

Impact of Human Resource Accounting Practices on Support of Top Management in the Educational Institutions – Evidence from a Private University in Kurdistan Region of Iraq

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Abstract:

The current study aimed at understanding the impact of Human Resource Accounting practices on decision making in an educational institution. The research was conducted on a private educational institution in Kurdistan. Researcher constructed a model where predictor variable is Human Resource Accounting Practices and Predicted variable is support top management. Researcher framed null hypothesis and alternative hypothesis where. The null hypothesis was “There is no significant relationship between Human resource accounting practices and support of top management”. The alternative hypothesis was “There is significant relationship between Human resource accounting practices and support of top management”. The sample size for the current research was 130 where researcher distributed 110 questionnaires where 20 questionnaires were not filled properly. Researcher used quantitative method to analyze the results of the current research. The questionnaire consists of 20 questions which were organized randomly to avoid bias based responses from the respondents. Researcher concluded that HRA has stongly positive effect on decision making where alternative hypothesis was accepted and null hypothesis got rejected. The sample size was low as the researcher conducted pilot study on this area and may get different results by increasing the sample size and demographics. The present research helps the organization to understand the importance of Human Resource Accounting and the effect of HRA on support of top management.

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I. INTRODUCTION:

Human resource accounting (HRA) is struggling for acceptance from Industry due to many uncertainties and gap in the literature to identify the problems posed from the industry. The development of HRA as a systematic and detailed academic activity, according to Eric G Falmholtz (1999) began in sixties. He divides the development into five stages. These are: First stage (1960-66): This marks the beginning of academic interest in the area of HRA. However, the focus was primarily on deriving HRA concepts from other studies like the economic theory

of capital, psychological theories of leadership effectiveness, and the emerging concepts of human resource as different from personnel or human relations; as well as the measurement of corporate goodwill.

Second stage (1966-71): The focus here was more on developing and validating different models for HRA. These models covered both costs and the monetary and non-monetary value of HR. The aim was to develop some tools that would help the organizations in assessing and managing their

human resource/asset in a more realistic manner. One of the earliest studies here was that of 408 Roger Hermanson, who as part of his Ph.D. studied the problem of measuring the value of human assets as an element of goodwill. Inspired by his work, a number of research projects were undertaken by the researchers to develop the concepts and methods of accounting for human resource.

Third Stage (1971-76): This period was marked by a widespread interest in the field of HRA leading to a rapid growth of research in the area. The focus in most cases was on the issues of application of HRA in business organizations. R.G. Barry experiments contributed substantially during this stage. (R.G.Barry Corporation: 1971).

Fourth Stage (1976-1980): This was a period of decline in the area of HRA primarily because the complex issues that needed to be explored required much deeper empirical research than was needed for the earlier simple models. The organizations, however, were not prepared to sponsor such research. They found the idea of HRA interesting but did not find much use in pumping in large sums or investing lot of time and energy in supporting the research.

Stage Five (1980 onwards): There was a sudden renewal of interest in the field of HRA partly because most of the developed economies had shifted from manufacturing to service economies and realized the criticality of human asset for their organizations. Since the survival, growth and profits of the organizations were perceived to be dependent more on the intellectual assets of the companies than on the physical assets, the need was felt to have more accurate measures for HR costs, investments and value. An important outcome of this renewed interest was that unlike the previous decades, when the interests were mainly academic with some practical applications, from mid 90s the focus has been on greater application of HRA to business management.

II. LITERATURE REVIEW:

According to Abubakar (2006) observed to attain “the best human brain, achieving the pre-determined objectives of the organization, Commanding Respect in the Eyes of Stakeholders, gaining Competitive Advantage, Becoming the Pace Setter and Market Leader” are few causes where organizations invest huge financial resources over human capital.

The American Accounting Association (1973) Society Committee on human resources accounting defines it as follows: “Human resources accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties”.

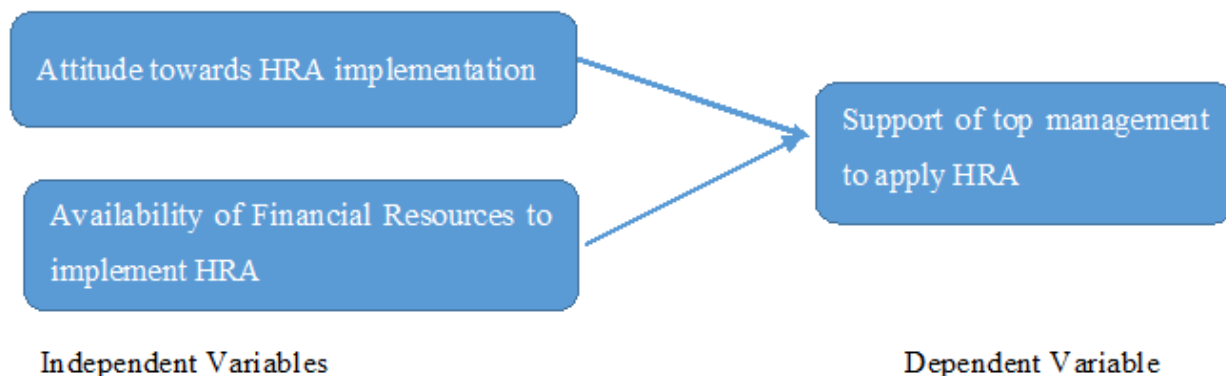
Flamholtz (1971) defines human resources accounting as “accounting for people as organizational resources. It is the measurement of the cost and value of people for the organization.”

