

# Research on Investment and Return in Human Capital of Chinese Modern Large-sized Enterprises

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**Abstract.** In the era of knowledge-driven economy, the human capital plays a more and more important role in economic development and enterprise development. The human resource becomes the primary factor in enterprise development; it is related to the improvement of enterprise core competitiveness and also related to enterprise survival and development. This paper briefly explains the concept and main features of investment in human capital, points out the important significance of investment in human capital for large-sized enterprises, and proposes the strategies for improving the enterprise investment in human capital on the basis of analysis on current situation of human capital of domestic large-sized enterprises.

## Introduction

As the cell of the society, the enterprises are a basic part of social economy. However, the human capital is an important factor which relates to enterprise development and causes direct influence on enterprise core competitiveness. As for enterprises, whether they can carry out reasonable development and management on human capital not only relates to whether the enterprise development strategy can be realized, but also directly determines enterprise survival and development. Nowadays, with increasingly fierce international competition, the improvement of enterprise overall competition strength has more and more obvious dependence on human capital. Meanwhile, the current enterprise development urgently requires that the enterprises shall expand the investment in human capital, and adopt effective measures to realize high return of talent resource on enterprise development. This paper will take modern large-sized enterprises as an example to carry out discussion on investment and return in human capital.

## Analysis on features of enterprise investment in human capital

### Connotation of enterprise investment in human capital

The enterprise investment in human capital refers to the behavior that the investment entity enterprise invests certain recourse to maintain the continuity of human resource work in the enterprise and promote the improvement of enterprise human resource in various abilities. The final purpose for enterprise investment in human capital is to improve organizational overall efficiency, ensure to improve the production capacity, and maximize enterprise economy and social benefits. We are accustomed to regard the human capital as a kind of capital form existing compared to material capital, and the investment in human capital is the enterprise investment in future development.

### Features of enterprise investment in human capital

*The content of enterprise investment in human capital is unique and practical.*

The main objects of enterprise investment in human capital are the personnel who will be or have been in the post, and the investment content is closely related to enterprise development and operation, staff post, and staffs' personal need. Therefore, the content of investment in human capital will vary as the industries, enterprises, and even departments of one enterprise. How to improve various skills based on which the actual problems can be directly solved is the main content of enterprise investment in human capital, for this can ensure that the staffs can convert investment result into realistic productivity and apply the investments in actual production. Therefore, such investment is practical.

*The forms of enterprise investment in human capital are diversified and flexible.*

The enterprise investment in human capital is reflected at: making investment in health care to improve staffs' physical fitness, and making investment in training to improve staffs' intelligent level so as to improve enterprise productivity; besides, the enterprise can adopt some incentive means to promote staffs to exert better level. Each investment has many forms, such as staff training, and the common staff training includes learning through being released from regular work and short-term training. The enterprises can also combine with post features and their own features to organize staff club or learning club so as to improve staffs' ability through mutual help. The specific form adopted in enterprise investment in human capital shall be determined according to many factors, such as social background, macroeconomic operation, enterprise features, and staff condition.

*The return of human capital is long-term.*

Different from material capital, the return of human capital can't be obtained instantly or on a short-term basis, and it takes a long time to obtain the return. The investment in human capital extends the investment term of ordinary meaning, and lengthens the time interval for obtaining the earnings in the future, thus it adds the uncertainty of earnings. Besides, the return from investment in human capital is lagging, which means that the human capital can't be directly converted into productivity after completion of investment and the return on investment may happen after a period.

### **Importance of enterprise investment in human capital**

The investment in human capital is of important significance for modern enterprises.

Firstly, it can help to form enterprise core competitiveness. The competition among modern enterprises is very fierce; the competition is just the competition in market and productivity, and the most fundamental competition is the competition in human capital. While an enterprise owns abundant human capital, it means that it has mastered powerful competitive weapon and can win the victory in the fierce market competition. As for an enterprise, the human capital is its core part; through investment in human capital, it is able to make the enterprise obtain more return on investment in human capital, thus the enterprise can always keep good vitality in the fierce competition and there is a possibility for the enterprise to expand its operation and production.

