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## A Comparison of Similarities between Iranian and European Organizations in Terms of Lack of Attention to the Human Resources Accounting

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### Abstract

Deployment of skilled human resources is one of the most beneficial and success factors of organizations in today's competitive business context. Neglecting this crucial factor is a failure of organizations in using scarce resources for increasing efficacy. This study aims to investigate the reason of lack of attention to human resource accounting between 1976-1980 in Europe and the correspondence in current Iranian private organizations. The population under study consists of managers and higher accountants in private organizations and the experiment group has been selected from them based on clustering. The t-test has been utilized to examine the hypothesis. Results show a meaningful similarity between lack of attention to human resource accounting in Europe in the past and the contemporary Iranian private organizations. Moreover, after ranking the findings, it is revealed that managers' unfamiliarity with the subject of human resource accounting is the most important factor for neglecting the human resource accounting.

**Keywords:** Human Resource Accounting, Private Organizations, European Organizations, Iran

### Introduction

In the current advanced communities that knowledge and information are expanding rapidly, organizations that are away from up-to-date knowledge are in the way of exhausting the organizations life cycle and, therefore, need to equip themselves with the knowledge in order to be able to stay in business. This important skill is the knowledge of the Human Resources. With sound use of scarce resources available and by the human resources, organizations can progress and fulfill their goals. Ignoring the importance of human resources which is among the most important factors of organization success and which has essential effect in decision making, show some type of failure in financial reports. Professional human resources do contribute to the organizational and business success to such a great extend that most advanced physical resources are incapable to performing to do so. As proceeding in the way

of economical globalization by organizations, the role of administrator position of human resources becomes clear. A Contemporary Human Resources challenge is to re-define the roles for developing HR in this new and unique changing period. Throughout the research, the Authors aim to examine the reason of lack of paying enough attention to this important issue. Researches in this area have constantly revealed a positive effect of providing this type of information in decision making but in financial reports these type of information is not available yet.

Also, based on recent research in some governmental and private organizations it is revealed that in 83% of the governmental organizations there is one top manger that is capable of determining training needs of the HR. This figure in private organizations is only 44%. Only few companies in private sectors tend to invest in human resources accounting.

Despite the attention given to HR and intellectual capital in recent years, in developing countries such as Iran there has not been enough application and complete deployment of the HR techniques at work. This study aims to investigate the similarities of the lack of attention to this important issue in Iran compared to the major reasons in European counties. The reasons are then categorized and ranked based on their importance to illustrate a clear picture of the extend they influence the organizational context.

## **Literature Review**

### ***Human Resource Accounting***

American Institute of Certified Public Accountants (AICPA) (1987) associated with American Accounting Association define human resource accounting as detection and measuring data related to human resources and providing them to the groups concerned. Holtz et al (2007) also believe that HR accounting strives to detect and invest on human resource that they expect to have extra revenue compared to that of ordinary revenue in the future for the company. Based on this definition, the human resource of each organization mentioned in the financial report is expected to increase in revenue from the way of enhancement production process and providing goods and services.

Vadiei and Masroor (2010) define human resource accounting as “measuring achieved value by an employee versus the costs related to him/her from the beginning of employment until post retirement.

Vadizadeh and Heydari (2009) define human resource accounting as accounting process that detect, quantify and measure human resource for management use as a manager can overcome on changes produced by quantity and quality and can make balance between required and those already available resources.

All in all, human resource accounting is measuring, recording, and reflecting HR values in a timely manner in accounting document of organization. This definition explains the important aspects of human resource accounting as follows:

1. Evaluation of HR.
2. Reflecting values in accounting documents.
3. Disclosing information in business financial reports.

### ***HR Accounting Goals***

The main goal of HR accounting is to describe potential capacity of the HR in providing financial report of the organization. The other goals are:

1. Providing economical values of the human resource in order to eliminate the shortcomings traditional accounting.

2. Calculating the level of organization investment in human resource.
3. Increasing the HR management performance
4. Evaluating human resource of the organization from view point of retinue, turn-over or expansion.
5. Detecting applicable advantages and efficacy of investment in human resource.
6. Measuring values that are produce by human resource in comparison with other financial and physical resources.

