Financial Internet Quarterly „e-Finanse" 2014, vol. 10/nr 3, p. 40-51 10.14636/1734-039X_10_3_002

eFinanse
financial internet quarterly

HUMAN CAPITAL FINANCIAL RESULTS OF AN ENTERPRISE – RESEARCH ON THE BEST EMPLOYERS IN POLAND

Anna Bagieńska*

Abstract In a modern economy human capital is the basic resource, directly influencing production and the financial results of the enterprise. Employee involvement determines their better job performance and the achievement of better financial results. The analysed companies – winners of the contest named Best Employer in Poland demonstrated increasing effectiveness and profitability of their activities which was shown by the calculated coefficients. The human capital coefficients based on the data from financial reports do not reflect the proper analysis of changes in return on investment and human capital productivity dependent on the level of employee involvement. A proper evaluation should concern not only financial results such as sales revenues, but also non-financial results.

JEL Classification: L21, M21, M12
Keywords: Human Capital Return on Investment, Involvement, Productivity

Received: 10.07.2014 Accepted: 30.09.2014

Introduction

Human resources of an enterprise are called the human capital of an organization. In the literature human capital is described as persons permanently bound with the company and its mission, being able to cooperate, having creative attitudes, and qualifications. Human capital is the driving force of a company (Sajkiewicz, 2002, p. 17). A. Pocztowski defines it as a whole set of specific characteristics and properties embodied in employees, which has a definite value and which constitutes a source of future income both for an employee and for the organisation using this capital on given conditions (Pocztowski, 2003, p. 45). The notion of human capital comprises knowledge, skills, abilities to develop and the innovativeness possessed by the employees of an organisation (Baron). Some authors use the term human capital instead of investments in the employee, indirectly assuming that an employee with human capital constitutes some value for the entity (Cambpell, Coff & Kryscynsky, 2012). Human capital is the main element of the intellectual capital of a company. Moreover, researchers emphasize that the use of technology is also conditioned by the human resource qualifications of a company, especially in some sectors (Gomez & Vargas 2012). It is not possible for companies to use only tangible assets. They need the human mind, ideas and talent, which they can find only in human capital (Uygur, 2013). According to Harbison, this capital is primarily the knowledge of all employees of the company.

In general, employee engagement is defined as the level of commitment and involvement an employee has towards their organization and its values. When an employee is engaged, he or she is aware of their responsibility in the company's goals and motivates colleagues for the success of the organisational goals (Anitha, 2014). Engagement at work was first

* Ph. D. Anna Bagieńska, Bialystok University of Technology, Management Faculty, Financial and Accounting Department, u. O. Tarasiuka 2, 16-001 Kleosin, a.bagienska@pb.edu.pl.

conceptualised by Kahn (1990, p. 694) as "harnessing of organizational members' selves to their work roles". Involvement is sometimes treated as a synonym of motivation and the two terms are used interchangeably. However, there is a significant difference between these two notions. Motivation is a set of causes, for which a given person becomes involved and devoted to their work, role or task and makes efforts to achieve the set objective. Involvement is the measurement of the intensity of the bond of the worker and the company. It is reflected in such aspects as: effectiveness and quality of work, the employee's attachment to the organisation, their willingness to stay in it and readiness to make additional effort for it. Involvement is developed by many factors: management style, relation with the immediate superior, the possibility of growth, conditions offered by the employer, the quality of cooperation with other employees and salaries (Kopera).

Employee engagement is one of the key determinants fostering high levels of employee performance, as is constantly shown in a number of studies (Macey et al., 2009; Mone & London, 2010; (as cited in Anitha, 2014, p. 309-310)). Employee engagement is a measurable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization that profoundly influences their willingness to learn and perform at work. An employee who is engaged demonstrates it by putting in discretionary effort. Engaged employees have greater productivity levels, display greater innovation and stay with their organization longer (Bhaduri)

In a modern economy human capital is the basic resource, directly influencing production and the financial results of the enterprise. This results from the fact that employees' knowledge, skills and talent often play a more important role than material resources. Appropriate human capital management contributes to the improvement of the financial results of a given entity.

There are no direct methods relating human capital expenditure with the financial results of an enterprise, which results from several factors. Firstly, human capital expenditure creates costs which decrease the financial result. Secondly, the effects of human capital expenditure, for example on training and improvement of work conditions, are observed after a given period of time has passed. Therefore, entrepreneurs still treat such expenditure in terms of costs, not investments which will bring profits. Thirdly, other factors, such as market changes, decisions on the product or service assortment, sales markets, selling prices, etc. which have a big impact on the company's results do not ensure proper determination of the cause of both failure and success.

The aim is to analyse and evaluate profitability and effectiveness of HR in enterprises which were awarded the title Best Employer in 2013 in Poland.

A high evaluation made by employees in this study shows that the human capital policy of those enterprises, i.e. actions connected with recruiting, maintaining and developing employees, is appropriate. It can be assumed that such enterprises treat their workers as special capital, and human capital expenditure as investments, bringing the company profits.