Secondly, it can promote the progress and innovation in enterprise technology. In the economic growth, the technical progress makes a greater and greater contribution. The technical progress is the result of enterprise research and development, and the innovative talents are the subject for enterprise research and development. Therefore, the investment in human capital is most fundamental in enterprise investment, and it is the source of technical progress.

Thirdly, it can fully motivate enterprise staffs' enthusiasm and creativity, and expand enterprise return on investment in human capital. Through encouraging staffs to participate in the training and accept further education, the enterprises can realize the education investment on staffs. The human capital participates in individual income distribution and enhances staffs' enthusiasm to participate in enterprise training and further education. Meanwhile, through technical research and development, and creation and invention, it is able to form intangible assets and participate in enterprise income distribution, thus obtaining high return. Through investment in human capital, the enterprises can also cultivate staffs' operation and management-related quality and ability, cultivate high-level and high-tech high-income talents, and form a positive priority-development motivation for enterprise staffs. Besides, in daily production activities and operation and management process, the talent investment activities with flexible and diversified forms shall be adopted to form the incentive to enterprise staffs and improve the return on investment in human capital.

### **Analysis on current situation of human capital of modern large-sized enterprises in China**

As for the definition of modern enterprise, American famous economist and enterprise history expert Chandler thinks that the modern enterprise shall be an enterprise managed by a group of middle and senior-layer management personnel. This opinion is widely accepted by domestic

scholars. Currently, most of Chinese modern large-sized enterprises have large scale, but their internal management and organization structure is complicated and no ideal effect is obtained in the investment in human capital.

#### **Insufficient attention paid to human capital**

The current human capital doesn't exert its function, and the calculation work of human capital is not scientific. From perspective of enterprises, the enterprises only give little consideration to human capital; they always pay more attention to the equipment renovation and transformation and depreciation of material assets, but ignore the investment in human capital and features of renovation and transformation. The investment, utilization, and development in human capital are neglected; the deficient investment is provided for human resource in early education and training, and no more investment is added in middle and later period, which causes serious influence on the quality of human resource of Chinese large-sized enterprises.

#### **Insufficient investment, and serious loss of human capital of modern large- sized enterprises**

The relevant research shows that more than 70% of middle and high-level technicians, technical personnel, and management personnel in Chinese foreign-funded and private enterprise come from state-owned large-sized enterprises; the technicians, technical personnel and management personnel with high content of human capital are the main loss personnel of state-owned enterprises, and partial state-owned enterprises even have a talent loss rate of more than 60%. Those data shows that the problems existing in state-owned enterprise investment in human capital not only include insufficient amount, but also include serious loss of human capital caused by decision-making error and management out-of-control.

#### **Low investment benefit of human capital**

Under the current income distribution system of Chinese modern enterprises, the income level of enterprises and staffs can't reflect the actual condition of investment in human capital. In other words, the human capital property right can't be reflected, which reduces the rate of return on investment in human capital. Besides, another important factor which influences the rate of return on investment in human capital is low labor efficiency caused by current laborers' nonstandard labor behaviors and loafing on the job.

### **Research on strategies for improving the condition of investment in human capital of Chinese modern large-sized enterprises**

#### **To establish investment in human capital mechanism**

The in-service staff education, training, and medical security required for human capital are the main content of investment in human capital. Under the background of rapid development of science and technology and economic globalization, the modern enterprises propose higher requirement for comprehensive quality of human capital, including the ability to solve practical problems, rich knowledge, market strategic insight to adapt to continuous change, and innovation spirit, etc. The staffs' those qualities are not inherent, but a result of enterprise continuous investment in human capital. Besides, the personnel who engage in modern high-strength work such as scientific research and commerce shall not only have high intelligence, but also have strong body. Therefore, in order to improve the content of enterprise human capital and promote its continuous development, it is required to provide relevant technical training and medical security.

