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RESEARCH ARTICLE

HUMAN RESOURCE VALUE FRAMEWORK -A NEW DIMENSION IN PERFORMANCE APPRAISAL.

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Abstract

Firms today, believe that their human resources are the indispensable assets who decide their future. It is employees' unique knowledge, skills, attitudes, untiring efforts and abilities involved in their performances that differentiates businesses and prepares the organizations to sustain in the competitive business markets, hence it is very essential to quantify these elements of performance. In this paper based on literature review that were closely linked with the dimensions influencing the contributions of human resource value which were observed were further validated by thirty practicing corporate managers and domain experts through unstructured interview method. As an outcome of the primary data collection the most preferred and agreed human resource value dimensions were identified which influences the role performance. The same has been proposed as a hypothetical human resource value framework in digital era. The value dimensions are grouped as individual, group and organizational.

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Introduction:-

The nucleus of development of any organization is the accumulation of people or the human resources with versatile knowledge working in various verticals across the levels of the organization. Generally the success of any firm depends on the utilization of its tangible or intangible resources and specifically in case of service sector firms, the value of tangible resources or the physical assets is negligible when compared to its intangible resources in the form of knowledge and skills of its human resources. Human resources or the intellectual workforce are the crucial assets of any organizations which decide the future of the organization. It is the unique knowledge, skills and persistent efforts of these human resources which prepare the organizations to succeed in the highly competitive business markets.

For organizations of these kinds, it is very essential to quantify the knowledge, skills, attitudes; motivation and abilities of people, as these proves to be a differentiator of business. In the discipline of human resource accounting, the process of valuing or accounting of knowledge and other characteristics of people are highlighted.

Data and information related to the employees measured and calculated in some manner and providing these to the interested groups is referred as accounting of humans as mentioned by (American Accounting Association , 1973). It involves measurement of all sorts of investments related to recruitment and further cost incurred for training of employees and finally quantifying the value of them as benefit for an organization.

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(Eric Flamholtz, 1971) has defined HRA as “the measurement and coverage of the cost and value of people in organizational resources”. Hence there are two different approaches of doing this cost incurred in employing people and value contributed by them. Considering the value contributed by the employees can be further measured using monetary approach or non monetary approach. The non-monetary methods of valuing contribution of human resources use various indices or ratings and rankings to assess the skills and capabilities of human resources. In this paper an attempt is made by reviewing available literature to identify the non monetary factors that influence the performance of the employees.

Review of literature:

Formal definition of human resource accounting (HRA) according to American Accounting Association Committee (1973) defined human resource accounting as the process to recognize and compute data about human resources like costs incurred during recruitment, placement, training, and development of employees, but also the quantification of the economic value of the people in an organization.

Oluwatoyin, 2014 in his paper has reviewed the works of Flamholtz during 1971 who has defined human resource accounting as recording the details related to cost and value of people in organization. Further he has mentioned that for assessing the economic value of human resources various indices or ratings are used and by the approach where a simple inventory of skills and capabilities of people are maintained is known as non monetary method. According to the review of this particular literature, the skills inventory is listing of the education, knowledge, experience and skill sets of the employees and to evaluate these various characteristics of performance, ratings and rankings are used.

Set of scales assigned for these elements of performance are ratings. In ranking method, the superiors rank their subordinates for the above dimensions. (Likert & Pyle, 1971) also opines that measuring these elements determines a person's potential for promotion. He calls this method as trait approach. Here traits essential for a position are identified and how much of these traits are possessed by a person is determined.

The level of knowledge employees possess in various positions of an organization sums up for a clear indication of the potential for future profitability, (Sheedy-Gohil, 1996).

Another researcher made an attempt to convert the competencies of people into financial terms (Erik Sveiby, 1997), but it was not practically tested. He opines that there is lot of discussion about human resource accounting, and for this financial and non- financial both approaches may be used. There are very few attempt made in this field namely: Tobin's Q is the ratio describing the relationship between physical asset's market value and its replacement value and Watson Wyatt who developed 'human capital index'.

