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**CREATING EMPLOYER BRANDS BY VALUING HUMAN
CAPITAL IN ORGANIZATIONS AND MEASURING INTANGIBLE
ASSETS**

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In most of the developed nations, the currently accepted accounting principles and their related reporting requirements rest on the foundational assumption that physical assets (land, machinery, buildings, natural resources and inventory) generate wealth. Human capital does not even appear on the balance sheet. But now organizations have realized the importance of intangible assets like human capital, corporate brand and intellectual property. Organizations are measuring intangible assets and valuing their human capital, as it is the indicator of the brand value which reflects the potential of the company to external stakeholders. This paper attempt to understand role of intangible asset and human capital in building attractive employer brands with example of successful Indian companies by collecting data from their annual report as disclosed on their website.

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Key words: Employer brands ,HRA, Human capital, intangible assets, intellectual capital.

Introduction:

With new phase in economic development, which is characterized by continuous innovation, spread of digital and communication technologies, relevance of network forms of organization, the importance of intellectual capital, relational capital, and organizational capital are emerging. Whilst old concepts — such as human capital — are acquiring significance on conceptual and practical ground, organizations are coming to terms with the larger role played by intangible, non-financial factors. The traditional notion of value itself seems to be at stake, being linked only to financial, short-term variables, which are oriented towards the shareholders' interest. Increasing importance of intangibles in the upcoming knowledge economy is undisputable in the recent years. There are many firms that have started measuring, managing and reporting their intangibles. However, the complete disclosure of intellectual capital (IC) is still at its nascent stage. Several researchers have focused on studying the accounting disclosures made by firms (Abeysekera, 2006; Guthrie et al., 2004). IC has gained significant attention not only among the researchers but also with the well-informed companies who are conscious of the importance of disclosing their intangibles.

The researchers have proved that the difference between the market value of the firm and its book value has to be attributed to the intangibles in the firm (Cordon, 1998). It has also been proved that the market to book value of the firm which happens to be an indicator of importance of IC in the firm has also been increasing over time (Rylander et al., 2000). IC reporting provides companies with the opportunity to take advantage of increased transparency to capital markets, establishing trustworthiness with stakeholders and to employ a valuable marketing tool (van der Meer Kooistra and Zijlstra, 2001). Disclosure of IC information could help in maintaining and enhancing IC value given that “intangible asset

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creation occurs through enhanced reputation and disclosure influences the external perception of reputation” (Toms, 2002). Thus this practice surely increase employer reputation and creates it's unique brand.

Disclosure of IC is not mandatory as per the existing accounting standards in most of the countries. Indian accounting standards also keep these disclosures voluntary. According to the Indian accounting standards (ICAI, 2007, AS 28,) an intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. Enterprises frequently expend resources, or incur liabilities, on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licenses, intellectual property, market knowledge and trademarks (including brand names and publishing titles). Goodwill is another example of an item of intangible nature which either arises on acquisition or is internally generated. Though the definition is broad, however the accountability of disclosures is limited to the cases where the intangibles are actually leading to value creation, expense or income.

The problem ultimately comes down to developing reliable measures of intangible assets. Recently, several efforts have been made to measure the intangible assets in the New Economy (Corrado, Haltiwanger and Sichel, 2005; De and Dutta, 2007). One approach adopted for measuring the intangible assets is based on the use of expenditure data. In this framework, intangible capital is estimated by capitalizing expenditures that create long-lasting revenue flows (Corrado, Hulten and Sichel, 2005). Human Resource accounting (HRA) helps the organizations to quantify their intangibles. Organizations are working hard to make a mark in market by following new practices which are employee friendly and create strong employer brand for themselves.

Non-financial metrics

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Non-financial metrics are the value drivers of the organization, representing the value of the company's work force, its customer relations and its ability to innovate. In a special 2001 report, the Financial Accounting Standards Board (FASB) defined non-financial metrics as the indices, scores, ratios, counts and all other information that is not accounted for in primary financial statements (i.e., balance sheet, income statement and statement of cash flows) (Financial Accounting Series, 2001). These non-financial metrics address human resources, customers, technology and internal processes. Non-financial metrics are not required disclosure in neither International Financial Reporting Standards (IFRS), nor U.S. Generally Accepted Accounting Principles (GAAP). However, international standards and U.S. GAAP may converge. The Securities and Exchange Commission (SEC) and FASB are bridging the gap between IFRS and GAAP. SEC Chairman Cox recently stated to investors and business owners that the two reporting standards are moving towards convergence (Dzinkowski, 2007). The evolution of the New Economy (Knowledge Capital) and discussion of convergence has brought the disclosure of non- financial metrics to the fore front.

