FINDINGS AND CONCLUSIONS

This research had 5 objectives. The first objective was to study the Human Resource Accounting (HRA) practices used in the IT Companies in India. The second and third objective aims to explore the impact Human Resource Accounting information on Human Resource (HR) Professionals decision and Strategic decisions respectively. The fourth objective was to find the impact of HRA practices on motivation level of employees. The last objective deals with showing the impact of HRA practices on the profitability of the organization.

The Data Analysis showed positive results of HRA implementation on various organizational decisions.

5.1 FINDINGS AND OBSERVATIONS

Objective 1: Top 20 IT Companies were selected based on NASSCOM list.

Table 5.1: NASSCOM Top 20 IT Companies

<table>
<thead>
<tr>
<th>S.No</th>
<th>Company Name</th>
<th>S.No</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tata Consultancy Services Ltd</td>
<td>11</td>
<td>Genpact India Pvt Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Infosys Ltd</td>
<td>12</td>
<td>MindTree Ltd</td>
</tr>
<tr>
<td>3</td>
<td>Wipro Ltd</td>
<td>13</td>
<td>Robert BOSCH Engineering and Business Solutions Ltd</td>
</tr>
<tr>
<td>4</td>
<td>HCL Technologies Ltd</td>
<td>14</td>
<td>KPIT Technologies Ltd</td>
</tr>
<tr>
<td>5</td>
<td>Tech Mahindra Ltd</td>
<td>15</td>
<td>Polaris Financial Technology Ltd</td>
</tr>
<tr>
<td>6</td>
<td>IGate</td>
<td>16</td>
<td>Hexaware Technologies Ltd</td>
</tr>
<tr>
<td>7</td>
<td>Mphasis Ltd</td>
<td>17</td>
<td>Infosys Enterprise Ltd</td>
</tr>
<tr>
<td>8</td>
<td>L&amp;T Infotech Ltd</td>
<td>18</td>
<td>NIT Technologies Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Syntel Ltd</td>
<td>19</td>
<td>Zensar Technologies Ltd</td>
</tr>
<tr>
<td>10</td>
<td>CSC, India</td>
<td>20</td>
<td>CGI Information Systems &amp; Management Consultants Pvt Ltd</td>
</tr>
</tbody>
</table>

Note: This list does not include some companies whose corporate headquarters are located outside India, but have significant India-centric delivery capabilities, and have not shared their India-centric revenue figures. Had they been ranked based on their India revenues, companies such as Accenture, Cognizant, HP, Capgemini, Oracle and IBM and would also have appeared in this ranking.
The companies which have implemented the HRA, have been identified through various secondary sources of data like Annual Reports, Newspaper Reports, Research Papers, etc, and through primary source like telephonic conversation with HR managers. The theoretical model used for calculation of HRA by the companies, was understood which subsequently became a base to suffice a secondary objective (giving most acceptable HRA model). The research found that only four IT Companies in India (from the NASSCOM list of top 20) were using Human Resource Accounting (HRA) as a tool for valuation of employees.

<table>
<thead>
<tr>
<th>Table 5.1: IT COMPANIES USING HRA MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>1 Infosys Technologies Ltd.</td>
</tr>
<tr>
<td>2 KPIT Cummins</td>
</tr>
<tr>
<td>3 Mahindra Satyam</td>
</tr>
<tr>
<td>4 Zensar Technologies</td>
</tr>
</tbody>
</table>

Observations

These companies were publishing the information in their Annual Reports and information was used only at Strategic level. The reason for implementing HRA could be that these IT Companies operate in the highly competitive ‘knowledge economy’ market where there is lot of emphasis placed on the quality of the skill set of the workforce.

Thus, by publishing such information in the public domain, they hope to send out the message loud and clear to the investor and clients that they have a highly competent and skilled workforce at their disposal, which in the long run, would boost the stock price of their companies. Samrat (2009) holds the same opinion.

All the companies studied in this research have used the Lev & Schwartz Model or Flamholtz Model for HRA calculations. In fact, other Public Sector Undertakings (PSUs) such as BHEL, SAIL, ONGC, etc have also adopted the same model. Owing to the limited scope of the research, their practices have not been made a part of this study. Nevertheless, the information from the HR managers and employees of these IT companies shed enough light about the utility of HRA in decision making and its impact of motivation.
Chapter 5: FINDINGS AND CONCLUSIONS

It was observed that Human Resource Accounting Information is reported in annual reports and reported through Directors’ report, Profit and Loss Accounts and Chairman’s Report.