Research thesis: Enterprises which were awarded the Best Employer title achieve good human capital results:

1) effectiveness of human capital defined on the basis of financial data from annual reports increases from year to year,
2) human capital is profitable (HC ROI>1).

The following methods were applied to conduct the present research study: the analysis of scientific literature, the comparative analysis of financial human capital coefficients of the selected companies in the period from 2009 to 2012. The annual report data were taken from the EMIS base. The financial results of economic entities were taken from the Central Statistical Office (GUS).

Employee involvement and the financial results of a company

Engagement is a positive emotional connection to an employee's work. Engaged employees are inspired to go above and beyond the call of duty to help meet business goals (Employee Engagement Survey 2004). There is a growing demand for highly qualified and competent employees, called knowledge workers (Bagieńska, 2012). P.F. Drucker notes that they become the carriers of capital, not work, as was the case up to this point. (Drucker, 2002).

The Gallup Organization defines employee engagement as the involvement with work and enthusiasm for it.

Key factors of employee involvement:

1) characteristics of the work,
2) salaries,

eFinanse
financial internet quarterly

3) possibility for development,
4) their superior,
5) work/life balance,
6) co-workers,
7) enterprise policy.

Mone and London (2010) suggest that upon improving performance management, organizations can create and sustain high levels of employee engagement, and thereby higher levels of performance. It is evident that the energy and focus inherent in work engagement allow employees to bring their full potential to the job which enhances the quality of their core work responsibilities. (as cited in Anitha, 2015, p. 309)

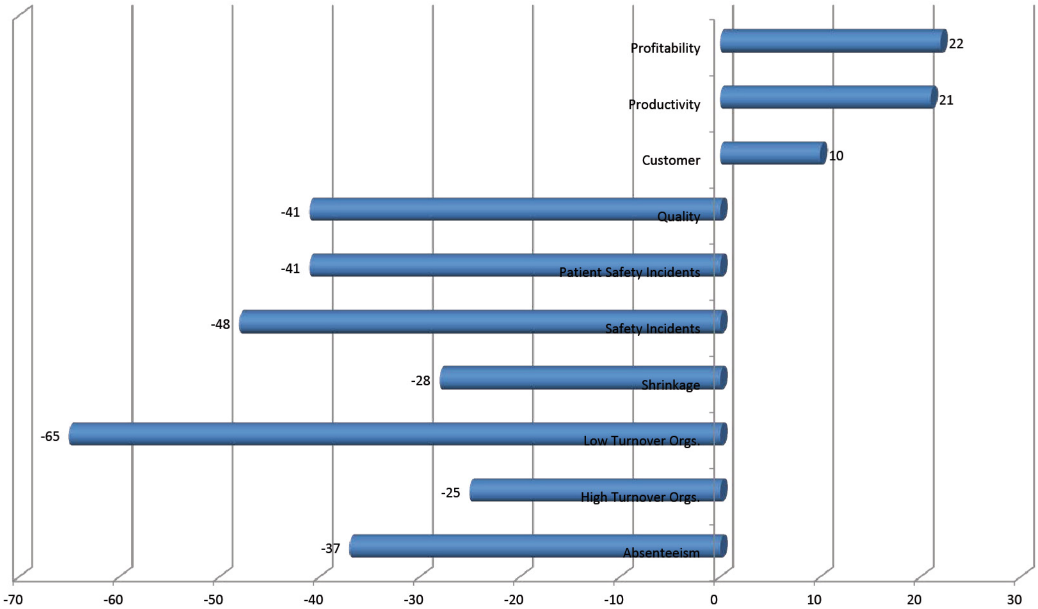
Performance may be quantitative, qualitative or both. Quantitative performance is related to the use of resources as a budget, or number of outputs produced. The qualitative performance is measured against operational quality such as accuracy or error (Adhikari 2008, p. 310). Armstrong and Baron (1998) argue that qualitative or quantitative performance depends on different factors such as personality, leadership, team and system. Prowse (2009) suggests that one should evaluate how employees link their experiences in areas such as performance management and move away from generally adopted practices of HR. We need to challenge the universalistic solution for all sectors and the outcomes may not be financial. Perhaps a move towards the best practice will be to improve performance in sectors or the consideration of contingency rather than the conformity of cutting costs that eventually leads to reduced quality and commitment. Using a dynamic resource-based perspective K.K. Reed and N. Srinivasan (2005) empirically explored the idea that in a changing environment, increasing levels of human capital have a positive influence on financial performance.

Studies have found a positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Researchers also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies (Markos & Sridevi, 2010).

Gallup's extensive research shows that employee engagement is strongly connected to business outcomes — such as productivity, profitability, and customer satisfaction — that are essential to an organization's financial success. Engaged employees are those who are involved, enthusiastic, committed to their work and contributing to their organization in a positive manner. Engaged employees are the ones who are most likely to drive innovation, growth, and the revenue that their companies desperately need. These engaged workers develop new products and services, generate new ideas, create new customers, and ultimately help spur the economy — generating more good jobs. (State of the global Workplace GALLUP, p.14)

The fact that employee involvement has an influence on financial results is also confirmed by the Gallup Organisation results for the period 2008 to 2012. (Fig. 1.)