#### **To expand the investment in human capital, and regard ability improvement as main content of investment in human capital**

Since the 21<sup>st</sup> century, with increasingly fierce market competition in domestic and foreign market, the domestic large-sized enterprises suffer certain bottleneck of development in the development process. In order to effectively solve the problems met in the development process, the key is to fundamentally change the concept and expand the investment in development of human resource so as to further improve the staffs' knowledge level and skill level.

As for such kind of situation, the foreign enterprises generally add the investment in human resource and enhance the training for enterprise staffs at various aspects so as to promote great

improvement of staffs' innovation ability and comprehensive quality and bring more benefits to enterprises.

While the training is made for staffs, the enterprises shall select suitable elements of training project according to work requirement of post and staff features, including the time, way, content, and place of training, etc. In order to realize best effect and improve staff ability and return on investment in human capital to maximum degree, the training project shall be reasonably formulated by use of scientific method, theory, and procedure according to enterprise objective and requirement. In this way, it is able to improve the knowledge and skill stock of human capital, lay a foundation for the development and utilization of human capital, improve the return on investment in human capital and make the enterprise obtain more returns.

#### **To perfect enterprise work analysis**

The work analysis is the analysis on knowledge, skill, ability, responsibility, and task required in completing one enterprise project, and it is a very important part in human resource management technology. Through work analysis, the information related to the work can be provided, and the compiling of work specification is established on the basis of work requirement. Through systematic and standard work analysis, the enterprise can avoid the mismatching between talents and post caused by unsuitable employment personnel, and reduce the ineffective investment in human capital. As for large-sized enterprises, they have complete organizational structure, and different departments shoulder different responsibilities. Through perfect enterprise work analysis, it is able to specify the knowledge and ability requirement of specific post, realize more scientific, reasonable, and targeted enterprise investment in human capital, and also realize more considerable return on human capital.

#### **To handle the relationship between the investment in human capital and the investment in material investment**

Although the investment in human capital is of great importance to enterprise development and more enterprises gradually expand their investment in human capital, it doesn't show that the enterprises shall ignore the investment in material capital. The material capital and human capital jointly form an enterprise, and the reasonable economic growth process is the improvement process of these two capitals in terms of quantity and quality and also the process that these two capitals supplement and promote each other. If the excessive attention is paid to either of them, it will be harmful for enterprise development. Currently, the manufacturing industry faces the difficulty of capital scarcity, low stock of human capital, and surplus labor force; in order to realize quick and continuous economic growth, the enterprises shall handle the relationship between the investment in human capital and the investment in material investment.

According to the concept of constructing all-inclusive capital in theory, to handle the proportional relationship between human capital and material capital in total investment is the key to effectively handle the relationship between the investment in human capital and the investment in material investment. Under the premise of ensuring economic growth, both material capital and human capital shall increase. With the further economic development, the proportion of investment in human capital in total investment shall continuously increase so that the investment in material capital and investment in human capital can be under a state of coordinated development.

### **Conclusion**

At current stage, most of domestic enterprises lack of sufficient attention to human capital; even though they pay certain attention, they still can't realize good effect. At the same time, there exist some problems such as low management level, and not scientific and reasonable investment. Therefore, it is very necessary and important to carry out analysis on enterprise investment in human capital. The human capital is an important resource which relates to enterprise survival and development. Through the investment in human capital, the enterprises can improve their core competitiveness and realize the highest yield on investment in human capital. Therefore, the modern large-sized enterprises shall fully know the importance of investment in human capital, and adopt a series of effective measures to expand investment on human capital, explore the means of return on

investment in human capital, and finally exert the important function of investment in human capital in promoting better and quicker enterprise development according to enterprise features and features of human capital.

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