Since 2001, the International Accounting Standards Board (IASB) has been developing and promulgating the IFRS (International Accounting Standards Board, 2009). Prior to 2001, the International Accounting Standards Committee (IASC) issued International Accounting Standards (IAS), which were adopted initially by the IASB, when it replaced the IASC. While the IFRS do not currently have standards requiring I-IRA, it could be argued that they are moving closer to providing more flexible approaches to accounting measurements and reporting. For example, the international standards IAS 38 Intangible Assets and IFRS 3 on Business Combinations allows for the recognition of the intangible asset goodwill, which indicates a willingness to allow for valuation of assets that are not traditional tangible assets, such as human resources.

Consequently, despite the importance of non-financial metrics, U.S. companies generally keep their non-financial metrics internal, avoiding public disclosure in their financial statements. Without access to these metrics, investors, stakeholders, researchers, and

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analysis have an incomplete knowledge. Thus there is increased realization that non-financial data are important and should be valued.

Intangible assets:

Nakamura(2000) estimates the value of U.S. corporate investment in intangibles during 2000 to be around \$1.0 trillion, making it roughly equal to the total investment of the non-financial sector in property, plant and equipment. Further Hall (2000) estimates the total value of intangible capital as ranging between half to two-thirds of the total market value of publicly traded corporations, as indicated by the q ratio (market value to replacement cost of physical assets). Nakamura (1999, 2000) argues that the major growth in value and impact of intangible capital started roughly in the mid-80s, with the emergence of major 'intangible industries' (software, biotech, internet, etc). Gu and Lev (2001) show that firm-specific estimates of intangible capital improve significantly the association between capital market values and accounting-based measures of performance and value (e.g., earnings or book values). More recently, McGrattan and Prescott (2007) emphasize the importance of considering intangible investments in explaining the real economic growth in the 1990s. Overall, it is widely accepted that intangible assets are the major drivers of national as well as corporate success.

A framework developed by Lev (2001) for intangible capital classifies intangible assets into the following four groups.

1. Discovery/learning intangibles—technology, know-how, patents and other assets emanating from the discovery (R&D) and learning (e.g., reverse engineering) processes of business enterprises, universities and national laboratories.
2. Customer-related intangibles—brands, trademarks and unique distribution channels(e.g., internet-based sales), which create abnormal (above cost of capital)earnings.

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3. Human-resource intangibles—specific human resource practices such as training and compensation systems, which enhance employee productivity and reduce turnover.

4. Organization capital—unique structural and organizational designs and business processes generating sustainable competitive advantages.

Olsson (2001) argued that a firm would disclose its personnel policy by managing, measuring and reporting human capital (HC), since disclosures give transparency and transparency gives the stakeholders information they need to predict the future value of HC. The potential advantages for firms are that reporting their HC not only communicate the firm's advantages, but could also attract valued resources (Mouritsen et al., 2004). Skoog (2003) found a positive correlation between the reported HC and profitability in the long run. According to the VCI (value creation index) study conducted by Low (2000), a top non-financial performance driver for financial services is HC. Wright and Snell (2005) argued that in a knowledge-based industry, value creation could be achieved by giving attention to the skills, knowledge, capability and commitment of workforce.

The value of HC is distinct in two types of firms in relation to how firms create value. First, professional firms use HC as a direct resource, and second, other firms (such as computer firms, high-technology firms and software firms) use HC as an indirect resource (Edvinsson and Sullivan, 1996). Both types of firms create value from the commercialization of the knowledge created by their employees. However, Edvinsson and Sullivan (1996) suggested that it is not the store of knowledge in employees but rather the ability of the firm to leverage knowledge that drives the value creation. A successful firm would understand the expectation of shareholders and their risk perception (Anderson, 2000) and transform the firm's HC capabilities to better meet shareholders' expectations (Bassi et al., 2000; Meer-Kooistra and Zijlstra, 2001).