According to (Erik Sveiby, 1997) in the paper on intangible assets monitor briefs about the “Konrad Group” which is nothing but a work group consisting of members of several Swedish knowledge companies who proposed a non financial measurement system for intangible assets of their companies. The managers of this group used nonfinancial indicators to monitor and present their intangible assets. The group proposed a theoretical framework for public reporting of intangible assets and called it as "Structural Capital" and "Human Individual Capital". The indicators used to monitor were external structure comprising customers and suppliers and internal structure where concepts, models, computer, administrative systems, culture, spirit with which people in the organization interact and enact (Weick, 1969) and its employee's competence.

It is also opined by Sveiby that some companies though measure their intangible assets but fear to include them in their annual report and financial statements because they are afraid that they give away too much information. Hence there is no theoretical model for this type of reporting (Sveiby, 1997).

The human resource accounting concept itself represents a new way of thinking about people as assets. It has a great potential for future organization to understand the value of human forces and the same should be mentioned in the financial statements (Sharma & Shukla, 2010).

According to Toulson and Dewe (2004) two reasons for measuring human resources are: first is that measurement reflects the strategic and competitive importance of human resources, and secondly, to earn credibility, human resources must be expressed in financial terms.

According to (Toulson & Dewe, 2004) measuring and accounting human resources is important to reflect the worth of human resources in a strategic manner to gain competitive advantage by expressing the same in financial aspects. Further it is more appreciable if managers at different levels come up with different methods for measuring their human resources.

Gupta (1991) defines HRA as basically an information system that tells management what changes are occurring overtime to the human resources of the business. It involves accounting for investment in people and their replacement costs, and the economic value of people in an organization. Newman (1999) defined, human resource accounting as the measuring of the abilities of all employees of a company, at every level – management, supervisory and ordinary employees – to provide value from their knowledge and the capabilities of their mind. Jasrotia (2004) defined HRA as the measurement and reporting of the cost and value of people as organizational resources. According to Syed (2009) human resources are the energies, skills, talents and knowledge of people which are, or which potentially can be applied to the production of goods or rendering useful services.

According to (Erik Sveiby, 1997) by and large companies find such an accounting of activities and attributes of their people as pointless to include in their annual report because they see them as pointless and there is also no such standard or model of reference for this type of reporting. The attributes of employees are the energies, skills, talents and knowledge of people which are potentially used for the production of goods or rendering services, (Al Mamun, 2009)

Some Swedish companies have published about their human resources in their annual reports along with the conventional financial statements. HR accounting is viewed as a gamut of tools available to measure and manage intangible resources along with economic value added by the intellectual capital which are nothing but the capabilities of its people and these are some non monetary indices, (Bontis et.al, 1999)

Discussion:-

After reviewing the available literatures, different authors have inferred the following human resource value dimensions indirectly in their research. By considering all the related factors which were coined by different researchers in the related area of research of the topic, a set of hypothetical factors have been identified.

To have a qualitative validation of influence of these factors in digital era, the researcher had made an attempt to contact thirty practicing managers from corporate and thirty domain experts. The discussion was broadly based on the three main dimensions influencing the performance of an employee, viz individual quality or characteristics possessed by human beings, when the same individual working in team or groups how his/her innate qualities are utilized to work as team member and also how organization plays an important role in influencing the individuals to perform better.

Individual factors were discussed based on the conceptualization proposed by Weirich and Koontz's Managerial skills necessary to perform in the organization; likewise Tuckman's five stages of group development namely forming, storming, norming, performing for the discussion about group factors and organizational citizenship behavior for organizational factors. An unstructured interview was conducted and following factors are qualitatively validated:

Individual factors and performance:

Knowledge: Knowledge is main foundation for the existence of the firm (Grant, 1996) which is contributed and utilized by the members of the firm. (Baer & Oldham, 2006) have stated that employee creativity can make a substantial contribution to an organization's competitiveness and to the firm's performance (Redmond, Mumford, & Teach, 1993). Creative knowledge is a means to achieve superior firm performance and for this finding a balance between creation and implementation is very essential (Gong, Kim, Lee, & Zhu, 2013).