### ***Limitation of Human Resource Accounting***

Some limitations that cause mangers to be reluctant to the impalement human resource accounting are as following:

1. There is no distinct process and guidance to find the cost and value of human resources in an organization.
2. The time of human resource presence in an organization isn't determined and therefore, measuring it based on unknown future isn't real.
3. Calculating the value for each clerk causes achieve gratuity based on this bases.
4. The method of calculating depreciation of this property is another issue.
5. Based on importance and necessity of issue, tax law doesn't accept humans as property.
6. The method of showing and providing personnel value in financial reports is another question that there isn't an agreement on it in accounting.

### **Background**

Human as a property is an issue with long history and relate to periods that king, masters and proprietors used of human to increase agricultural products or building massive structures. After this period and industrial revelation in Europe that many scholars revealed their opinion and methods, we investigate subjects that relate to proposed issue.

Lalyanpoor (2011) investigated human accounting and need to it in insurance companies and suggest that efficacy of human resource depend on managers of insurance companies to complexity of human behavior and proper use of laws, techniques, and skill of human resources.

Vadiei and Masroor (2011) in a study revealed reason of reducing interest to human resource accounting is simple and primary researches and continuing of research needs development of human resource accounting and this is complex and hard work and only some experts can do it and also needs corporation of organizations and cost of this research is another problem and advantage of this research for supporter companies isn't distinct.

Vadizadeh and Heydari (2010) suggest by passing stages with organizations to achieve global economics, position of human resources become clear and important. Current challenge of executives in human resources is redefinition role of human resources in this period of changing.

Gholami (2007) in a research investigated problems and obstacle of human resource accounting in Iran and his results showed main reason of not implementation human accounting in Iran is lack of knowledge about it between users, investors, credit givers and accountants and also universities and expert communities of country didn't play an influential role about introducing it.

Khani (1998) in a research investigated effect of providing human resource accounting information on management decisions and showed one of the most important reasons of not implementation human resource accounting is lack of familiarity to this subject.

Etemadi and Shahryari (1997) suggest fundamental problem about this issue is don't applicable use of human resource accounting in country to yet and even in advanced countries only some companies used it as trial and advantages of human resource accounting is ambiguous.

Talaneh and Poorya Nasab (1995) in a study that investigates literature of human resource accounting and its significance, targets, measuring it, and reaction of users to human resource reports and conclude problems in this field relate to complexity, behavior of managers and reaction of users.

Flam Holtz (1985) mention five stages in development of HAR:

First stage includes 1960 to 1966: in this period concepts of HAR is inductive from economic theory of "human capital" and is under effect of "new human resources" and centralized organization physiology and effect of leader role in organization.

Second stage includes 1966 to 1971: technical and applicable researches in this period reached patterns to correct measuring and determine identity of potential users and experimental use of HAR in real organizations.

Third stage includes 1971 to 1976: this period can mention as a period that researchers and organizations tend to HAR. Small organizations tried more to implement HAR. In this period conclusions were based on potential effect of HAR information on investors' decision and executive management.

Fourth stage includes 1976 to 1980: this period marked with lack of accounting researchers and trading institutions attention to HAR.

Fifth stage includes 1980 to now: that market with re attention to HAR. This issue by new studies showed as some large organizations struggle to use of HAR.

Based on Flam Holtz research between 1976 to 1980 years that is fourth stage of his research, some condition raised that accounting researchers lacked attention to HRA, based on Flam Holtz reasons of lack attention are as following:

1. Research to accomplish HAR was complex.
2. Companies tend to other issues.
3. Cost of research in HAR field in comparison with ambiguous of its advantage to organizations
4. Needing to interested companies and Organization Corporation to invented methods, beside only few individuals had experiences to do such researches and achieve Companies Corporation.

Roser et al. (1983) in their research about organization's managers behavior and type of handle with HRA suggest that if a theory interpretation has more significant and importance than experimental implementation, this board managers and this is reason of resistance against HRA. In other word accountants seek HRA advantages in theory and its proofing needs real advantage. Before agreement for testing HRA models, executives want to see similar tests results that were successful in other places. Mean that executives mention advantage of a plan before experimental test of HRA.