Figure 1: Engagement's Effect on Key Performance Indicators.
Median differences between top-quartile and bottom-quartile teams



Source: Sorenson, S. (2013). How does Employee Engagement Drives Growth? Gallup Business Journal, June 20.

Median differences between top-quartile and bottom-quartile units were 10% in customer ratings, 22% in profitability, 21% in productivity, 25% in turnover (high-turnover organizations), 65% in turnover (low-turnover organizations), 48% in safety incidents, 28% in shrinkage, 37% in absenteeism, 41% in patient safety incidents, and 41% in quality (defects). (State of the Global Workplace, p. 21)

In 2012, Gallup conducted its eighth meta-analysis on the Q12 employee engagement metric using 263 research studies across 192 organizations in 49 industries and 34 countries. Within each study, Gallup researchers statistically calculated the business/work-unit-level relationship between employee engagement and performance outcomes that the organization supplied. Researchers studied 49,928 business/work units, including nearly 1.4 million employees. This eighth iteration of the meta-analysis further confirmed the well-established connection between employee engagement and nine performance outcomes: customer ratings, profitability, productivity, turnover (for high- and low-turnover organizations), safety incidents, shrinkage (theft), absenteeism, patient safety incidents, quality (defects) (State of the Global Workplace GALLUP, p. 22-23).

Employees are often the determining factor in successful companies and ones that never reach their potential. The difference consists of the fact that successful, admired companies have engaged employees. In a Towers Watson study of 50 companies over a one-year period, organizations with high employee engagement had a 19 percent increase in operating income and nearly 28 percent growth in earnings per share. (http://chiefexecutive.net/how-employee-engagement-drives-business-success#sthash.ScsrqjaJ.dpuf)

Best Employers Study

The Best Employers Study on employees' involvement has been conducted for eight years by the Aon Hewitt company in 11 countries in Central and Eastern Europe. This study is done within a framework of methodology which encompasses:

1) survey research, conducted in a statistically representative sample of workers employed in a given organisation,
2) HR practices questionnaire, collecting information on the implementation of tools used by the HR department,
3) questionnaire for representatives of top management, allowing for an evaluation of personal function from the perspective of persons managing the organisation and indicating the most important market and managerial challenges.

The choice of the Best Employers is completely objective and it is based on coefficients measured during the research study. In order to be awarded the Best Employer title, the organisation has to have the involvement coefficient at a minimum 65%. The position on the ranking list also depends on the result achieved within 4 indexes: involving management, a high performance culture, credible employer branding and stability. Best Employers are characterised by a high level of employee involvement, engaging and effective leaders, who shape organisational culture oriented towards achieving high results, and as organisations they have an attractive employer brand. Moreover, they are future-oriented and can maintain high results over a long period of time.

A good employer creates a business strategy related to a personal strategy. They supports employees and managers in attempts to increase value (Borkowska, p. 25-30). Walton states that a good employer gives workers more responsibility, encourages them to contribute and enables them to derive satisfaction from their work. According to the Japanese school, full involvement of employees enables their adequate participation in the organization (Armstrong, p. 224). 95 firms operating on the Polish market took part in the last edition of the Best Employer Study, which were represented by a total of 51 429 employees, and 17 of them were awarded the Best Employer 2013 title.

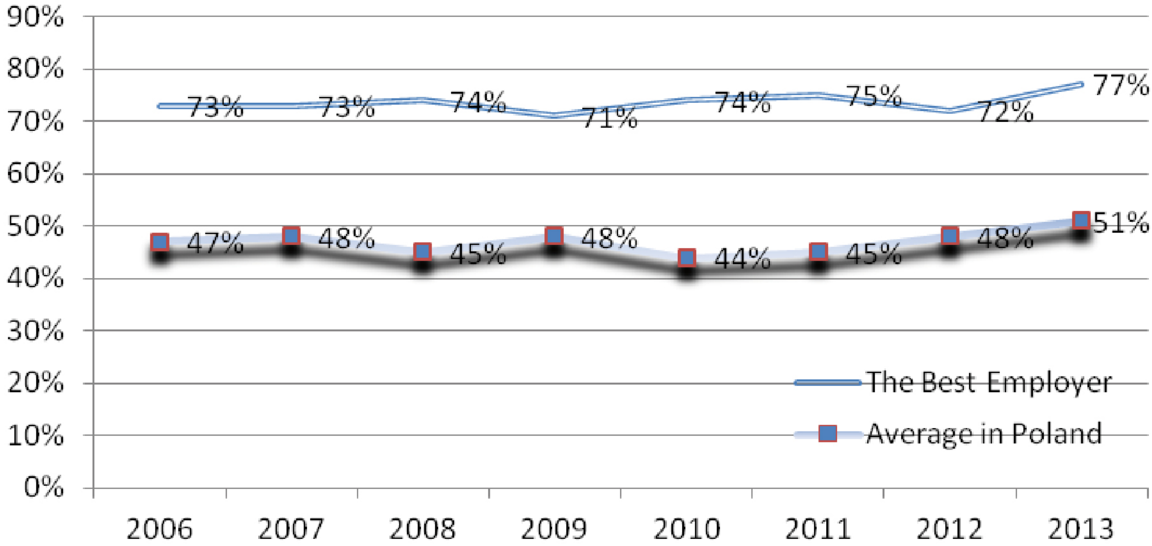
Table 1: The Best Employers 2013 in Poland