Therefore, if a firm efficiently manages and reports its HC, it would result in increase in the shareholder value. There has been a shift in the outlook of management towards employees

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and contribution of employees to the firm (Bassi et al., 2000). Firms have realized that HC practices, and their reporting to shareholders play an important function in firm performance (Boudreau, 1991; Wright and McMahan, 1992). The HC practices include acquisition, development, allocation, replacement or retention of employees (Flamholtz, 1972). Selective staffing, comprehensive training, employee empowerment, participative problem-solving, incentive compensation, job rotation and teamwork can increase the firm's value creation by the transformation of processes (Youndt et al., 1996).

Human resource accounting (HRA)

Human Resource Accounting (HRA) involves accounting for the company's management and employees as human capital that provides future benefits. In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to a company's human resources as expenses on the income statement that reduce profit. Objective of human resource accounting is to facilitate the management to get information on the cost and value of human resources which will enhance the quantity and quality of goods and services. It provides data to the interested persons about the cost of human resources and correspondingly comparing it with the benefit obtained out of its utilization. The human resource accounting is used to furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organizational objectives.

Further, it helps the organization in decision making in the various areas like Direct Recruitment vs. Promotion, Transfer vs. Retention, Retrenchment vs. Retention, Impact on budgetary controls of human relations and organizational behavior, decision on reallocation of plants, closing down existing units and developing overseas subsidiaries etc. It helps in

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evaluating the expenditure incurred for imparting further education and training in employees in terms of the benefits. It helps an organization to take managerial decisions based on the availability and the necessity of human resources. When the human resources are quantified, it gives the investor and other client's true insight in to the organization and its future potential. Proper valuation of human resources helps an organization to eliminate the negative effects of redundant labour.

Flamholtz (1979) describes the HRA paradigm in terms of the "psycho-technical systems" (PTS) approach to organizational measurement. According to the PTS approach, the two functions of measurement are: 1) process functions in the process of measurement and 2) numerical information from the numbers themselves, thus one role of HRA is to provide numerical measures, an even more important role is the measurement process itself. The HRA measurement process helps to increase recognition that human capital is paramount to the organization's short and long-term productivity and growth.

When managers go through the process of measuring human resources, they are more likely to focus on the human side of the organization and are more likely to consider human resources as valuable organizational resources who should be managed as such (Bullen, 2007, p. 89). Flamholtz, Bullen & Hua (2003) utilized the HRA measure of expected realizable value, and found that employees' participation in a management development program increased the value of the individuals to the firm. The HRA represented both a paradigm or way of viewing human resource decisions, and the set of measures for quantifying the effects of human resource management strategies upon the cost and value of people as organizational resources.

Davidove & Schroeder (1992) indicate that although many business leaders still view training as an overhead expense, with thorough ROI evaluations, training departments can convince business to view them as partners in creating the assets crucial to organizational success. Johanson & Mabon (1998) indicate that expressing human resource interventions in financial terms and or cost benefit terms is more effective than using soft accounting information such

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as data on job satisfaction. Toulson & Dewe (2004) conducted a survey study utilizing component analysis and found two reasons for human resources to be important. The first is that measurement reflects the strategic and competitive importance of human resources, and the second suggests that to earn credibility, human resources must be expressed in financial terms. McKenzie & Melling (2001) suggest that, if properly implemented, the human capital planning and budgeting process will become a key driver of strategy as strategic human capital planning and budgeting ensures that the best resources are mobilized for each internal process..

Moore (2007) suggests that the value of human capital should be considered when making decisions about the acquisition and disposal of people and accounting practices currently employed by companies can have an undue influence in driving the strategic decisions of these companies. Moore notes that there are link between the process of acquiring an employee (a human capital asset) and that of acquiring a fixed capital asset. However while most companies acknowledge the contributions of its employees, they do not think of the acquisition or disposal of human capital assets in the same way or with the same thoughtful planning or strategic thinking as they do fixed capital assets.

HRA Measurement Models

Flamholtz (1999, p. 160) noted that the concept of human resource value is derived from general economic value theory as all resources people possess value because they are capable of rendering future service. An individual's value to an organization can be defined as the present 'value of the future services the individual is expected to provide for the period of time the individual is expected to remain in the organization. The Stochastic Rewards Valuation Model, originally developed by Flamholtz (1971) for human resource valuation has five step process: It begins with defining the various service states or organizational positions that an individual may occupy in the organization. The next step is to determine the value of each state to the organization, the service state values, which can be calculated either by using a number of methods such as the price-quantity method or the

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income method. Then the person's expected tenure or service life in the organization is calculated and the person's mobility probability or the probability that a person will occupy each possible state at specified future times is derived from archival data. Next the expected future cash flows that the person generates are discounted in order to determine their present value.