Tasaklanganous (1980) problem and criteria related to HRA focuses on three main issues. First issue relate to complexity of measuring models. More complexity in a model has understanding risk for managers and human resource of organization and then these models don't have opportunity to staying in applied field because management wants reality,

applicability and effectuality. In struggling to plan HRA information to match with decision makers need, achieving each of three mention criterion simultaneously is so hard.

### Hypotheses

To investigate this research, following hypotheses were tested:

- *First hypothesis: between lack attention to HRA in Iranian private sector organizations and lack attention to HRA in European countries between 1976 to 1980 years there are significant relationship.*

H1: between lack attention to HRA in Iranian private sector organizations and lack attention to HRA in European countries between 1976 to 1980 years there are significant relationship.

H0: between lack attention to HRA in Iranian private sector organizations and lack attention to HRA in European countries between 1976 to 1980 years there are not significant relationship.

- *Second hypothesis: between unfamiliarity of managers with HRA and lack attention to HRA there is significant relationship.*

H1: between unfamiliarity of managers with HRA and lack attention to HRA there is significant relationship.

H0: between unfamiliarity of managers with HRA and lack attention to HRA there is not significant relationship.

### Methodology of Research

Because this research aims to investigate reasons of lack attention to HRA in Iranian private sector organization and lack attention to HRA in European countries between 1976 to 1980 years, after study in this field based on required condition and extracting data, questionnaire was used. From achieve answers of completed questionnaire by managers and top experts of private sector organizations; by cluster sampling a sample was selected. Number selected sample based on research limitations were 116 completed questionnaires achieved from managers and master accountant of private sector organizations. To examine hypotheses 't' test used and then reasons of lack attention to HRA ranked. To analyze achieved data Spss software used.

### Data Analyzing

#### Hypotheses Test

Based on achieved answers to analyzing hypotheses "t" test used and result in brief shown below:

Table 1. Hypotheses examination by "t" test

Description	Calculated t	df	sig	$\alpha$	Result
First hypothesis	62.979	115	0.000	0.05	H1 accepted
Second hypothesis	75.811	115	0.000	0.05	H1 accepted

In the first hypothesis base on the significance level (0.000) H1, acceptance and showing significance relationship between lack attention to HRA in Iranian privet organizations and lack attention to HRA in European countries between 1976 - 1980 years.

In investigation second hypothesis there is significant relationship between lack knowledge of managers about HRA and lack attention to HRA and one of the important reason of lack attention to HRA is lack knowledge of managers about HRA.

**Ranking reasons related to lack attention to HRA in Iran**

Based on achieve answers from mangers and top experts, lack attention to HRA reasons ranked as following:

*Table 2.* Ranking reasons of lack attention to HRA base on experts and mangers answer

Explanation Rank	Reasons related to lack attention to HRA in Iran
First	Unfamiliar of managers with HRA
Second	Complexity of HRA research
Third	Hardness of measuring achieved advantage by HRA implementation
Fourth	Inability to accurate cost estimation related to HRA data gathering
Fifth	Rare experienced individual to accomplish HRA researches
Sixth	Companies attention to other things

Based on ranking results, lack knowledge of managers about HRA is one of the important and essential reason of lack implementation and attention to HRA and complexity of research and difficulty of measurement HRA advantages, places in second and tried places.

**Results**

In this research similarity of lack attention to HRA in the Europe organization between 1976 to 1980 years and lack attention to HRA in Iran’s private organizations investigated. Results show significance relationship between lack attention to HRA in European countries and Iran and show reasons that available in most of counties and by removing this obstacle there is hope to implementation HRA in companies, and less knowledge of managers about HRA is another significant reason to lack attention to HRA and from this view of point that managers are leaders in companies then knowing and understanding positive effects of HRA in reaction of users by managers , implementation of HRA is possible.

**Conclusions**

Based on reasons and finding of research, following affairs suggested to HRA implementation:

1. Training managers by different programs and conferences to increase their knowledge of HRA.
2. Use of methods that their acceptance is easy to managers for HRA implementation.
3. Training individuals to achieve enough skill for HRA implementation.
4. Providing new methods for determining cost of HRA calculation and its future based on change in management point of view.

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