**Objective 2 and 3:** This being an Inductive Study, experts from HR and Finance field were consulted to understand the concept and its problems. The experts included people from Academics, Industry (HR managers) and Chartered Accountants. Their awareness level about the concept was gazed. They were asked their opinion about the problem faced by the concept and probable solutions for the same. Research papers have been published on this part of research (Appendix C). Findings from the research show that lot of people may not appreciate the implementation of the concept as utility is unknown to managers. Hence, there was a need to show an impact of HRA on decisions of HR department, both at tactical and strategic level.

In the hypothesis a detailed view of all the functions to be studied are written. It was decided to find the impact of HRA on Human Resource Planning, Performance Management System, Training and Development and Compensation Management System. A Questionnaire survey was administered to HR professionals of those IT companies to find the impact of HRA on HR decisions and thereby on the profitability of the organization. The finding of the impact study does indicate that majority of the respondents indirectly said that measuring of the value of human resources as important and this information does have impact on their decisions. Evidences were provided that there is a strong relation between (human resources decisions related to HRP, PMS, T&D, Compensation Management, etc) and the HRA information provided to take these decisions.

**Observations**

While dealing with HR managers of the IT companies under study, it was observed that even though HRA is implemented, they were unaware about the fact. Majority HR managers have just heard about the concept but never actually worked on it.
From the conversation with HR managers, while administering the questionnaire, it was clear HR managers are unhappy with Performance Appraisal process. One of the managers quoted:

“As we all know, IT organization employees work in teams. Consider in a team there are five members who are to be appraised based on ‘Bell PMS’. It is very obvious that, one employee would be the best performer, one would be non performer and other three would be average performer. The person who has been rated as non-performer may have performed well but as compared to other four members, he might have lacked by one point. Moreover, there is a possibility that he might have performed better as compared to team members of other teams in the organization, but he has to be rated in the same team. Also, since the rating is all given by their immediate superior, there are obvious chances of been biased. All these things bring a lot of dissatisfaction to employee. In addition to this, if a person is a non-performer, he is a kind of on a ‘Probation’ period, if he don’t perform, he has to leave the organization. This is the result of current PMS.”

It was evident that there is a requirement of a better system to manage resources properly.

Moreover, managers were apprehensive about filling the questionnaire. They were scared of that action that would be taken against them, if company information is leaked. However, the questionnaire just had opinion based questions. To the researcher’s surprise, it was observed that managers of Tech Mahindra were more cooperative as compared to other companies. Infosys, which claims to be the most transparent company, had the least response rate.

**Objective 4:** Researcher attempted to understand the impact of HRA on motivation level of employees. Second Questionnaire survey was administered to employees of those IT companies to find the impact of HRA on their motivation level. It was expected that this research will provide a reference to managers of Indian IT organizations to implement HRA effectively in order to assess impact on employees' motivation through valuing them as one of the most profitable and important organization's assets. Accordingly, the HRA impact was investigated and discussed in 4 IT companies so as to
assess how far HRA can be helpful in those organizations. The results showed the positive impact of HRA on employee motivation.

**Observation**

It was observed that employees were quite indifferent with the organization. They just needed to seek experience from a company with good brand image to enrich their resume to get better opportunity outside. A connect between employee and management was absent.

**Objective 5:** Researcher aimed to find the impact of HRA on profitability of the organization. Through various questions related to cost cutting initiatives, monitoring investments, right and quick decision making, and the said impact was assessed. The results were positive.

Following is a detailed view of the Findings and the Conclusions thus drawn from the research study:

### 5.2 FINDINGS AND CONCLUSIONS FROM QUESTIONNAIRE

#### 5.2.1 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON HUMAN RESOURCE PLANNING DECISIONS OF HR MANAGERS

The first hypothesis was to find the impact of HRA on HRP decisions. As discussed in the chapter of introduction, lot of activities fall under the array of HRP function. But for the purpose of study, recruitment budget making, selection of a candidate and choosing turnover control proposals were selected.

i. HRA gives a detailed view of all the direct and indirect costs required for making recruitment budget. Under recruitment head, indirect costs included costs of identifying a job vacancy, cost of locating a source of manpower and cost incurred in contacting the candidates. In selection process the indirect costs are the cost of time spent in processing applications, cost of designing the test material and cost of conducting tests. When HR managers were provided with this information for taking decisions related to recruitment budget, they agreed
that HRA information will prove helpful in taking decisions pertaining to framing recruitment budget.

ii. At individual level, HRA gives information about the candidate such as Total Expected Contribution and Probability of Staying with the organization. This helps HR managers to compare between the candidates on the basis of their expected services and tenure with the organisation. Thus, HR managers are in a better position to select a suitable candidate for their organization.

iii. In case of employee turnover control proposals, HRA gives information about cost borne by the organization with each employee leaving the organization, proportionate number of employee turnover and total cost of the proposal including additional costs. Also, it provides the HR manager with proposal of highest and lowest investment. Additional and most importantly, it tells managers about the cost the company has to incur if none of the initiatives are taken. All these information helps HR managers to take correct decisions about choosing the appropriate attrition control proposal.