Similar to the Flamholtz model, another earliest model of human resource value measures human capital by calculating the present value of a person's future earnings (Lev & Schwartz,(1971). Dobija (1998) proposes an alternate model for capitalization, where the rate of capitalization is determined through the natural and the social conditions of the environment. Utilizing a compound interest approach, this method takes into account the three factors for valuing the human capital which include the capitalized value of cost of living, the capitalized value of the cost of professional education, and the value gained through experience. Turner (1996) refers to the framework issued by the International Accounting Standards Committee and recommended the use of the present value of the value added by enterprise, and measures assets by the four methods of historical cost, current cost, realizable value and present value.

Cascio (1998) proposed a method for measuring human capital based on indicators of human capital of innovation, employee attitudes and the inventory of knowledgeable employees. According to him, innovation can be measured by comparing gross profit margins from new products to the profit margins from old products. Similarly employee attitudes predicting customer satisfaction and retention are an important indicator of human capital and therefore need to be measured, as well as measures of tenure, turnover, experience and learning.

Thus approaches to human resource accounting can be broadly classified as monetary approaches and non monetary value-based approaches. The monetary approaches are further classified as (a) Cost Based Approaches, which incorporate historical cost approaches, replacement cost approach, opportunity cost model, standard cost method,

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current purchasing power method, and (b) Value-Based Models that embrace Hermanson's adjusted discounted future earnings model, Lev and Schwartz present value of future earnings model, rewards valuation model, Jaggi and Lau model, net benefit model, Eric Flamholtz model and Morse model.

Lev and Schwartz model

Many models have been created to value human capital. Some are based on historic costs while some are based on future earnings. But each has its own limitations and one model has proved to be more valid than other. Lev and Schwartz model has been the most widely used for its ease of use and convenience. The Lev and Schwartz Model states that the human resource of a company is the summation of value of all the Net Present Value (NPV) of expenditure on employees. The human capital embodied in a person of age 'r' is the present value of his earning from employment. Under this model, the following steps are adopted to determine human resource value:

- (i) Classification of the entire labour force into certain homogeneous groups like skilled, unskilled, semiskilled etc. and in accordance with different classes and age.
- (ii) Construction of average earning stream for each group.
- (iii) Discounting the average earnings at a predetermined rate in order to get present value of human resources of each group.
- (iv) Aggregation of the present value of different groups which represent the capitalized future earnings of the concern as a whole.

$$V_r = I(t)/(1 + r)^{t-r}$$

Where, V_r = the value of an individual r years old

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$1(t)$ = the individuals annual earnings up to retirement

t = retirement age

r = discount rate specific to the cost of capital to the company

The Lev and Schwartz Model suffers from the following limitations:

1. This model ascertained the earnings on the basis of skills but ignores the concepts of productivity of employees. Skills can not be in directly proportional to earnings unless the skills are properly utilized for productivity.
2. This model ignores the productivity of promotion of employees except retirement or death.
3. Expenses of 'training and development' incurred by the company are not considered.

Sveiby's (1997) Intangible Asset Monitor

Companies use frameworks such as the Lev Schwartz Model (Lev & Schwartz, 1974), Baruch Lev's Value Chain Scoreboard, Sveiby's Intangible Asset Monitor (1997) and the Balanced Scorecard (Kaplan & Norton, 1996) models to measure non-financial metrics.

Baruch Lev developed the Value Chain Scoreboard which combines non-financial metrics that are quantitative, standardized and measurable supported by empirical evidence. Lev categorizes these non-financial metrics into three sections; Discovery Learning; Implementation; Commercialization (Financial Accounting Series, 2001). The Discovery Learning section contains into Internal Renewal, Acquired Capability, and Networking variables. The Implementation section contains intellectual property, technological feasibility, and Internet-related variables. The Commercialization category is contains Customer, Performance, and Growth Prospect variables.

Sveiby's (1997) Intangible Asset Monitor non-financial metrics into three sections: external structure, internal structure, and competence indicators. External Structure focuses upon

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customers relationship with the organization while internal Structure focuses on activities that develop system processes. Competence Indicators focus upon training and development, maturity, and contributions of the employees. The drawback of this model is the inconsistency in metric disclosure compromises the reliability of the data which causes some investors concern in analyzing trends (Financial Accounting Series, 2001). Another concern is that non-financial metric descriptions vary by organization and by industry which makes comparisons difficult. Hence, many organizations find it too costly to calculate non-financial metrics. Still these models remain best guides on valuing non-financial metrics.