Medium and Small Enterprise (Employment<250)	*Large Enterprise (Employment>250)*
1 EMC Computer Systems Poland 2 SAP Polska Sp. z o.o. 3 Shell Polska Sp. z o.o. 4 LeasePlan Fleet Management Polska 5 OMD 6 DuPont Poland 7 Dom Inwestycyjny BRE Banku S.A. 8 Petrotel Sp. z o.o.	Towarzystwo Ubezpieczeń LINK4 2 Intel Technology Poland 3 Nutricia Polska Sp. z o.o. 4 Grupa Pracuj 5 ex equo Dom Kredytowy NOTUS 5 ex equo Liberty Direct
Very Large Enterprise (Employment>1000)	
1 Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. 2 Play 3 Grupa LOTOS S.A.	

Source: Aon Hewitt ogłosił wyniki 8. edycji Badania Najlepsi Pracodawcy 2013, http://www.kadry.abc.com.pl/czytaj/-/artykul/aon-hewitt-oglosil-wyniki-8-edycji-badania-najlepsi-pracodawcy-2013

The results of the latest editions of the Best Employers Study show that in companies operating on the Polish market the average coefficient of employee involvement reached 51% in 2013. Its value has systematically grown over the last 4 years. The Best Employers have a coefficient higher by over 20 percentage points (Fig. 2).

Figure 2: The coefficient of employees involvement in Poland 2006-2013



Source: Program Najlepsi Pracodawcy Polska, https://ceplb03.hewit.com/bestemployers/europe/poland/polish/pages/resultsbpn_2013.htm

The results of the Best Employers Study showed that employees understand that their supervisors demand from them responsibility for the work results at the highest qualitative level and that they understand how the goals set for them are related to the company aims. It shows that companies put emphasis on effectiveness of management in the organisation. Moreover, it proves that there has been an increase in the awareness of the importance of n employee-friendly work environment on the Polish market. This year's results confirm that more and more companies find it important to have involved employees and managers. According to the study, there has been an increase in the number of companies which employ successfully the strategy of building their involvement in work. The Best Employer title is the effect of actions undertaken every day by an organisation – their reflection and crowning achievement, the prize awarded by the strictest of judges – the employees themselves.

Methodology of the research on evaluation of the results of human capital

In order to evaluate the results of human capital a targeted selection of samples was made – companies which were awarded the Best Employer title in 2013 were chosen. The analysis excluded those whose activity is connected with banking and insurance, because their format of financial reporting is different. All the other enterprises are not listed on the Warsaw Stock Exchange and they are not obliged to publish their reports. Therefore, financial information was obtained from the EMIS base. Financial reports of 10 companies, covering the period from 2009-2012 were obtained in this way. The entities included in the analysis are the following: EMC Computer Systems Poland, SAP Polska Sp. z o.o., Shell Polska Sp. z o.o., LeasePlan Fleet Management Polska, OMD, DuPont Poland, Intel Technology Poland, Nutricia Polska Sp. z o.o., Grupa Pracuj, and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.. The companies which were not awarded the Best Employer title in 2013 were not included in the research study due to the lack of data regarding them. Therefore, the human capital coefficients of the Best Employer winners are compared with the average for enterprises employing over 50 workers in Poland.

The data on the average number of employees in each of the companies was taken from the EMIS base. Due to the lack of data on the number of employees in subsequent years the coefficient per 1 employee was calculated, assuming a fixed number of employees.

The first stage of the analysis consisted of evaluation of human capital by means of the coefficient of Human

Capital Revenue and the coefficient of Human Capital Productivity in the period from 2009 to 2012.
Labour efficiency is one of the main component of evaluation of a company and it is used to analyse resources at the disposal of an enterprise. The general labor efficiency coefficient is calculated according to the following formula (Leszczyński & Skowronek-Mielczarek, 2004, p. 233):

$$W_O = \frac{E_w}{Z}$$

where:
W_o – Labour efficiency,
E_w – effects of work,
Z – average employment.