Hence, it can be concluded that the HRA information helps HR managers in making a recruitment budget. It assists HR managers while selecting a candidate during an interview. It also, supports HR managers in taking decisions related to selecting a proposal for turnover control.

5.2.2 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON PERFORMANCE MANAGEMENT SYSTEM DECISIONS OF HR MANAGERS
The second hypothesis was to find the impact of HRA on PMS decisions of HR managers. Number of activities fall under the purview of PMS function, but for the purpose of study few were selected. These are discussed below:

i. Presence of HRA information such as expected contribution of the employee, probability of leaving the organization, profit from each employee and cost of replacing the employee along with performance information, leads to HR
manager’s decisions to be concentrated towards one particular person. The possibility of human error reduces in decision making.

ii. HRA information helps them in deciding the increase in the compensation at the time of promotion. When asked HR managers about the impact of HRA information on other activities, they opined that it helps HR managers in planning incentive system (performance based incentives) for individual employee.

iii. HRA information helps to compare employees of different designations and across different departments.

iv. It helps in better performance decisions instead of subjective evaluations conducted in Performance Management and to set performance target for selected individuals whose HRA value is high.

v. Also, use of numerical HRA value of an individual will help HR managers in performance decisions as compared to subjective evaluations conducted in Performance Management System.

vi. HRA information helps HR managers to decide rank (job level) of an Employee.

vii. Aggregating the performance of all the employees of the organisation, it can help to predict the organizational performance.

Hence, it can be concluded that, HRA information along with performance record benefits HR managers in taking decision about promoting an employee. It helps in framing performance based compensation system. HRA can prove as best Performance Appraisal Method. Also, it can help to predict organizational performance.

5.2.3 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON TRAINING AND DEVELOPMENT DECISIONS OF HR MANAGERS

The third hypothesis was to find the impact of HRA on T&D decisions. For the purpose of study, activities such as selecting a candidate for training, ROI of training and training transition matrix were selected.

While selecting a candidate for training, HRA information was given to HR managers in terms of total expected contribution and probability of staying with the organization,
total investment made by the organization on individual employee till date and Individual ROI on training.

i. On account of presence of HRA information along with traditional training related information, HR managers’ decisions are concentrated towards one particular person. Thus, it can be said that the possibility of human error reduces in decision making.

ii. If HRA information in the form of ‘Value of an employee before and after attending a training program’ is given, it will help HR managers to select a correct training program for employees.

iii. Also, HRA information helps HR managers to analyze Return on Investment of training program and motivate employees to attend those trainings by showing them the impact of attending a training program in terms of transition (promotion) matrix.

Hence, it can be concluded that, HRA information along with traditional training related information helps HR managers in selecting a right candidate for Training. It can help HR managers to choose and implement apt training program with higher ROI. It can also help managers to motivate employees to attend training program.

5.2.4 FINDINGS AND CONCLUSION ABOUT IMPACT OF HRA INFORMATION ON COMPENSATION MANAGEMENT DECISIONS OF HR MANAGERS

The fourth hypothesis was to find the impact of HRA on Compensation related decisions. For the purpose of study, activities fixing salary, allocating benefits, deciding the incentive and performing job evaluations were selected.

i. According to HR managers, HRA information helps HR managers to decide the salary of an individual during the interview and during the promotion. The information about the candidate’s expected contribution can give them a clear picture about money to be offered to that individual in the form of compensation.

ii. It also helps HR managers to decide the various allowances to be paid to the individual.
iii. HRA information helps HR managers in performing job evaluations and planning incentive system performance based incentives) for individual employee. Hence, it is concluded that HRA information has a positive impact on Compensation Management Decisions of HR Managers. Moreover, if compensation decisions are made by using HRA system, the possibility of employees being satisfied with their compensation is higher.