Skill: On examining the performance of engineering graduates in software services companies, it was observed that predominantly non-technical skills or soft skills have a greater impact on the employability of them. Presentation skills, interpersonal, communication, interviewing, verbal reasoning, logical reasoning etc. (Gokuladas & Menon, 2014). (Gu & Chi Sen Siu, 2009) proved that the work performance and job satisfaction can be improved by enhancing interpersonal skills.

Agility: A survey conducted across nearly five hundred UK organizations reveals that agile workforce possess intelligence, competencies, collaboration, culture and capabilities of information systems that improve performance (Breu, 2001).

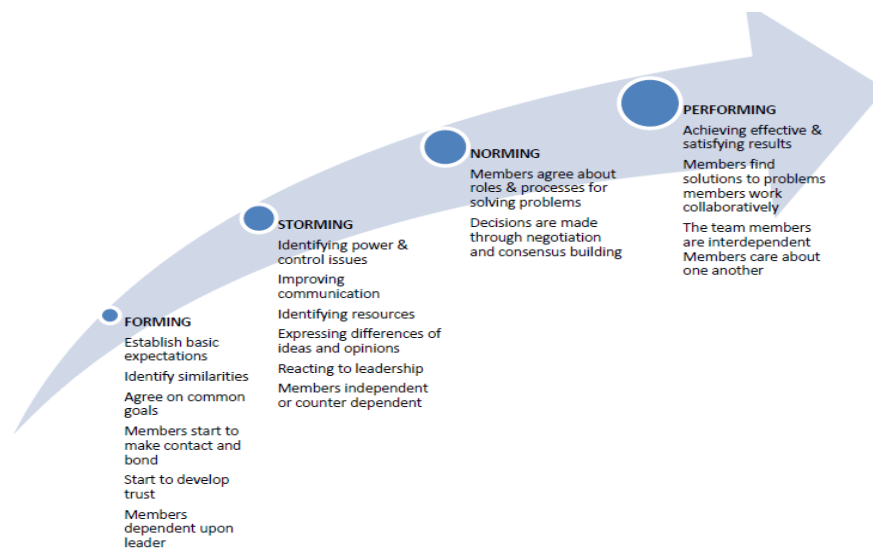
Perception: A research was carried out by (Pettijohn C et.al, 2007) to find out whether the perception of salesperson towards possessing suitable skillsets and behaviors relate positively to sales performance or not. Further in the research it was concluded that traditional sales skills and consulting-oriented sales skills influence performance and thus the skill/behavior development and assessment are worthy measurement for sales managers and their organizations.

(Schwartz & Porath, 2014) Have reported that to retain sustainable high performance from their employees companies have to take care of four core needs of their people viz, physical, mental, emotional and spiritual. When these four dimensions are nurtured by leaders, it results in a significant positive impact on employees' engagement, stress levels, retention, and job satisfaction.

Group factors and performance:

(Tuckman, 1965) It is been identified four stages of development of a group – forming, storming, norming and performing, which is also called as 'team growth model'.

Tuckman explained that there are three issues which determine a team's performance like: content relates to what the team does, process relates to how the team works towards its objectives and feelings applies to how team members relate to one another. Tuckman's research further suggested that most of the teams focus on content and very less about process and feelings this explains that teams which are strong on paper can never perform. In this research, further it is explored how team members relate with one another during the stages of evolution of team.



(Source: Tuckman group development stages)

Organizational factors and performance:

have coined the behaviors of employees which are discretionary, not directly recognized by the formal (Organ, 1988) reward system but supports the effective functioning of the organization as organization citizenship behavior. His definition of organization citizenship behavior (OCB) included the behaviors that are distinct and at one's discretion and not being dictated by job contributes to a great extent for overall organizational effectiveness.