The measurement of effectiveness in value terms is based on revenues from sales. The coefficient of labour efficiency in value terms shows how many zlotys of revenue there is per employee. It is a synthetic measure of the efficiency of HR management in an enterprise. In the literature this coefficient is called the Human Capital Revenue coefficient (Czajka, 2011, p. 203).
Human Capital Revenue is too general to evaluate productivity of human capital, among other aspects, because it does not take into account the influence of other factors. It only informs us about the increase or decrease of revenues per employee. However, a manager also finds it important to know how much human capital expenditure is allocated to given revenues. In order to evaluate the efficiency of using human capital, it is necessary to use information on labour costs from the profit and loss account.

$$Human\,Capital\;Productivity = \frac{Net\;revenues\;from\;sales}{Total\;Labour\;Costs}$$

here: Total Labour Costs= Payroll+Social security and other benefits

The Human Capital Productivity coefficient shows how many zlotys of all revenue are generated by human capital measured by personnel costs. On its basis it is possible to evaluate how many times revenues exceed personnel costs or which percentage of revenues is constituted by costs (Wędzki, p. 285). The second stage of the research is the analysis of the share of labour costs in operational costs of the researched companies in the period 2009 to 2012, which will show the significance of human capital costs for an organisation. It was calculated according to the equation:

$$Human\,Capital\;Cost = \frac{Payroll + Social\;security\;and\;other\;benefits}{Total\;Operating\;Expenses} * 100\%$$

Companies can build employee involvement by means of financial and non-financial elements. Non-wage benefits, for example additional healthcare and social activities, are included in the costs called "Social security and other benefits." The next stage of the analysis is to search for ways of building involvement in the companies by means of evaluation of the level of social security and other benefits in the total cost of labour on the basis of the following equation:

$$Social\;security\;and\;other\;benefits/(Payroll+Social\;security\;and\;other\;benefits)*100\%$$

Expenditures connected with the maintenance and development of human capital are called investments. The profitability of investment in human capital is becoming one of the most important coefficients which an organisation should analyse (Fitz-enz, p. 23). Profitability means having a surplus of revenues over costs, connected with undertaking a given activity. The measure of profitability achieved by a company is the relation of gained profits to the capital involved or to the effects of the production factors used (Leszczyński & Skowronek-Mielczarek, p. 140). The last stage of the analysis is the evaluation of profitability of human capital of the companies by means of the Human Capital Return on Investment (HC ROI) coefficient in the years 2009 to 2012. This coefficient was proposed by Fitz-enz (Fitz-enz, p. 21). In this coefficient the achieved return on investment is calculated as a difference between revenues and costs (but after the exclusion of labour costs) to the involved human capital measured with the cost method as a total of all labour costs.

$$Human\,Capital\,Cost = \frac{Payroll + Social\,security\,and\,other\,benefits}{Tolal\,Operating\,Expenses} * 100\%$$

This coefficient reflects return on human capital in the entire company.

The presented stages of the analysis will provide a way to evaluate companies in terms of human capital coefficients and to verify the research theses by means of a descriptive analysis, deductive and inductive methods, using the tools of human capital analysis. Empirical data will be presented in tables showing the average level of the coefficient for a given year, calculated as an arithmetic mean of the coefficients of all of the analysed companies in a given year. The tables also show the lowest and highest levels of coefficient in a given year.

Key results of human capital efficiency of the Best Employer contest winners in the light of the research

Revenues from sales achieved in subsequent years are an important measure of the development of sales. Table 1 presents the average, minimal and maximal Human Capital Revenue per employee coefficients of all companies.

Table 2: Human Capital Revenue per employee (in 000)

Years	*2009*	*2010*	*2011*	*2012*
Average	1413	1430	1542	1574
Minimal	18	10	17	3
Maximal	5477	4867	5387	5743
Average for enterprises employing over 50 workers in Poland*	422	428	467	489

*The analysed enterprises employ over 50 persons, therefore, for the sake of comparison, the results obtained for such companies were included. On the basis of „Wyniki finansowe podmiotów gospodarczych 2013" Warszawa, GUS, 2013, Tab.1.

Source: Own calculation on the basis of financial data of the researched companies

The revenues per employee in the analysed companies have been increasing year by year. They are three times higher than those of enterprises in Poland which employ more than 50 workers. In all of the analysed years the company Gaz System had the highest revenue per employee, whereas the lowest –was with Schell. Analysing a change in the amount of revenue from sales in 2012 in comparison with 2009, the highest increase can be observed in the following companies: Intell 79%, Sap 70%, Schell 35%. Revenues below the level of 2009 were reported by two companies: Pracuj.pl and OMD.

Further, human capital return on investment will be evaluated by means of a productivity measure, showing how many zlotys of revenue was generated by 1 zloty of expenditure on employees.

Table 3: Human Capital Productivity

Years	*2009*	*2010*	*2011*	*2012*
Average	6,1	7,5	7,9	5,4
Minimal	1,7	1,6	1,6	0,9
Maximal	14,3	22,7	26,9	12,4

Source: Own calculation on the basis of financial data of the researched companies

eFinanse
financial internet quarterly

The average productivity of human capital of the researched companies measured by the relation of revenues from sales to total costs of work in the period 2009 to 2010 was increasing from 6,1 to 7,9, which is a positive phenomenon. Revenues from sales were approximately 7 times higher than those of costs of work incurred. In 2012 the level of productivity decreased slightly. In 2009 highest productivity was achieved by the workers of the companies Nutrica, DuPont and Gaz System, in the period 2010 to 2011 Leaseplan had the highest coefficient. The lowest productivity in all years was observed in Intel, with the coefficient of approximately 1,9. In 2012 the company Pracuj.pl had the poorest result. Changes of revenue levels and changes of labour costs incurred have an influence on productivity. If the rate of revenue increase is higher than the rate of labour costs increase, then productivity growth is observed. In the researched companies productivity growth occurred, which means that it ensured development and better labour results.