5.2.5 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON ORGANIZATIONAL PROFITABILITY

HR function was dishonored on account of unavailability of information about its contribution in the profitability. HR function and its output were never measured in monetary terms and HR managers could never show a tangible output in terms of cash generated. HR department is fortunately or unfortunately, is in a function of maintaining the business. Hence, HR managers are unable to portray a concrete output. As it is rightly said that money saved is money earned and right investments made also leads to Profits.

i. HRA information enables HR managers to save cost otherwise invested in incorrect decisions related to making recruitment budget and investing in correct training programs and right person.

ii. If comparative ROI and promotion charts of all the training programs (like the one mentioned in table above) are given to HR managers, it will help them to choose between the various training programs available and take a correct and cost effective decision.

iii. If HRA value of an individual is high, managers can set high performance target for him.

All these initiatives will help HR managers to show their role in the profitability in the organization. Thus, it can be concluded that HRA implementations helps HR managers to save cost and thereby increase profitability. Also, it is a tool that is capable of showing HR department’s contribution in profitability of the organisation.
5.2.6 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON ORGANIZATIONAL STRATEGY

HR function in the pursuit of an identity in the Strategic functioning of the organization, have got involved in corporate decision making. Since major decisions are related to the Human Resources (employees) of the organization, HR personnel have found their role in Board of Directors.

In this study, an attempt was made to understand the impact of HRA on Strategic HR decisions. Based on the various questions asked related to recruitment budget, attrition control, performance management methods and selection of training program the impact can be gauzed.

i. As discussed in earlier, HRA information helps HR managers in preparing appropriate recruitment budget and take correct decisions in relation to Attrition control.

ii. If comparative ROI and promotion charts of all the training are given to them, it will help HR managers choose between the various training programs available.

iii. Human Resource Accounting can be used as a performance appraisal method, as it would give fair performance reports and serves at tool for multiple functions of HR.

iv. HRA information helps to predict organizational performance.

Thus, it is concluded that HRA is a management tool for array of Strategic decisions such as making Recruitment Budget, Investing in Trainings, Performance Appraisal Method and Predicting Organizational Performance.

5.2.7 FINDINGS AND CONCLUSIONS ABOUT IMPACT OF HRA INFORMATION ON MOTIVATION LEVEL OF EMPLOYEES

From the second questionnaire, researcher tried to find, does implementation of HRA motivate employees. Maslow’s, Herzberg and ERG theory of Motivation were taken as base to study the motivation characteristics of the employees.

i. Employees get a feeling of recognition and they take more interest in their work if their services are valued.

ii. Awareness of investments made by organisation on the employees makes them responsible to contribute services worth higher than the investments.
iii. Knowledge about employee’s money value will help them to get idea about increase in the performance required for career advancement and will increase their willingness to develop skills to reach at higher level of valuation. Also, it would remove the dilemma as to are they getting right salary for the services rendered.

iv. Employees would be happy if Human Resource Accounting value is considered as one of the parameters for defining company’s compensation philosophy.

v. Knowing the fact that every individual is evaluated and paid based on common, fair and transparent criteria, will improve interpersonal relationships for better teamwork.

vi. Employees have a feeling of self-respect, achievement and self-contentedness when they know that they fairly contributing towards the profitability of the organization. Thus, it can be concluded that implementation of HRA in the organisation motivates the employees. Motivated employee is a productive employee. Hence, employees would perform better in jobs, employee attrition would decline, absenteeism would be lower and positive work environment would be seen in the organisation.

5.2.8 Findings and Conclusion about the Sample Characteristics
i. For first questionnaire, the respondents to the questionnaire were HR Managers of IT companies, majority of them have 9 and more years of experience, and they worked at least on two functions of HR.

ii. For second questionnaire, the respondents to the questionnaire were IT employees who had a formal management degree.

iii. The personal characteristics of respondents had no effect on the research fields except for the job title characteristic and experience characteristic. Hence, it is concluded that research has got suitable respondents for answering the questionnaires and thus got accurate results regarding HRA utility in the investigated organizations.

The overall conclusion that can be drawn out of this research is that although there's no doubt that HRA is a new concept which is very new to most HR managers; it is found
that the HR managers find it very useful in decision making both at Tactical and Strategic Level. HRA implementation has positive impact on motivation level of employees. The significant results of almost all the hypotheses can be interpreted as HR managers will definitely benefited if HRA information is made available to them and the results are universally relevant.

5.3 KEY CONTRIBUTIONS OF RESEARCH

The following were the outcomes of the research:

1. The study confirms the positive impact of HRA on various functions of HR department such as Human Resource Planning, Performance Management System, Compensation Management and Training & Development.

2. It also confirms that HRA has positive impact on Strategic Decision Making of the organization.

3. It proved that HRA and organizational profitability are positively related.

4. The study further confirmed HRA implantation leads to employee motivation.