

Human Capital Development in Crisis Conditions. Evidence from Romania

Ana-Maria Cocariu¹

¹*Bucharest University of Economic Studies, Bucharest, Romania*

E-mail: cocariuana15@stud.ase.ro

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Abstract

Human capital is a very powerful contributing factor in the success and sustainability of organizations, being considered the most valuable resource of companies. This study aims to find out to what extent the development of human capital has evolved in pandemic conditions in Romania. Furthermore, because today, in accounting practice, the human capital is treated in financial statements as an expenditure rather than as an intangible asset that is expected to generate future economic benefits for organization, this paper also explores the current view point of chartered accountants and professionals in the field on whether or not human capital should be measured and included on the financial statements, respectively on the balance sheet. Therefore, in order to achieve these objectives, a descriptive research was implemented, structured through a survey that was distributed to the members of The Body of Expert and Licensed Accountants of Romania (C.E.C.C.A.R.) and professionals in the financial-accounting field, thus obtaining a number of 165 answers. The results show that most of respondents feel support in terms of professional development from the company in which they perform and believe that it is necessary to quantify human capital for the company's image to be presented in a more accurate and real way. At the same time, most respondents do not consider that once measured human capital it should be included on the financial statements, respectively on the balance sheet. This paper can provide a starting point for future steps of entrepreneurs in terms of human capital development, but also for institutions that regulate the relevant professions in the financial-accounting field, to outline new directions in the measurement and evaluation of human capital and to highlight once again the importance of this resource for business sustainability.

Keywords

Human capital development, sustainability of organizations, crisis conditions, development trends and training areas, responsibility for professional development, measurement of human capital, financial statements.

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Introduction

Today we are facing irreversible processes of interest for both human resources and accounting, such as: globalization of economies, development of capital markets, the emergence of new financial products, digitization and automation of employees activity, their development and improvement to cope with change. Accounting, as a social science, has been modeled and perfected in such a way as to meet the information requirements of the moment (Ristea, Jianu and Jianu, 2010).

The functionality of the national economy depends on two types of resources: physical capital and human capital (Olaniyan and Okemakinde, 2008). An economy with a higher total stock of human capital will experience faster growth (Romer, 1990), and the growth of organizations and, implicitly, of the economy, is positively related to the quality of human capital and the investments of organizations in it (Santos-Rodrigues, Dorrego and Jardon, 2010). Human capital is also a factor supporting innovation (Leiponen, 2005) and sustainability, through constant adaptability. Researchers has identified that the formation of a

management that encourages the adoption of an innovative climate and openness to technological innovation influences the innovation process and, implicitly, the sustainable development of companies.

The recent health crisis caused by Covid-19 shook the global economy. The market reaction to the pandemic is considered unprecedented even compared to previous major outbreaks such as the Great Depression and the Spanish Flu (Baker et al., 2020). If the objectives of the companies before the pandemic were to obtain a better market share, a higher turnover or a higher profit, in the pandemic period the only objective of the companies was firm survival. Due to the economic uncertainty, managers were put in a position to make quick decisions regarding the activity of companies, so that their managerial ability and, implicitly, human capital played a key role during this period. For this reason, the development and continuous preparation of human capital is the quintessence of adaptability in the face of uncertainty and the reorientation towards the identification of new opportunities in the market.

All the periods of economic insecurity and, implicitly, of crisis aroused the interest of researchers in terms of business sustainability, especially in such conditions. Sustainable development is considered „the development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environmental Development, 1987, p. 41). According to Kumar and Zbib (2022), the organizational level, the vision of sustainable development has led to concepts such as sustainability management, corporate sustainability (Schaltegger and Burritt, 2005), sustainability innovation and sustainable entrepreneurship (Schaltegger and Wagner, 2011), and social business (Yunus, Moingeon and Lehmann-Ortega, 2010).

1. Literature review

Human capital is the main engine of action of the company, being the most important resource that leads to the achievement of the set objectives and, implicitly, of the performance, but also one of the elements that influence the innovation. The significance of human capital in a hypercompetitive environment like the one that exists today is undoubtedly extraordinary (Liepè and Sakalas, 2014). Thus, the role of human capital is a vital one in the existence, survival and development of the company, being considered „the most important capital” (Hitt and Duane, 2002) and „a central element of the theory of economic growth” (Storper and Scott, 2009).

