

HUMAN RESOURCE ACCOUNTING AND VALUE BASED MANAGEMENT IN ORGANISATIONS

J. Sridevi¹ and M. Jeyakumar²

Abstract: Human Resource Accounting is completely vital with a specific end goal to guarantee that current and the future HR are best sent, making best utilization of their center capabilities towards meeting the organizations targets. The present study expects to discover the developing need of HRA in qualities based administration and to comprehend the significance of ability administration in organization. The human asset book keeping helps in encouraging the administration in upgrading the nature of administrations. HRA gives cost esteem data to making legitimate and successful administration. It likewise helps in choice making regions by the method for ability administration Changing in organizational structure, push for consistent learning, information sharing and impact of innovation uncovers the significance of HRA towards esteemed based administration.

Catchphrases: Human Resource Accounting, Value based Management, Talent Management and Organizational structure

1. INTRODUCTION

In the most recent two decades Value-Based Management (VBM) methodology is embraced by organizations world over, as it has been perceived that such a methodology conveys with it certain substantial advantages to the organization, for example, more noteworthy efficiency, expanded benefit and so forth. Furthermore it gives the organization the upper hand. The past experience of organizations taking after VBM approach shows that it is suitable for any organization regardless of the way of employments; for example, item producing, doctor's facility, social insurance and instructive administrations and so on. In the aggressive world today, getting upper hand and managing it are to be sure testing undertakings. In such a situation each asset is valuable asset and ought to be put to best utilize. Human asset is the greatest advantage for each organization and its significance need not be over underlined. The accomplishment of the organizations gets reflected in their capacity to viably convey the human capital in an ideal way. This paper draws out a percentage of the imperative parts of HR book keeping towards

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1. Assistant Professor, Vel Tech Business School, Vel Tech Dr. RR Dr. SR Technical University, Chennai, Tamil Nadu, India.
 2. Assistant Registrar, Vel Tech University, Chennai, Tamil Nadu, India.

VBM. It additionally traces the requirement for proper arranging and profession improvement, ability progression and ability administration which alone would give the organization the edge over their rivals.

2. VALUE AND VALUE-BASED MANAGEMENT

2.1 Value

The `value` idea is in vogue for quite a while. It is utilized by individuals to evaluate what they get in their relationship or exchanges set up with others. Esteem implies the `worth` or `importance`. For a business organization, `value` alludes to the wide diagram or structure of what the business substance or venture has faith in and carefully takes after as center business reasoning. For instance, a business substance might consider `integrity` and `commitment` as center reasoning. In the event that such a worth framework is taken after for a long time, it streams down to every one of the divisions offices in the organization and reflecting in every one of the exercises attempted by the element, conveying advantages to shareholders and different partners.

2.2 Value-Based Management

Value Based Management (VBM) is a methodology received by business organizations, which have faith in and consequently work on, dealing with the business continually on `values`. It has three stages; value creation, dealing with the made esteem and measuring the worth. For a business, it must be seen as an interlinked group or system of worth drivers, viz. the exercises and resources of the organization, for example, workers, clients, generation, promoting, monetary exercises and so on that make quality to the organization. For the worth creation procedure to be successful and dynamic, recognizable proof of the fitting quality drivers of the organization, their connections and requirement for their interlinking must be unmistakably caught on.

3. HUMAN RESOURCE ACCOUNTING

As said above, one of the quality drivers of the organization is its HR or, to be more exact, the human capital. Truth be told it is the greatest resource of the organization which makes different resources. On the off chance that prepared, prepared and used legitimately, the human capital can build up its very own brand estimation and thereby make esteem for the organization and encourage esteem based administration in the organization. For this procedure of ideal and powerful use of the HR, Human Resource Accounting (HRA) is a critical apparatus.

One perspective of HRA is that, it is the `assigning, planning and reporting the expense of HR brought about in an organization, that incorporates compensation, pay rates and preparing costs.

This perspective incorporates three stages, the initial step being `assigning the cost`. Aside from appointing the expense to fulltime representatives, this includes certain arrangements, for example, how to consider low maintenance representatives or even easygoing laborers, since every one of them do add to the organization's profitability. Certain organizations characterize a term `Effective Full Time Employee Days`, where the profitability of low maintenance representatives and that of easygoing laborers are excused as for full time workers and represented suitably.