Culpepper & Smith (2009) in their study chose ,InfoSys, , Bahrat Heavy Electronics Lmt(BHEL), SAIL (Steel Authority of India), as they are listed on the BSE 100 and used the annual reports of the organizations listed in the BSE 100 as the source of data as per Chandran (2003). Culpepper& Smith, (2009) have used Sveiby's (1997) Intangible Asset Monitor to analyze the balance sheets of these companies. Because first, the Internal Asset Monitor (IAM) appears to be well substantiated by research and used in industry and secondly, while Infosys employs both the Lev(2001) model and the Sveiby (1997) models, it explicitly uses Sweiby's (1997) model as its basis for non financial metric disclosure.

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Company Name	Industry	Country of Origin	Founded	External Structure – Clients	Internal Structure – Org
PLS-Consult A/S	Mgmt & I.T. consulting	Denmark	1968		Intangible Assets Software Licenses and Goodw
Bharat Heavy Electronics Ltd (BHEL)	Engr & Mfg	India	1962	Repeat Orders	Value Added Economic Value Added
Steel Authority of India Ltd (SAIL)	Steel mfg	India	1954		Value Added Products
Infosys Technologies Ltd	I.T. consulting	India	1981	Clients Added Marquee Clients Sales per client Client Concentration Client Distribution Repeat Business Exports/Total Revenue Revenue derived by country Sales & Mktg expenses/revenue Days Sales Outstanding Brand Evaluation	Research and Development Technology Investment Sales per support staff General and Administration e: percentage of revenue Support staff as a percentage employees Average age of support staff
Skandia AFS	Financial consulting/ Svcs	Sweden	1855	Number of contracts Savings/Contracts Surrender Ratio Points of Sales	Number of contracts/employee Administration expense/gross Information Technology Expe premiums Value Added Per Employee
WM-Data AB/LogicaCMG	I.T. Consulting	Sweden	1969	Revenue by market sector Revenue from Outsourcing Brand Names Customer Contracts & Relationships	Process Improvement Internally Generated Assets (I Costs) Value Added growth by empl

HRA in India

The concept of human resource accounting was first incorporated by Bharat Heavy Electrical Ltd. (BHEL), a leading public enterprise, during the financial year 1973-74. Later, it was adopted by other leading public and private sector organization in the subsequent years. Some of these organizations are Oil and Natural Gas Commission (ONGC), Minerals and Metal Trading Corporation of India (MMTC), Steel Authority of India Ltd. SAIL), National Thermal Power Corporation (NTPC), Engineers India Ltd. (EIL), Hindustan Machine Tools Ltd. (HMTL), Cochin Refineries Ltd. (CRL), Madras Refineries Ltd. (MRL), Associated Cement Company Ltd. (ACC) and Infosys Technologies Ltd. (ITL) and many more.

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Infosys leads all companies in thorough disclosure of non-financial metrics. Explicitly adopting and combining the Lev & Schwartz (1974), Lev (2001) and Sveiby (1997) models as their bases for disclosure, Infosys provides a prototype for non-financial metric disclosure. SAIL started valuation and reporting of its human resource from the financial year 1983-84. SAIL follows the human resource valuation model suggested by Lev and Schwartz by accommodating some adjustments suggested by Flamholtz and Jaggi and Lou. Satyam Computer Services Ltd gives the additional information to the investors and in-depth reporting of its intangible assets is done. The annual report 2005-2006 discloses that: Satyam, being in the knowledge-based industry with global operations, valuation of its human resources and brand is highly important and could be equally insightful to stakeholders. As on March 31, 2006, Satyam's intangible assets (HR Value and Brand Value) constitute 87.72 per cent of the total balance sheet Value.

Mahalingam(2001) notes that each person has a set of competencies and a value is assigned to each, with the sum total of these values making up the value of the employee and the value of all the employees making up the human capital of the organization—which together with the customer and structural capital produces the revenue. In a case study conducted in India. Patra, Khatik & Kolhe (2003) studied a profit making heavy engineering public sector company which used the Lev & Schwartz (1971) model to evaluate HRA measures. They examined the correlation between the total human resources and personnel expenses for their fitness and impact on production and found that HRA valuation was important for decision-making in order to achieve the organization's objectives and improve output.

