HUMAN CAPITAL AND ITS SIGNIFICANCE FOR THE DEVELOPMENT OF TERRITORIAL SELF-GOVERNMENT UNITS

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Abstract

Due to the competition all organizations are increasing demand for adequate human capital. It is a very important problem for territorial units and there administration too. They are blamed for the use of public money and pursue maximum results. Free election did not often guarantee participation of educated and ready for management in public people organizations work. It is one of the fundamental problems of Polish territorial self-government units.

Key words: human capital, self-government units, organization.

Introduction

The development of market economy creates favourable conditions for the growing influence of management. All market players should understand that only few organisations will succeed by using their intuition and skills, as the operation of an organization in the modern economy calls for quality and for being responsive to the specific needs of individual clients and groups of clients.

Enhanced competitiveness is also reflected in the work of territorial self-government units (TSU) which are bound to introduce new methods of management to become competitive. A major challenge to attain this objective is the availability of an adequately high-quality human capital.

The aim of this study is to assess the human capital of the managerial staff of territorial self-government units and the capacity of the staff to introduce new methods of management and to improve the competitive advantages of the organization. The study used the results of pilot studies conducted in 2006 in the form of standardised interviews with the managerial staff of selected TSUs in the Oswiencim Powiat. In total, 45 various executive-level staff members of the Town Hall and 4 in Commune Offices were interviewed. A tabular-descriptive method was used to interpret the results.

Human capital and its significance for the organisation of the future

The diversity of organisations and the capacity of organisations to benefit from the leverage of production factors used results in different capacities to generate innovative ideas and to improve the effectiveness based on new experience. These differences stem from their staffing and organisational capacity to identify and solve problems, readiness to adapt to change, continuous learning and the benchmarking of the organisation’s activities against best external practices, and thus the quality of its intellectual capital. [Hamel, Prahalad 1999]

In the modern management theory, human capital is one of the two basic elements of the intellectual capital, “constituting the sum of what everyone in the
organisation knows and which is decisive for its competitive advantages” [Strojny 2000]. Another element is the structural capital, i.e. the human capital transformed into the organisation’s assets. Patents and new technologies which enrich the organisation as a whole and lead to better financial results are “smart bombs in the economic war of tomorrow”.

Human capital is defined as the resources of knowledge, skills, health and vitality of a society/nation [Domanski 1998]. People accumulate knowledge and skills which are considered to be a major form of capital in the system of the modern economy. [Schultz 1976]. The accumulation of knowledge and capacity is known as the creation of human capital [Proniewski 1996]. Hence education is considered to be the main source of human capital.

The capitalisation of the resources of knowledge, skills, abilities to perform work, health and energy is embodied in the individual, hence the accrued human capital is a resultant of two processes. On the one hand we have to deal with the accumulated effects increasing the existing human capital in an individual, via adequate investment in human capital. On the other hand, this existing capital is subject to the process of ageing and decreases as a result of a complex and multi-aspect process of depreciation [Domanski 1998].

The position in the management process is also connected with an adequate resource of knowledge, skills and abilities. The following roles can be distinguished in this respect: a) utiliser of existing solutions, b) implementer of new solutions, c) creator of new solutions. In the modern economy the very existence and development of an organisation depend on its innovativeness (in terms of product, processes and organisation). But continuity is also required. It should be noted that it also relies on internal qualities (e.g. human resources flexible enough to upgrade their personal skills and adaptive to changing environment) and externalities, resulting from the innovative aspects of the environment [Jasinski 1997]. In fact one can talk about organisations being either leaders or followers.

The modern economy is globalised, favouring intangible assets (ideas, information, connections) and is strongly internally inter-related. Thus it can be noted that modern public governance is required to encompass not only traditional administration as such, but also all activities which will bring about the maximum effectiveness of the implementation of strategic goals envisaged. It also requires such activities to be carried out in the context of public accountability through the flexible operation of administrative authorities, for whom the notion and the functioning in a competitive environment is not alien. It is unquestionable that these requirements can only be met when the staff is well prepared to meet this challenge.

The essence of the governance process is the continuous management of change and a continual adaptation to the changing environment. Thus it becomes necessary to pursue increased effectiveness and enhanced competitiveness of the territorial self-government units. This calls for modern management methods to improve the quality of decision-making processes, to raise the level of “client” satisfaction (product quality) and improve the rational governance of organisations. Hence the main strength of an organisation is innovativeness, while the organisation’s success is determined by the people who are employed in it.
A strong relationship between the investment in human resources and the capacity to invest is of special significance for TSUs. Where the public reaches an adequate level of knowledge and skills and, by itself, starts to come up with demands for new economic investments while at the same time rejecting the investments which do not offer an appropriate return on investment, then the economic system is really being transformed, becoming flexible and open. The raising of the value of the human capital leads, as an effect, to the broadening of “an array of choices available for people, by developing a map of their preferences, i.e. making them aware that certain choices do exist. An increased offer of options available to select a concept for arranging the world and life following a specific system of values requires at the same time a guarantee that the investment into human capital makes sense” [Domański 1998].