Labour costs comprising payroll, social security and other benefits have an influence on financial results of companies. The share of labour costs in general operational costs depends not only on the kind of activity, but also on the level of salaries paid in a given company. The next stage of the analysis is the evaluation of the level of labour costs in operational costs of the researched enterprises.

Table 4: Share of labour costs in total operational costs (%)

Years	*2009*	*2010*	*2011*	*2012*
Average	31,81	35,28	34,11	30,58
Minimal	9,29	5,10	4,31	4,92
Maximal	61,12	66,90	67,37	68,24

Source: Own calculation on the basis of financial data of the researched companies

The level of labour costs share in total costs differs significantly – on average it constituted 30% of total costs. It was highest in the years 2009 to 2012 in the following companies: EMC (61%-68%), Intel (ok. 55%), Pracuj.pl (50%), while the lowest in production companies Nutrica and DupPont – approx. 10% and in Leaseplan – 4% of all operational costs. A high ratio of labour costs means that in these companies employees are the main resource generating revenues, but at the same time incurring costs.

Achieving a high result in research on employees' involvement proves that the employer is able to create an appropriate work environment by means of activating employee involvement factors, such as the possibility of development, relations with superiors, life/work balance or remuneration.

In the next stage of the analysis it was undertaken to determine whether the structure of labour costs shows an increased share for social security and other benefits in total labour costs.

Table 5: Social security and other benefits in total labour costs (in %)

Years	*2009*	*2010*	*2011*	*2012*
Average	15,72	15,55	16,16	14,94
Minimal	8,65	10,94	10,72	1,26
Maximal	26,83	25,33	23,50	24,26

Source: Own calculation on the basis of financial data of the researched companies

Social security and other benefits comprise compulsory social security contributions paid for workers employed with a full time contract as well as additional costs related to employment. From 2009 to 2012 the share of social security and other benefits in labour costs was highest in the company GAZ System (24%-26%), while lowest – in EMC and Sap (approximately 10%-11%). In the researched period

the level of the coefficient did not show significant differences. The biggest increase was observed for the following companies: EMC (increase from 8 to 11%) and Leaseplan (increase from 15 to 18%). Only Gaz System reported a decrease from 26% to 24%.
A high level of this coefficient shows employment with full time job contracts (then obligatory costs of social security contributions constitute approximately 15,9% of total labour costs) and incurring many costs connected with social activity. Low costs of social insurance indicate flexible employment models, in which contributions are not compulsory. The fact that such companies are among the Best Employers means that workers accept such forms of employment.

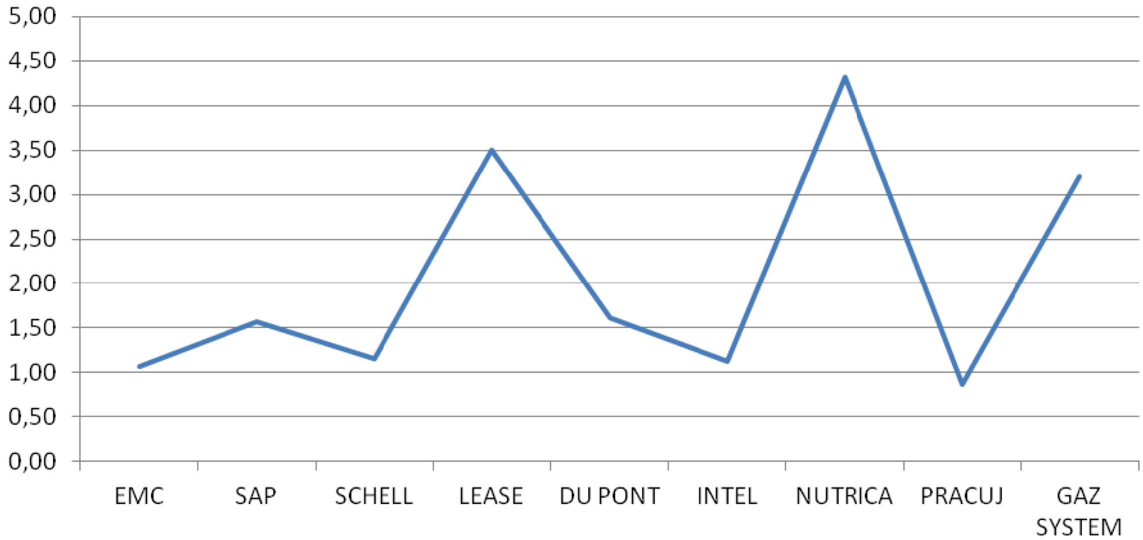
Table 6: Human Capital Return on Investment (HC ROI) 2009-2012