Bhat (2000, p. 1) provides a definition of "Human resources accounting" as depicting the human resources potential in money terms while casting the organization's financial statements. Bhat (2000) notes that with global trade and foreign exchange transactions becoming more complex with innovations in derivatives, more uniformity in accounting practices and transparency will emerge. He further suggests that accounting and financial

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management issues will soon be integrated in accounting statements facilitating more meaningful use of accounts, as opposed to history and book keeping. Table below depict the emergence of human resource accounting in India.

Table 1 : Chronological Order of Human Resources Accounting Introduction in India

Sl. No.	Name of the Organisation	IIRA introduced in year	Model
1	BHEL	1973-74	Lev and Schwartz Model
2	ONGC	1981-82	Lev and Schwartz Model
3	MMTC	1982-83	Lev and Schwartz Model
4	SAIL	1983-84	Lev and Schwartz Model with some refinements as suggested by Eric. G
5	NTPC	1984-85	Lev and Schwartz Model
6	INFOSYS	1995-96	Lev and Schwartz Model

Source: A Report on HRA from <http://www.indiamba.com>

Following three companies annual report are studied and data are collected from their website. These case analyses help us to understand how Human Resource Accounting Practices are followed in Indian companies.

1. BHEL

BHEL had started providing information related to Human Resource Accounting (HRA) in its annual report from the financial year 1974-75 by using Lev and Schwartz model. It is the first company in India who provided HRA. BHEL also started considering efficiency factor for the purpose of Human Resource Valuation from the year 1980-81.

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BHEL divides total employees of the organization according to group wise, category wise and also as per physically challenged employee. The company followed the 12% as discount rate. Company provide the information regarding particular of employee under section 217(2A) of the companies Act, 1956 with companies rules 1975. BHEL was reporting information like total No of Employee, Value Added, Employee Remuneration and Benefit, Value Added per Employee, Turnover per Employee. It also calculated the different ratio related to Human Resource.

Many Indian companies and corporations have followed Lev and Schwartz Model for valuation of human resources in past. The model involves valuation of human resources on the basis of the present value of the estimated future earnings of the employees discounted at the cost of capital rate. BHEL has used certain improvements in this model. The company has classified its employees into six categories based on skill, type of work, experience and qualifications. In each category 10 to 15 salary grades have been identified to facilitate the valuation of human resources. The model adopted by BHEL is given below:

$$HRV = P \times 12 \times N \times E \times I/F$$

Where, HRV Human Resources Value of the group of employees in the particular salary grade.

P X12 Annual compensation (including DA, CCA, HRA, PF contribution by employers etc).

N = Total number of employees in the grade.

E Efficiency Factor (The factor varies with the amount of experience. It decreases at about 5% for each accounting period of five or six years).

I = Incremental Factor (It is 5% for five years period. The period of 5 years has been taken as the basic in the assumption that people with five experiences are normally promoted to the next higher grade).

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F = It has been taken at 12% per annum which is the weighted average cost of capital to the company.

The company has shown an increase in turnover from 14,525 Cr in 2005-06 to 34,154 Cr in 2009-10. The number of employee has increased from 42,601 to 46,274. BHEL have declared Value per employee for 2009-10 as 27.70, which has doubled from 13.34 as declared for 2005-06. Turnover per employee has also increased from 0.34 in 2005-06 to 0.74 in 2009-10. This has shown increased in 2.2 times. BHEL has declared 38,000 Cr expected Turnover for the year 2010-11.

Table 2

Year	Turnover(Cr)	Value added (Millions)	Manpower (Number)	Value per employee(Millions)	Turnover per employee(Cr)
2005-06	14525	5682	42601	13.34	0.34
2006-07	18739	7182	42124	17.35	0.44
2007-08	21401	8323	43636	19.00	0.49
2008-09	28033	98940	45666	21.67	0.61
2009-2010	34154	131710	46274	27.70	0.74

Source: www.bhel.com

2. Infosys:

Infosys provide additional information of the firm from intangible assets score sheet, Human Resource Accounting and Value-Added statement. Infosys provide the information regarding particular of employees under the provision of section 21 7(2A) of the Companies Rules 1975. Infosys used the Lev & Schwartz model. Infosys provide the information like Income, value added, No of Employee, Age wise Distribution and Category wise Distribution of Employee, Net Worth, EPS, Economic Value Added, Value of Human Resource, Value of

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Human Resource per Employee and also present the ratio like Value Added/Human Resource Value, Return on Human Resource Value in percentage.