Woodruff and Barry Corporation (1969) defines HRA as follows: “Human resources accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically, it is an information system that tells the management what changes over time are occurring to the human resources of the business”.

Research made by Lau and Lau (1978), Steffy and Maurer (1988), Roslender and Fincham (2001), and Leffingwell (2002) revealed organizations investments on different areas compared to human resources are “Advertisement, Recruitment and Selection, Familiarization and Training, Training and Development, Medical and Entertainment.”

According to (Jawahar Lal, 2009), human resource accounting is not beneficial to achieve economic goals solely for an organization but it may be the source of information which is important for the sake of decisions related to investments. Human resource information may be included statements in financial statements which are suitable in forecasting performance of the organizations in future which is the primary concern to investors.

Research Model:



Hypotheses:

Hypothesis -1:

H0: There is no relation between attitude towards HRA and support of top management.

H1: There is significant relation between attitude towards HRA and support of top management.

Hypothesis -2:

H0: There is no relation between availability of financial resources and support of top management.

H1: There is relation between availability of financial resources and support of top management.

III. RESEARCH METHODOLOGY:

Researcher used quantitative method and personal interview method to collect the data and approached middle and top-level management personnel in a private university in Kurdistan Region – Iraq. Researcher constructed a questionnaire for a pilot study to test the implementation of Human Resource Accounting practices and the availability of support from top management. Researcher distributed 130 questionnaires where 110 were filled properly and researcher used SPSS software to analyze the collected data. The questionnaire was constructed based on previous literature and current need from the educational industry.

DATA ANALYSIS:

Reliability Statistics

Cronbach's Alpha	N of Items
.872	3

The Cronbach's Alpha is .872 for both predictor and predicted variables which is above the standard and acceptable.

Gender			
		Frequency	Percent
Valid	Male	95	86.36%
	Female	15	13.64%
	Total	110	100.0
Age			
		Frequency	Percent
Valid	20-30 year	20	18.18%
	31-40 year	25	22.72%
	41-50 year	39	35.45%
	51-60 year	26	23.65%
	Total	110	100.0
Duration of employment in company (in years)			
		Frequency	Percent
Valid	0-3 years	40	36.36%
	4-7 years	54	49.09%
	7- 10 years	16	14.55%
	Total	110	100.0

Correlations

		ATTITUDE	SUPPTOP
ATTITUDE	Pearson Correlation	1	.583**
	Sig. (2-tailed)		.000
	N	110	110
SUPPTOP	Pearson Correlation	.583**	1
	Sig. (2-tailed)	.000	
	N	110	110

** . Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.583 ^a	.340	.339	.24797

a. Predictors: (Constant), ATTITUDE

The value of R is .583** for attitude towards of HRA and support of top management where both are moderately as well as positively correlated with each other.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.181	1	12.181	198.106	.000 ^b
	Residual	23.611	109	.061		
	Total	35.792	110			

a. Dependent Variable: SUPPTOP

b. Predictors: (Constant), ATTITUDE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.215	.169		7.206	.000
	ATTITUDE	.648	.046	.583	14.075	.000

a. Dependent Variable: SUPPTOP

The above regression analysis shows that there is a positive significant relationship with attitude towards of HRA and support of top management. $R^2 = 0.340$ ($R = .583^a$, $P < 0.05$) which means predictor and predicted variables were explained 34% to understand the effect between attitude towards of HRA and support of top management both in an organization.

Correlations

		AVAILFINRES	SUPPTOP
AVAILFINRES	Pearson Correlation	1	.739**
	Sig. (2-tailed)		.000
	N	110	110
SUPPTOP	Pearson Correlation	.739**	1
	Sig. (2-tailed)	.000	
	N	110	110

**. Correlation is significant at the 0.01 level (2-tailed).

both are strongly as well as positively correlated with each other.

The value of R is .739** for availability of financial resources and support of top management where

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739 ^a	.547	.546	.20554

a. Predictors: (Constant), AVAILFINRES

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.570	1	19.570	463.234	.000 ^b
	Residual	16.222	109	.042		
	Total	35.792	110			

a. Dependent Variable: SUPPTOP

b. Predictors: (Constant), AVAILFINRES

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.497	.097		15.357	.000
	AVAILFINRES	.560	.026	.739	21.523	.000

a. Dependent Variable: SUPPTOP

The above regression analysis shows that there is a positive significant relationship with availability of financial resources and support of top management. $R^2 = 0.547$ ($R = .739^a$, $P < 0.05$) which means predictor and predicted variables were explained 54.7% to understand the effect between both availability of financial resources and support of top management in an organization.

IV. Conclusion and Suggestions:

The researcher would like to conclude that attitude towards HRA will have strong positive association with support of top management where first alternative hypothesis was accepted and null

hypothesis got rejected. Regarding availability of financial resources will have moderate positive association with support of top management where second alternative hypothesis was accepted and null hypothesis got rejected. The sample size was low as the researcher conducted pilot study on this area and may get different results by increasing the sample size and demographics. The present research helps educational institutions to understand the importance of Human Resource Accounting and the effect of HRA on decision making. The current research helps the organizations to consider the concepts and practices related to Human Resources Accounting and gives road map in valuing the human resources to yield better profits and productivity in educational

institutions. Educational institutions must start implementing concepts of HRA and treat the investments on their employees as assets but not as expenses.

Resource Accounting Systems at the R.G. Barry Corporation, Brummet ed, 73-84.

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