Years	*EMC*	*SAP*	*SCHELL*	*LEASE-PLAN*	*DUPONT*	*INTEL*	*NUTRICA*	*PRACUJ*	*GAZ SYSTEM*
2009	1,08	1,43	0,89	-	2,08	1,19	4,53	1,16	4,84
2010	1,06	1,72	0,61	4,04	1,37	1,17	4,52	1,58	3,13
2011	1,08	1,78	1,26	4,75	1,51	1,17	4,49	1,94	2,74
2012	1,07	1,32	1,86	4,21	1,53	1,00	3,73	-1,21	2,12

Source: Own calculation on the basis of financial data of the researched companies

On the basis of the data presented in the table it can be concluded that human capital gives the most return on investment in Nutrica and Leaseplan. One zloty spent on labour earned approximately 4,20 zlotys of profit in these enterprises. In the researched period Nutrica had other high coefficients of profitability: ROA- 66%, ROE -143%, ROS -20%. Their level was much higher than in the food industry (Sektorowe wskaźniki finansowe, rachunkowosc.com). Leaseplan had much lower profitability coefficients: ROA - 2%, ROE - 10%, ROS - 3,5%. In the other researched companies return on investment is above 1, which means that human capital employed in a company earns enough profit to cover the cost of the capital. Figure 3 shows the average coefficient HC ROI for a given company in the period 2009 to 2012.

Figure 3: The average HC ROI coefficient in the researched companies from 2009 to 2012



Source: Own calculation on the basis of financial data of the researched companies

The coefficient HC ROI is generally higher than 1, which shows that in all the companies human capital earns profit. One zloty spent on human capital earned the most profit in Leaseplan and Nutrica, in which the coefficient amounted to approximately 4, while the least – in Intel and EMC.

eFinanse
financial internet quarterly

Conclusion

What makes one company more successful than the other? Better products, services, strategies, technologies or perhaps a better cost structure? Certainly, all these factors contribute to superior performance, however, one thing that creates a sustainable competitive advantage and therefore results in an increased ROI, company value, and long-term strength is the workforce. When it comes to people, employees who are engaged significantly outperform work groups that are not engaged. In fact, there is a fight for competitive advantage, since employees are the differentiator, engaged employees are the ultimate goal for every organization.

Employees' involvement determines their doing better work and achieving better financial results. The analysed companies – winners of the contest Best Employer Study – demonstrated increasing effectiveness and profitability of their activities, which was shown by the calculated coefficients. The results of analysis substantiated the thesis that effectiveness of human capital of an organisation determined on the basis of financial data from annual reports increases from year to year. Human Capital Revenue increased annually, achieving a level three times higher than average for enterprises employing over 50 workers. The improvement of human capital productivity contributed to the revenue increase.

Revenues from sales were approximately 7 times higher than labour costs incurred. In the group of leaders of the Best Employer Study there are companies for which labour costs constitute over 60% of all costs. In such enterprises, for example EMC, Pracuj.pl and Intel, human capital is far more important than material capital. In production companies more other operational costs are incurred, therefore, the share of labour costs constitutes approximately 10%, for instance in Nutrica or Dupont. To increase their employees' involvement, to a small extent the researched enterprises used additional financial benefits, which confirms the share of social benefits costs in labour costs. Only Gaz System has higher expenditure on social activities. This probably results from the size of the firm, which employs 2299 workers.

The knowledge of the level of involvement in an organisation enables managers to use the potential of their workers in a better way. It also makes it possible to prevent unfavourable phenomena, such as not only low efficiency, absences or fluctuation, but also costs of lost benefits and unused potential.

To sum up, it can be concluded that a good employer takes care of the development of company and their workers and at the same time has a clear vision and strategy of company's activity, supporting employees so that they can continue their career.

The analysis of the human capital coefficients based on the data from financial reports is not sufficient to evaluate changes in return on investment and human capital productivity depending on the level of employee involvement. The human capital evaluation should concern not only financial results, such as sales revenues, but also non-financial results. Such results can be:

1) reported workers' initiatives, innovations,
2) improvement of the quality of work, production and offered services,
3) customer satisfaction increase, improvement of the company's image,
4) decreased absenteeism – saving the costs of absences from work,
5) less staff rotation – decreasing recruitment costs and costs of job position adaptation.

Future research needs to investigate HC ROI conceptually in terms of financial and non-financial costs and benefits. It is also worth analyzing how the financial results of a company influence employee involvement. Finally, an employee survey should be done in order to research how they perceive the company and their involvement.

References

Adhikari, D. R. (2010). Human Resource Development (HRD) for Performance Management. *International Journal of Productivity and Performance Management*, Vol. 59, No. 4., p. 306-324.

Anitha, J. (2014). Determinants of Employee Engagement and their Impact on Employee Performance. *International Journal of Productivity and Performance Management*, Vol. 63, No. 3, p. 308-322.

Annual Financial Reports of researched companies, EMIS, Retrieved from *https://bazy.pb.edu.pl:2786/php/companies/index*.

Aon Hewitt ogłosił wyniki 8. edycji Badania Najlepsi Pracodawcy 2013, Retrieved from https://ceplb03.hewitt.com/bestemployers/europe/poland/polish/pdfs/15_10_2013_AonHewitt_Informacjaprasowa_AonHewitt_oglosil_wyniki8edycji_Badania_Najlepsi_Pracodawcy2013.pdf.