(Zhang, 2011) in the white paper has introduced organizational citizenship behavior – anything positive employees do with their own discretion, which supports co-workers and benefits the company by increasing the productivity and efficiency of employees.

(Aggarwal & Singh, 2016) The authors have provided a conceptual framework considering the dimensions of OCBs at Individual Level and at Group Level namely attitude, role clarity, commitment, perception of just, nature of tasks, employee policies and practices, relationship with peers and colleagues and consequences of these on Job Performance. After reviewing the literatures, Aggarwal and Singh have identified the following seven common dimensions of OCB: Helping Behavior: voluntarily involving in helping others and solving organizational problems. Sportsmanship: willingness to sacrifice the personal interest for organization interest. Organizational Loyalty: promoting about the organization to the outsiders. Performing tasks out of free will Organizational Compliance: achieving organizational obedience even when no one is monitoring by being systematic on task. Individual Initiative: volunteering to carry out task activities and taking charge at work. Voluntary involvement in setting goals.

Civic Virtue:

Willingness to suggest actively in organization's governance to improve the work environment.

Self-Development:

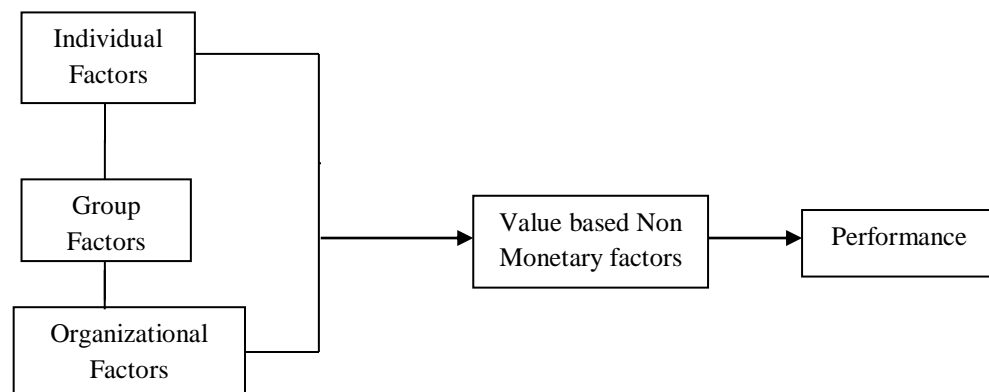
Voluntary behavior to improve skills, knowledge and abilities for better performance.

Conclusion:-

At the outset after conceptually exploring and discussing the value based non monetary indicators related to performance, the researcher has arrived at a conclusion which is described.

Firstly very few or no research is primarily focused on value based non monetary indices linking to performance. However, with the available literature, it is influenced by major three factors. These factors are Individual, Group and Organizational.

Individual factor is influenced by fifteen sub factors viz: Knowledge, Skill, Intellectual ability, Attitude, Agility, Attentiveness, Communication, Emotional Intelligence, Reliability, Being responsive, Value, Perception, Work life balance, Punctuality and valuing the work ethics. Group factor is influenced by fourteen sub factors viz: Adaptive nature, Compromising nature, Team player, Compromising nature, Adjustment character, Assertiveness, Conflict management, Taking Initiative, Being proactive, Leadership, Good Listener, Trustworthiness, Negotiation and Co-operation. Finally, organizational factor is influenced by fifteen sub factors viz: Degree of Specificity, Being systematic on task, Clarity in the interactions, Setting goals voluntarily individual organizational goals, Whistle blowing, Responsiveness to communication, Exceptional results, Transparency at work, Part of organization process, Carrying tasks at free will, Adopting cost saving methods, Voluntary work assignments and Voluntary suggestions to Control wastages. Based on the factors identified, a hypothetical Human Resource Value framework for performance is proposed by the researcher. The research validation of this hypothetical framework is in process.



(Source: A framework of major value based non monetary factors influencing employee performance hypothetically designed by the author)

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