Once the HR expense is doled out, the following step is `budgeting`. This includes determining the HR cost for next bookkeeping year, considering the procuring of additional HR, with proper employment investigation, arranging and so forth.

The third step is `reporting`. This is a piece of periodical checking by the top administration, to guarantee that what is accounted for is appropriately planned and endorsed. This tops administration to guarantee that HR costs stay inside of the breaking points and as and when required, suitable auspicious restorative moves are made.

It is to be perceived that separated from the pay rates and compensation, preparing costs are additionally to be properly considered. Yet, once more, it is an approach choice, what sort of preparing is taken into HR bookkeeping and what is most certainly not.

Elusive resources of an organization, for example, innovative work, goodwill, learning and capability, licenses and licenses, spurred workforce and so forth., are excluded in the net book estimation of the organization 2. Expenses are entered in the benefit and misfortune account as a cost at the time they are brought about. Be that as it may, in the meantime, the expanding benefit from these variables will be entered in the records. In this setting HRA is thought to be extremely helpful to bring out and highlight the value of human capital.

4. EMERGENCE OF HUMAN RESOURCE ACCOUNTING

Hermansson made endeavors amid mid 1960s, to incorporate figures identified with human capital, called Human Resource Accounting (HRA) in a critical position sheet. Regularly HRA is utilized as a part of an organization for recognizing, measuring and imparting data about HR for administration purposes. It basically incorporates the expense brought about by the organization for enrolling, selecting,

preparing and creating human resources. Moreover it incorporates financial estimation of individuals to the organization.

Over a timeframe it was understood that it was a significant apparatus for administration, to detect the blunder, if any, in the organization, so that the required restorative measures are started in time. Consequent experience demonstrated that it can likewise help in sane choice making identified with HR in the organization.

HRA is about connecting figures on human capital as well as to take up human asset advancement and HR administration. In the late times, aside from shareholders, different partners, for example, governments, exchange unions, representatives, speculators, ventures are likewise understanding the capability of HRA and are defining the HRA approaches of organisations³.

Quick changes are happening in cutting edge economies. Data, correspondence and innovation and additionally administrations are getting to be imperative. Essential parts are concurred to inventiveness and advancement. All these add to moving of center from customary modern assembling to impalpable information generation or non-material creation. As a result, improvement in labor advertises too are moving from item based requirements to learning based necessities. In the organization's yield, information shapes a vital part. Business process re-designing is picking up significance with more noteworthy accentuation put by organizations on aggregate quality administration and quality circles. This calls for vertical coordination of all generation forms and new division and organization of work in business. This requests more noteworthy expert abilities and capabilities of representatives to do the doled out occupations and obligations. Every one of these advancements require suitable money saving advantage investigation in which HRA offers massive help.

5. IMPORTANCE OF HR ACCOUNTING :

Human Resource Accounting (HRA) picks up significance because of taking after reasons.

5.1 Changing organization structure:

In the present day business world, because of more prominent spotlight on `purpose, process and people`, than `strategy, structure and system`, authoritative structures are changing quick. From the customary pyramid such as structure, now organizations have a tendency to have all the more level kind of structure. In specific organizations relying upon the way of work assignments, even framework kind of structures are taken after. In such a circumstance, contingent upon the linkages between the representatives and the administrative staff, doling out of

expenses can change as it were. Henceforth mind must be taken to streamline the structure from an utilitarian perspective point so costing is done suitably.

5.2 Emergence of Knowledge Sharing:

In the global perspective that the organisations need to have, sharing of knowledge, sharing of competence and that of resources is becoming very common. Organisation derives the advantages of such cross-sharing as it can make best use of the human capital at its command. Such benefits cannot be derived by centralization or top-down approach, which do not normally encourage horizontal sharing, thereby can destroy business level entrepreneurship. But through horizontal process of integrating and sharing of knowledge and resources, the organisation will reap rich rewards. Only through such knowledge sharing exercise, core competencies that exist in the organisation, well distributed in different divisions and departments can be pooled and developed for the organisation's future benefits. In such a scenario, HRA will be a powerful tool that would aid the organisation in arriving at suitable decisions related to cross-sharing of knowledge and skills⁴.