Armstrong, M. (2005). *Zarządzanie zasobami ludzkimi*, Oficyna ekonomiczna, Kraków.

Armstrong, M., Baron, A. (1998). *Performance Management Handbook*. London: IPM.

Bagieńska, A. (2012). Modelling Knowledge Workers Competences, *Business Trends No 2*, p. 55-61.

Baron, A. (2013). *Corporate Responsibility in a Global World: Marrying Investment in Human Capital with Focus on Costs*, Retrieved from www.qfinance.com/business.

Bhaduri, A. (2013). The Road to Engagement, *Human Capital*, June, p.10-15.

Biswas, M. (2013). Driving Business Results, *Human Capital*, June, p. 46-51.

Borkowska, S. (2006). *Zarządzanie zasobami ludzkimi. Teraźniejszość i przyszłość*, IPiSS, Warszawa.

Campbell, B. A., Coff, R., Kryscynski, D. (2012). Rethinking Sustained Competitive Advantage from Human Capital, *Academy of Management Review*, No. 37, p.376-395.

Czajka, Z. (2011). *Gospodarowanie kapitałem ludzkim*. Białystok: Uniwersytet w Białymstoku.

Driving Performance and Retention Through Employee Engagement, Corporate Leadership Council 2004 Employee Engagement Survey, Retrieved from http://www.usc.edu/programs/cwfl/assets/pdf/Employee%20engagement.pdf).

Drucker, P. F. (2002). They're not Employees. They're People, *Harvard Business Review*, February.

Fitz-enz, J.(2001). *Rentowność inwestycji w kapitał ludzki*, Kraków: Oficyna Ekonomiczna.

Gomez, J., Vargas, P. (2012). Intangible resources and technology adoption in manufacturing firms, *Research Policy*, No. 41.

Kahn, W. A. (1990). Psychological Conditions of Personal Engagement and Disengagement at Work, *Academy of Management Journal*, Vol. 33, No. 4, p. 692-724.

Kopera, A. (2014). *Zarządzanie zaangażowaniem pracowników i wspieranie menedżerów w budowaniu zaangażowania pracowników*, Retrieved from: www.hrmpartners.pl/.../4-zarządzanie-zaangażowaniem-pracowników.pdf.

Leszczyński, Z., Skowronek-Mielczarek, A. (2004). *Analiza ekonomiczno-finansowa spółki*, Warszawa: PWE.

Macey, W. H., Schneider, B., Barbera, K. M., Young, S. A. (2009). *Employee Engagement, Tools for Analysis, Practice and Competitive Advantage*, Malden: Willey-Blacked.

Markos, S. Sridevi, M. S. (2010). Employee Engagement: The Key to Improving Performance, *International Journal of Business and Management*, Vol. 5, No. 12, December.

Mone, E. M., London, M. (2010). *Employee engagement Through Effective Performance Management: A Practical Guide for Managers, Routledge*, New York.

Mosley, E. (2011). *How Employee Engagement Drives Business Success*. March 23, Retrieved from http://chiefexecutive.net/how-employee-engagement-drives-business-success.

Pocztowski, A. (2003). *Zarządzanie zasobami ludzkimi: strategie, procesy, metody*. Warszawa: Polskie Wydawnictwo Ekonomiczne.

Program Najlepsi Pracodawcy. Polska. Retrieved from https://ceplb03.hewitt.com/bestemployers/europe/poland/polish/pages/index.htm.

Prowse, P., Prowse, J. (2010). Whatever Happened to Human Resource Management performance? *Human Resource Management Performance*, Vol. 59, No. 2, p. 145-162.

Reed, K. K., Srinivasan, N. (2005). Responding to a changing environment: adapting human and social capital to impact performance, Academy Management Best Conference Paper.

Sajkiewicz, A. (2002). *Jakość zasobów pracy: kultura, kompetencje, konkurencyjność: praca zbiorowa*. Warszawa: Poltext.

Sektorowe wskaźniki finansowe w latach 2009-2011, Retrieved from rachunkowość.com.pl/c/Artykuly, Wskazniki_sektorowe.

Sorenson, S. (2013). How Employee Engagement Drives Growth, Gallup Business Journal, June 20, Retrieved from *http://businessjournal.gallup.com/content/163130/employee-engagement-drives-growth.aspx*.

State of the Global Workplace: Employee Engagement Insights for Business Leaders Worldwide, Retrieved from http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx.

Uygur, O. (2013). The Impact of Human Capital on Employee Compensation and Pay Performance Sensitivity, *Academy of Business Research Journal*, Vol. 1.

Wędzki, D. (2009). *Analiza wskaźnikowa sprawozdania finansowego*, t. 2. Wskaźniki finansowe, Krakow: Wolter Kluwer business.

Wyniki finansowe podmiotów gospodarczych 2013. Warszawa 2014, Retrieved from: http://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/przedsiebiorstwa-niefinansowe/wyniki-finansowe-podmiotow-gospodarczych-i-xii-2013,11,10.html.