

ESSENCE OF AND PECULIARITIES OF RISKS OF INVESTMENT IN THE DEVELOPMENT OF THE HUMAN CAPITAL OF A FIRM

Nowadays, knowledge-based economy becomes more and more dominant. Therefore, investment in human capital is the main source of improving the firm's performance and opportunity to get additional competitive advantages. On the other hand, investment is closely related to risk. In the framework of investment in the human capital of a firm, uncertainty is created, first of all, by the unpredictability of the behavior of the employees, who are the main object of investment, results of development of their capabilities, realization of potential, talent and motivation. Other factors of uncertainty include the firm's operations and the rapidly changing market conditions. This research aims to determinate the essence of risks of investment in the development of human capital of a firm, describe sources and reasons of its occurrence and classify the features of that kind of risks.

The factors of risk are classified into two main groups: internal (that depend on the firm's actions) and external (that are not under firm's control). External factors are political and economic situation, competitors activity, industry and labor market situation. Internal reasons, first of all, lie in weaknesses of the company's human resources and management (inefficient compensation policy, personnel development system, low motivation of employees, and uncultivated corporate culture).

In the scientific literature, there are several approaches to the risk definition, and in this article the author analyzes them and emphasizes that their main difference lies in the proportion between objective and subjective components. In the current research the author defines risks of investment in the development of the human capital as both objective and subjective category of the firm's activity that constitutes the probability of receiving additional competitive benefits and economic gain, as well as the likelihood of partial or complete loss of invested resources, depending on how effective is the company's management of the factors of uncertainty. The author

adheres to the positive approach to the phenomenon of risk which emphasizes the opposite side of risk – the potential success of entrepreneurial activity as a result of effective human resource and firm management and favorable external situation. The sources for the transition from threats to opportunities in this direction comprise the new methods and approaches to management, effective training and development policy, improvement in the corporate culture, deep and considerate market analysis and adequate planning according to it.

In the article the author determines the features of the risks of investment in the development of human capital of a firm as follows:

1. The highest weight of human factor in this kind of risk significantly complicates the process of analysis and quantitative estimation, and accordingly this kind of risk will always have the highest level of uncertainty. Among other kinds of risk, these risks are much more characterized by the features of conflictness which is a precondition of uncertainty.

2. In the knowledge-based economy, human capital becomes the most important means of production, thus the risks of investment in the development of a firm increase in significance.

3. Globalization of labor markets increases the level of risks of investment in the development of a human capital of a firm because global companies have access to the most talented and trained workers in any part of the world while for the local companies labor market becomes more competitive.

4. Currently, the risks of investment in the development of the human capital of a firm are not researched enough, companies do not have a robust methodology for analyzing them, and there is a lack of skilled analysts in this area.

Investment in the human capital of a firm and analysis of its risks are complex economic categories that demand deep and comprehensive study. The conclusions of this research form a foundation for further analysis and are an essential basis for the creation of the general model for the estimation of risks of investment in the human capital of a firm.

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