Infosys with 2.5 million professional and \$70 billion in revenue, are valuing their staff in their balance sheet, reinforcing the worth of thousand software employees who otherwise are hidden behind quarterly earnings and other announcement. Infosys has valued each of its 1,30,000 lakh employee based on their earning potential till retirement. The lev and Schwartz model is used to gauge the present value of every infoscian based on their future earnings, Salary along with all benefits and incremental earnings are taken into account. The future earnings are discounted at the cost of capital 10.60%.For IT company it is important as earnings are based on the per-employee per hour billing model and profitability is linked to the value added by the work force. They have classified non-tangible asset into human resource, intellectual property and internal and external assets. At the end of last financial year, the company valued its brand at nearly \$8.87 billion. In past four years, Infosys has been increasing its head count. It has almost doubled its employee base since 2007 despite global downturn. The value of each employee has gone up to 1.03 Cr at the end of 2011 from 80 lakh in the year ended march 31 ,2007.The employee were most valuable at 1.08 Cr at the end of 2008.This could be due to fewer number of employees at the junior management level. The aggregate employee cost/total revenue(%) has increased from 48.02 % in 2006-07 to 49.08% in 2010-11.

Table 3:

Year	Revenue(Cr)	No of employees	Aggregate employee cost/Total revenue (%)	Total revenue (%)	ROCE(PBIT/Average capital employed)%	Brand value
2006-07	13,893	72,241	48.02	45.65	41%	7,604
2007-08	16,692	91,187	49.89	19.01	40%	7,966
2008-09	21,693	104,850	49.20	29.05	38%	6,950

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2009-10	22,742	113,796	48.96	4.32	37%	7,781
2010-11	27,501	130,820	49.08	20.08	-	-

Source: www.infosys.com

3. NTPC

India's largest power company, NTPC was set up in 1975 to accelerate power development in India. NTPC is emerging as a diversified power major with presence in the entire value chain of the power generation business. Apart from power generation, which is the mainstay of the company, NTPC has ventured into consultancy, power trading, ash utilization and coal mining. NTPC ranked 341st in the '2010, Forbes Global 2000' ranking of the World's biggest companies. NTPC became a Maha ratna company in May, 2010, one of the only four companies to be awarded this status. In NTPC, *People before Plant Load Factor* is the mantra that guides all HR related policies. NTPC has been awarded No.1, Best Workplace in India among large organizations and the best PSU for the year 2010, by the Great Places to Work Institute, India Chapter in collaboration with The Economic Times. NTPC declares generation per employee which has increased from 7.81 in 2005-06 to 9.27 in 2010-11. They also declare value add per employee which was 4.44 in 2005-06 and increased to 7.30 in 2009-10 in Millions. The number of employees have increased in last five years from 21,870 to 25,144. The value added in millions was 97,206 in 2005-06 and increased to 1,73,313 millions in 2009-2010, which shows increase of 1.8 times. The Man-MW ratio has increased from 0.77 in 2009-10 to 0.80 in year 2010-11.

Table 4:

Year	Revenue (Millions)	Employee strength	Commercial Generation	Generation per employee	Value add (Millions)	Value add per employee (Millions)
2005-06	188674	21870	169789	7.81	97206	4.44

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2006-07	170880	23602	188140	7.99	111012	4.70
2007-08	188670	23674	200280	8.48	127538	5.39
2008-09	200280	23639	206156	8.76	140548	5.95
2009-10	206939	23743	218439	9.22	173313	7.30
2010-11	218840	25144	-	9.27	-	-

Source: www.ntpc.co.in

Conclusion:

The Indian firms are way behind other firms in European and American continents in terms of the extent and quality of intellectual capital(IC) measurement, reporting and disclosures. The significance of disclosure on the firm's performance and market valuation needs to be highlighted and focused to turn their attention towards voluntary disclosures. Thus, it can be said that though many firms accept that IC is a very useful part of their asset and appreciate its role and know that it surely enhances the firms valuation in the market, few firms actually understand its meaning, use any specific management and measurement tools, and adopt uniform reporting and voluntary disclosure practices. Many Indian companies have understood the importance of measuring human capital and disclosing its value in their balance sheet. This practice not only helps them to identify their total worth in terms of tangible asset and intangible asset, but also project themselves as employee friendly companies who value their employee and are proud to say so. It enhances their employer brand in terms of good place to work or valued human resources.

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