However, in practice, good results are achieved in those more developed countries, which have remarkable natural resources and a high-tech material base. This does not negate the role of human capital in the process of economic development but must be based on appropriate economic calculations (Liepè and Sakalas, 2014). The value of resources is always dependent on knowledge, individual or managerial, and human capital outlines new ways of thinking about technology and its economic and social impact (Galabova and McKie, 2013). This impact of human capital in the process of value creation is recognized internationally as an important issue (Baron and Armstrong, 2007; Hsu et al., 2007; Crook et al., 2011; Coco, Jamison and Black, 2011; Liepè and Sakalas, 2014).

Over time, economists have defined the concept of human capital as largely associated with the terms: knowledge and intellectual capital, but it has subsequently been proven that this emphasis on knowledge does not fully capture the whole concept (Arvanitis and Stucki, 2012).

In recent years, the notion of human capital has evolved significantly. Currently, the concept of human capital includes a wide range of human attributes relevant to performance and productivity in the workplace, ranging from personality traits, attitudes and values to characteristics such as creativity, well-being, self-efficacy and resilience (Lenihan, McGuirk and Murphy, 2019).

In addition to the set of skills, knowledge and other capabilities that people have and that can be translated into productivity (Abel, Dey and Gabe, 2011; Fulmer and Ployhart, 2013), adopting an innovative thinking style can be a determining factor in the development of companies.

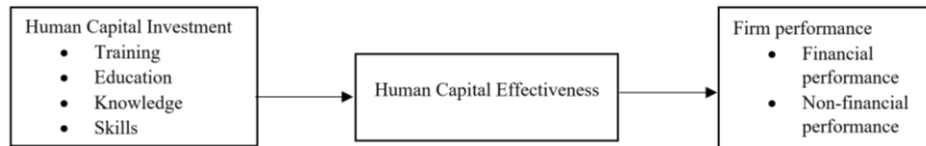


Figure no. 1. Conceptual Model linking Human Capital Investment, Human Capital Effectiveness and Firm performances

Source: Marimuthu, Arokiasamy and Ismail, 2009

In the new era, human capital – the time, talent and energy of employees, together with the ideas they generate and implement – is the fundamental element in achieving superior performance. In other words, human capital has become the main source that determines the creation of a competitive advantage, a daily competitive advantage that can only be achieved with the help of the knowledge that employees have (Siddiqui, 2012), and the companies that manage this source with the same attention with which they treat financial capital will perform much better than the rest of the entities.

Iulia Jianu (2007), in her Assessment, Presentation and Analysis of Enterprise Performance, define performance „as a state of competitiveness of the enterprise that ensures sustainable market presence. Performance is an indicator of potential future outcomes that occurs due to meeting strategic objectives. So performance does not characterize a situation of the moment, it always refers to the future”.

2. Research methodology and data

The main purpose of this research is to bring to the fore the development of human capital in crisis conditions, more precisely the determination of the impact that the pandemic situation had on its development and, at the same time, whether its quantification can contribute to obtaining a more accurate image of the company's financial position. A qualitative-descriptive research approach was used, by submitting for completion a form containing the key questions referred to in this study.

The population to which this form was sent consists of members of C.E.C.C.A.R. with legal personality, whose visa to practice the profession for the current year (2022) is valid, excluding freelancers and affiliated members whose email addresses can not be found on the Membership Table, available on www.ceccar.ro. Therefore, a sample size comprises 2,177 C.E.C.C.A.R. members, of which only 129 respondents. 112 companies did not have the correct email address or it was missing. The survey was also distributed through networking groups and to professionals in the financial-accounting field or related fields, who do not have the qualification of expert accountant. Therefore, the total number of respondents is 165. The Microsoft Office - Excel program was used for data processing, analysis and discussion.

3. Results

The study that was delivered to the expert accountants and professionals in the field included, as the case may be, a maximum of 32 questions. 72.12% of the respondents mentioned that they operate within a private company, with (predominantly) romanian capital, 7.27% in a multinational, 6.67% in a private company, with (predominantly) foreign capital, 6.67% are freelancers, 6.06% work in a public institution, and the remaining 1.21% are active in an NGO.

97.58% of the respondents have completed higher education (bachelor's, master's, doctoral or MBA program completed), and 82.42% hold a professional qualification in the field. Also, 89.70% of the respondents have an experience in the field of over 5 years.

Taking into account the pandemic situation, 44.24% of the respondents mentioned that it was not at all difficult for them to adapt to the transition to an intensive use of technology, but for 1.82% the difficulty level was raised. The rest of the respondents considered the intensive use of the technology to be mild.