The condition of human capital in the territorial self-government units

The aim of the studies which have been carried out was to assess the levels of education of respondents and to find out whether they were suitable for managing public organisations. Among the respondents who replied to the question concerning the level of education (41 persons), as much as 73.2% were university graduates, and 26.8% had secondary education. However the structure of their educational backgrounds seems to be inadequate, since 31.4% declared economy, 9.8% law and 9.8% administration to be their educational background. Only one person was a graduate in management as such. 3.5% respondents declared they had the knowledge in management of organisations, but only 22.2% had special knowledge in the management of public organisations (Table 1).

<table>
<thead>
<tr>
<th>Knowledge stated</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimed knowledge of management of this: management of public organisations</td>
<td>16</td>
<td>29</td>
</tr>
<tr>
<td>Claimed knowledge of management acquired during their studies of this: management of public organisations</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Claimed completion of specialist courses and training to acquire and deepen the knowledge of management of this: management of public organisations</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>-</td>
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<td></td>
<td>3</td>
<td>13</td>
</tr>
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<td></td>
<td>2</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: own research.

It should also be noted that as many as 31.3% respondents (as regards managing organisations in general) and 40.0% (as regards managing public organisations) attribute their management skills to their status of a graduate, which, when compared with their seniority (on average 16 years), seems too remote in time to positively assess their specialist knowledge. Courses and postgraduate education
were declared respectively by 18.8% and 20.0% of the respondents, respectively, while others claimed their knowledge was based on professional experience.

Inadequate knowledge of managing organisations, including public organisations, is also confirmed in replies to questions in which respondents were asked to assess how horizontal the organisational structure is using the scale from 0 (min.) – 10 (max.). This question was part of a survey using the INVEST method developed by M. Pearn, C. Roderick and Ch. Mulrooney [Batorski 1999], to assess the organisation’s capacity to transform itself into a “learning organisationn”. The average score was 5.9, but as many as 17.8% of the respondents were unable to address the question and did not give any reply whatsoever. It seems that, since in most cases the organisational structures of those entities were similar, the respondents’ knowledge of organisational structures was questionable, and such was their knowledge of management in general. This phenomenon raises questions as to the future of such organisations, all the more so as a similar distribution of replies was noted among respondents who declared that they had adequate qualifications in management and in the management of public organisations (the average level of horizontality of the organisation’s structure was 5.9 and 6.4 respectively).

This indicates that there is a need to revaluate the opinion about the capacity of managing public organisations by participants in the survey. It is also evidence of the need for further investment into the human capital and of the significant backwardness in this area noted in TUSs.

The type and method of the budget execution are also important from the point of view of the analysis of the accrued human capital accumulated in TSUs. All units surveyed use linear budgets which does not require creativity and commitment on the part of the TSU staff. The use of revenues and expenditures following budget headings and contractors’ accountability causes the staff members to do their jobs without particular care for quality and no motivation for acquiring new knowledge and experience. This results in a significant depreciation of the human capital, which, in turn, is reflected in the functioning of a TSU as a whole.

The fact that as many as 55.6% of respondents in the population surveyed declared that last year they participated in training to improve their knowledge of management of public organisations should not be discounted. The lack of motivation for upgrading the quality of work, achieving better effects of the funds used on the TSU work and the fact that the investment into the human capital did not transform itself into remuneration for work performed resulted in a significant lowering of learning effectiveness: 48.0% of individuals declaring their participation in training were unable to specify the theme and the scope of courses they completed.

Conclusions

Innovativeness is the driving force of every organisation (including TSU). For this reason its people, their knowledge, skills, experience and attitudes determine the organisation’s success. The main source of competitive advantages of TSUs in future will be their ability to learn and the adequate human capital assets.

TSU work will require better management and introducing methods to improve the quality of management. This will need the promotion of an activity-based budget
which contains a list of tasks along with specific measurable effects to be achieved and persons responsible for actually performing these tasks. This will result in a greater empowerment of the human capital and will motivate the investment into this capital by the staff of commune organizations.

However, specific circumstances are a problem in this respect. As a result of common suffrage, governance is given to persons who do not have adequate knowledge and education (politicians, community leaders). Often their qualifications are based chiefly on their belief in their own abilities, experience and willingness to be active. Hence, for the development and the future operation of TSUs it is necessary to employ (or, in case of existing staff) retrain persons who have adequate qualifications, knowledge and education to form an organisational structure which, independently on the political choices, will pursue the accomplishment of strategic goals.

References

ЧЕЛОВЕЧЕСКИЙ КАПИТАЛ И ЕГО ЗНАЧЕНИЕ ДЛЯ РАЗВИТИЯ ТЕРРИТОРИАЛЬНЫХ ОРГАНОВ САМОУПРАВЛЕНИЯ

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Аннотация
В результате все организации повышают требования к соответствующим человеческим ресурсам. Это очень важная проблема для территориальных органов управления. Их обвиняют в использовании общественных денег для получения максимальных результатов. Свободные выборы не всегда гарантируют участие образованных людей, готовых к управленческой работе в общественных организациях. Это одна из основных проблем польских органов территориального самоуправления.

Ключевые слова: человеческие ресурсы, органы самоуправления, организация.

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