5.3 Influence of Technology :

Organizations are constantly updating on production processes with new technology, in order to derive the benefits of greater productivity and value addition to their products and services, to ensure customer satisfaction. This requires human resources, with altogether new type skills that are different from that of blue-collar workers. Cost of human capital for such organisations are much more than other organisations who do not use new technology. To make best use of human resources such organisations are required to adopt HRA practices, in order to offer the same quality of product or service at the best price, to remain competitive in market place.

6. NEED FOR TALENT MANAGEMENT

Human Resource Accounting should encompass talent management that is needed in the organisation. As it is said, every unit of electricity saved is a unit of electricity generated; likewise, every precious human resource saved is a precious human resources generated. Today organisations go for the best talent pool aiming to attract `stars` to become part of the pool. With few years of experience for such talented persons, organisation has indeed invested in them to derive future benefits. With HR costs looming large, every effort has to be made to spot the talent, nurture it, groom it and convert it into organisation's assets, that can create value and add value ⁵. Management has to ensure that proper work atmosphere and culture exist in the organisation for the talented ones to contribute.

Talent Management involves the following steps;

- (i) Spotting the talent
- (ii) Talent Attraction & Selection and
- (iii) Talent Retention

In the first step, it requires skill to spot the talent. This requires still greater skill of the manager to spot the actual talent without bias. Like only a seasoned appraiser can identify the true worth of a jewellery, only an able leader not engaged in organisational politics, can spot the truly talented people. It requires still greater experience to identify the hidden talents.

In the second step `talent attraction`, it becomes a lot easier for the organisation if there is a `brand value` that helps the organisation in positioning it and thereby enable it to attract the best talent. But to establish the `brand value` it takes years of hard work. Once established, it requires still greater effort to sustain it. Once attracted the talent, proper selection process must be in place to select them. The actual selection process should be handled by right type of people with proven track record in choosing the really best, so that best fit between the job and the person is ensured. If done properly, this will avoid the need for rehiring that will result in loss of productivity and greater costs to the organization.

The third step talent retention is indeed the greatest challenge. In business, new opportunities constantly emerge and all people in the organization, whether good or bad, constantly aspire for more. If the conditions within the organisation are not favorable for their continuance, they would start looking for greener pastures elsewhere.. In such a scenario, organization has to chalk out an appropriate career planning programme, especially for the really talented ones who show promise and who are capable of shouldering greater responsibilities. Such a programme will not only make a qualitative difference to the talent pool, but will also quantitatively make a difference, since employee turnover will be much less. In certain organizations, to some extent though the compensation packages may not be the best compared to the industry average, such career planning programmes give the companies an edge over their competitors in attracting and retaining the talent.

Attractive compensation and appropriate award/reward schemes, such as ESOP, bonus schemes etc go a long way in acting as catalysts for talent retention. It is to be recognized that appropriate skill advancement, especially at times when new technology is being adopted by the organization, either to improve the competitive advantage or part of expansion programme, must be planned and suitably dove-tailed into talent management programme, so that the best people

who show promise for handling the future responsibilities in the organisation are suitably redeployed as a part of the human resource development programme as well as talent management programme.

Management has to be aware of the fact that to promote, encourage, nurture and groom talent, it has to drastically change, if needed, its business strategy, organization structure, work culture and style of leadership and even some of its leaders, to retain talent. As only people with calibre to spot talent, can identify the talent. Talent management programme is not one-off affair, rather a continuous effort, matching the organization's needs in the ever changing and dynamic business environment.

During economic recession and down-turn, a forward looking organization will adopt a proper talent management programme, thereby creating a strong foundation to launch the activities for recovery and growth phase. This, while helping the organization in the human resource cost reduction initiatives, will show the ways of holding on to and developing best talent, to ensure its best fit and alignment with the organizational purpose, mission, vision and goals.

7. CONCLUSION

Overall, even valuing human resources appear to be important to Indian organizations, most organizations do not value their human resources and plans to implement valuation of human resources are at a very early stage. Despite the interest in valuation there will be little or moderate progress in the area over the next five to ten years. In order to show greater progress, more needs to be done at both the theoretical and practical level. More search into valuation methods and models, and the practical implication of these, is needed together with the engagement of both human resource and accounting professionals in the debate on valuation and its implementation in practice.

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