Among the activities that registered an increase in the workload during the pandemic period were the following:

Table no. 1. Activities increased the most in pandemic

Activity	% of respondents who consider an increase in the volume of activity
Management of customer relations	23.64%
Relationship management with colleagues and superiors	13.33%
Legal monitoring	10.91%
Management of professional tools	4.85%
Data management	13.94%
Day-to-day tasks	33.33%

Also, among the elements that have been influenced by the pandemic situation, we mention:

Table no. 2. Impacted elements because of remote work during lockdowns

Elements / Number of respondents	1 – To a very small extent	2 – To a small extent	3 – Average	4 – To a large extent	5 – To a very large extent	Total respondents
Hierarchy relations	55	40	47	18	5	165
Customer relation	28	31	61	31	14	165
Working hours	36	32	50	28	19	165
Democratization of remote working	31	29	63	29	13	165
Required professional skills	39	43	44	29	10	165

Therefore, most of the respondents believe that hierarchical relationships have been least influenced by remote work. Also, most of the respondents consider that the relationships with the clients were affected to an average extent, depending on the relationships they had with them before the pandemic situation. In the same situation there are elements such as working hours, democratization of remote work and the necessary professional skills.

Asked to what extent they consider that their professional development, constantly, is important for the activity they carry out, 78.18% of the respondents consider that this is extremely important. With ratings from 1 to 10 at their disposal, all respondents have given ratings starting with grade 5, which means that, in one manner or another, no respondent considers professional development to be unimportant. This result reinforces the theoretical aspects that emphasize that the lack or disinterest in the formation of human capital is linked to low competitiveness.

Over 59% of the respondents said they felt support from the company in which they operate, about 12% of them said they did not benefit from any support, and the remaining 29% said they were their own business leaders. Most of the participants who did not feel the support from the company in their professional development work in companies with a number of employees between 1-50.

Therefore, taking into account the number of employees, we can say that these companies are small, and the lack of support can be justified also by the limited resources available to the company, but also by the lack of vision and concern of the management towards achieving performance. 7 of the respondents who did not feel supported in this endeavor say that the pandemic situation influenced this aspect, the company and the management having other objectives set to overcome the crisis situation. For the remaining 13 respondents, the situation persists before the beginning of the health crisis.

Out of the total number of respondents, excluding freelancers, 46.61% say that the pandemic situation has influenced the support provided by the company, both morally and financially.

27.19% of the respondents said that they benefited only from moral support, through understanding and flexibility in the treatment and organization of activities.

Regarding the training areas of interest for the specialists in the financial accounting field, among the most relevant topics to be addressed in the following training courses are:

Table no. 3. Areas for future trainings

Areas for future trainings	% of respondents
Social and environmental impact management	16.36%
Social capabilities development	27.88%
Teamwork and collaboration training	60.61%
Professional knowledge development	79.39%
Data analytics	47.88%

As stated by the studies in the field carried out by important researchers, 69.09% of the participants consider human capital to be extremely important for the companies' activity, and a percentage of 85.45% consider that this resource so important for the company should be quantified. But once measured, only 36.17% of respondents consider it useful to present this quantification in the company's balance sheet.

Conclusions

After analyzing these answers, it is confirmed once again that one of the most important resources available to the company is represented by human capital. It occupies a very important role in the development of companies' activity and in business development, and investments in this resource should not be neglected. Professional training and investing in quality human capital is the key to a sustainable business that constantly evolves and adapts to the needs of the market, bringing added value and producing innovation.

At the same time, investing in human capital should also include resources as effort, time, not only financial resources. This can be a good start for small companies to get out of anonymity, to make themselves visible and to achieve performance in the activity they carry out. Taking into account that in the last two years we have faced a lot of pressure and uncertainty from an emotional and psychological point of view, moral support for employees can be the starting point or the moment of welding of the relationship between employers and employees.

Also, by training and educating the human resource, the key to sustainable businesses can be obtained, which brings added value to the community in which it operates.

This study presents the position of practitioners regarding human capital and its development in conditions of the health crisis caused by the spread of the SARS-CoV-2 virus. Also it creates possible directions for the development of professional accountants. However, the main limitation is related to the number of respondents: 129 C.E.C.C.A.R. members out of a total of 2,177 CECCAR members (companies, with visa for 2022).

The results of the research show us the desire of professionals in the field to measure human capital in order to provide a more accurate image of the resources available to the company, but most of them are convinced that this measurement of human capital should not be introduced in the financial statements, respectively in the company's balance sheet, because there is no clear way to achieve this and in the same unitary way in all companies.

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