

Basic resources of the individual lie at the heart of the personal management structure formation: time, knowledge, money, physical and psychological health, power. Their effective use is ensured by the appropriate qualities of the employee, such as: self-discipline, competence (education, experience), solvency, efficiency (activity), stress tolerance, influence (charisma). As a result, the main potentials of an enterprise manager are created: time management; education; solvency; activity and performance; influence on people (charisma); stress tolerance (Kuzmenko & Boris, 2018). Systematic investment activities are needed for the effective development of human capital through personal management.

Investing in the development of human capital provide the staff of the companies with necessary competencies. Firms invest in staff training in order to increase the efficiency of operational and financial activities. Companies determine the benefits of training using cost-effectiveness analysis methods, including the calculation of the total amount of costs to increase the competence and productivity of workers relative to the cash flow from investing (Ingham, 2007).

The human capital investment model consists of three components:

- initial resources, including abilities, qualifications, competences of knowledge, skills and experience;
- the process of changing human capital through education and training;
- results of the explicit knowledge, skills, creativity, moral values and work cultures acquired by human capital (Krebs, Kuhn, & Wright, 2017).

Strategies for investing in the development of human capital are determined by corporate strategies by companies, or rather, by their competitive strategies (Rogova, 2011) (Table 01).

Table 01. The relationship of competitive strategies and strategies for investing in the development of human capital

<table>
<thead>
<tr>
<th>Competitive strategies</th>
<th>Strategies for investing in the development of human capital (areas of investment)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership</td>
<td>Development of basic competences of individual employees</td>
<td>Improving the productivity of workers who provide satisfactory product quality at low cost</td>
</tr>
</tbody>
</table>
| Commitment to a wide differentiation | 1. The use of interaction technology between groups, workers and individual groups, as well as the development of creative workers.  
                                      | 2. Development of coaching abilities                                                                                                           | The creativity and consistency of the work of employees in groups and different groups among themselves allows to correctly establish and fully meet the demand of customers of the entire market and its individual segments. |
| Optimal cost                    | 1. Development of auxiliary components of human capital                                                                                  | Attention both to the high quality of products and to the low price, which is provided by an innovative approach (innovative ideas) to the satisfaction of                                                    |
It should also be noted that the implementation of investment strategies in the development of human capital allows not only to increase the efficiency of the use of human potential of the company, but also to achieve a highly efficient interconnected use of existing material and non-material assets, as a person, interacting with other types of capital and including them in the production process, creates surplus value for the company (Flückiger & Ludwig, 2018; Subramony, Segers, Chadwick, & Shyamsunder, 2018).

The dynamic nature of human capital determines the need for various types of investments, depending on what is currently a priority for the individual. That is why investments are needed in the main areas of personal management, because the individual motivators and complex development of the individual are in the foreground here.

The dynamism of human capital is expressed in its periodic revaluation, which reflects the influence of external factors on the corporate human capital, since it cannot be considered regardless of external conditions. Such a revaluation may be both positive and negative. Factors affecting the decrease in corporate human capital are dismissals of employees, mortality and other reasons leading to their loss (Jeong, 2015; Samagaio & Rodrigues, 2016).

It is important to understand the mechanism of the impact of investments on changes in the parameters of human capital. This change implies the consumption of previously created value and labor, which supported the investment. It is necessary to evaluate human capital to invest there effectively. The cost of human capital is largely related to the motivation of the company's employees, which affects its production, economic and commercial activities. Human capital is expressed in the personalities of its owners, and its main specific feature is manifested in the property of inseparability from the people themselves (Koeniger & Prat, 2018).

Estimating methods are used that identify innovative factors for improving the competence of workers and the growth of the company's personnel potential to determine the value of human capital. Many researchers estimate the cost of an employee by calculating the appropriate value equal to the product of the goodwill of the human capital for the amount of wages received by the employee plus investments in human capital development for the period of the employee’s activity in the company. (HunLee, Mauer, & Qianying, 2018; Bishin, 2017).

Experts note that the effectiveness of investing in the development of human capital is much higher than investing money in improving physical capital. Thus, studies of American experts revealed that a 10% increase in the level of education gives an increase in overall productivity by 8.6%. It is noted
that a ten percent increase in the value of fixed capital leads to an increase in labor productivity by only 3.4%. In other words, the specific profit from investments in human capital is almost three times higher than the profitability of investments in new equipment and technologies. Although this (which is logical) increases the level of risk (Roy & Shijin, 2018).

The task of transferring the domestic economy to innovative rails, to a qualitatively different path of development expressed in the formation of a national innovation system and is formulated as the most important priority of the modern state policy of the Russian Federation. But the solution to this problem is conditioned by the need to ensure a qualitative change in human capital, which in turn requires increased investment support, both from the side of the state and from the companies themselves.

7. Conclusion

The work highlights the following modern strategic directions for investing in the human capital of an enterprise, based on the development of the company's personal management (Kuzmenko & Boris, 2018):

▪ “Life-long” training, self-study and coaching. It is these processes that ensure the responsibility of the organization and each employee for the development of their competencies;
▪ internal and external labor motivation in the unity of moral and material incentives. Enterprise management should create a mechanism for the continuous development of motivation to improve the performance of each employee and the adaptive competence of the team as a whole, which significantly increases the value of the company;
▪ career management has the same holistic ambivalence as the entire personal management system, and it is in this area that the unity of the goals, plans and actions of each employee and the leadership of the organization in which he works is especially important;
▪ the ability to innovate also includes two components - the competence of generating innovations and, most importantly, the willingness to implement them. This competency needs to be developed and adjusted through regular corporate training.
▪ the flexibility and mobility of staff is a natural moment of the life of the organization in an unstable environment. Internal flexibility and mobility solve the issues of filling vacancies; however, on the other hand, external mobility acts as one of the main problems in the way of increasing enterprise efficiency.
▪ coaching is an indispensable tool for staff development related to the implementation of career plans and staff mobility. Coaching should be applied in organizations of various sizes, but in large firms it is documented, and in small companies it is often informal.

Thus, investing in human capital should be proactive, contributing mostly to education and training of employees in order to improve the quality of labor efficiency, ensuring access to creative intellectual capital, which will lead to a competitive advantage for the company.
References


