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Reflections on the progress in accounting for people and some observations on the prospects for a more successful future

Eric G. Flamholtz
Anderson School of Management, UCLA, Los Angeles, California, USA
Ulf Johanson
Karolinska Institutet, Stockholm, Sweden, and
Robin Roslender
Aalborg Business School, Aalborg, Denmark

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Abstract

Purpose – The paper celebrates the fiftieth anniversary of the publication of Flamholtz's seminal paper on the Human Resource Accounting approach to taking people into account, providing a critical review of its progress since that time and offering some thoughts on how the project might now be beneficially shaped.

Design/methodology/approach – The paper provides an authoritative review of the progress of the accounting for people project to date.

Findings – The continuing exploration of how it might be possible to take people into account is identified to be entering a new and exciting phase.

Research limitations/implications – The authors readily acknowledge that what the paper provides is an account of the evolution of the accounting for people field, which they argue is currently extending into a new and important phase relating to employee health and wellbeing.

Originality/value – The paper's principal contribution lies in bringing together three authors who have made significant contributions to the topic of accounting for people over the past 50 years.

Keywords Accounting for people, Employee health and wellbeing, Human capital accounting, Human resource accounting, Human resource costing and accounting

Paper type Research paper

1. Introduction

In early 1968 Eric Flamholtz published a paper in *The Accounting Review* with his colleagues Brummet and Pyle, asserting the heresy that in order to account for people researchers might benefit from viewing this challenge from a managerial accounting perspective rather than seeing it as an exercise in expanding the scope of financial accounting (Brummet *et al.*, 1968). In a relatively short space of time, Human Resource Accounting (HRA) and Flamholtz's perception of its purchase had become a major focus within the accounting research community. The first edition of his seminal *Human Resource Accounting: Advances in Concepts, Methods and Applications* volume appeared in 1974, documenting the growth of accounting for people field at that time. A second edition followed in 1985, by which time accounting for people had all but disappeared from the research agenda. A decade or so later, intellectual capital (IC) emerged as an exciting new field of enquiry, including by accounting researchers. As one component of IC, human capital inevitably attracted attention, including

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from Grojer and Johanson, two senior researchers at the Personnel Economics Institute (PEI) at Stockholm Business School who, together with a group of colleagues, had quietly been working at accounting for people by means of their Human Resource Costing and Accounting (HRCA) approach. By the time Flamholtz published the third edition of his text in 1999, he was devoting the greatest part of his time to research and consultancy in the organisational culture field (Flamholtz and Main, 1999). The resurgence of interest in accounting for people proved short-lived; however, as IC and kindred fields slipped down the research agenda after the mid-2000s. Fortunately, again the topic did not disappear entirely. The recent emergence of Integrated Reporting (IR), identifies accounting for human capital to be one of its constituent challenges.

The pivotal role that people play in the value creation process ensures that those within the accounting research community and far beyond it, who readily acknowledge their individual and collective contributions will continue to pursue an appropriate means of taking people into account. To celebrate the fiftieth anniversary of the publication of the Brummet *et al.* paper, the challenge of fashioning *an* account of the accounting for people field during the intervening years, and in particular underscoring the enduring relevance of Flamholtz's axiomatic "think people" exhortation was willingly embrace by the authors. Despite half a century of work that demonstrates the futility of seeking to "put people on the balance sheet", many within the accounting research community still (mis)understand the objective of accounting for people in this way. In principle, the emergence of a new corporate reporting approach in the guise of IR delivers a further opportunity to fabricate a progressive accounting for people initiative, although this will first require a considerable effort to ensure that the broader initiative delivers rather more than "old wine in new bottles" (Roslender and Nielsen, 2019). "Think people" challenges researchers to recognise the immense contribution that people, in the role of employees, labour or human capital, have consistently made to the value creation process, however conceptualised. The accounting for people project has always conveyed a radical promise, although this has largely been overshadowed by the perception of it being an interesting if frustrating technical field or an example of enlightened managerialism. In this regard, the present paper is, in large part, an exercise in reminding colleagues that accounting for people should strive to ensure that we recognise the need to not simply "think people" but to firmly endorse their importance as the principal value-creating asset. And with this in mind, we also identify how accounting might contribute to the task of enhancing employee health and wellbeing as a pressing new dimension of its continuing ambition to take people into account.

The paper is organised as follows: Hermanson's ground-breaking Human Asset Accounting (HAA) approach provides the initial focus for the next section, which then shifts to outline Flamholtz's, 1976 managerial accounting informed HRA alternative. In section three Flamholtz's "think people" perspective is discussed before briefly documenting some largely unrecognised impacts that HRA continued to have following its virtual disappearance from the accounting research agenda at the end of the 1970s. Section four revisits examples of accounting for people research that was pursued between the mid-1980 and 1990s, especially that within HRCA, as developed by Grojer and Johanson. The emergence of the IC phenomena in the mid-1990s provided an important fillip to advocates of accounting for people in the guise of Human Capital Accounting (HCA), which provides the focus for section five. The inclusion of human capital as one of the six generic capitals that IR should endeavour to take into account is also identified to provide a new opportunity to promote accounting for people. In this regard, the sixth section identifies employee health and wellbeing as a challenging new focus for accounting for people in the present day, an area that Johanson, Roslender and colleagues have begun to populate with some early contributions. The concluding section of the paper reiterates the main arguments in favour of continuing to

seek a means of taking people into account, emphasising that the principal focus should be on understanding *why* people are important – Flamholtz's early "think people" imperative– rather than seeking further ways of how to measure their importance using financial numbers.

2. To value or to cost: early approaches to taking people into account

The perception that accounting for people is synonymous with putting people on the balance sheet originated with Paton's observations regarding the credibility of any statement of financial position from which "a well-organized and loyal personnel" is absent (Paton, 1922, pp. 486–7). An asset of such importance to the business enterprise demands to be visible in the most important financial statement, the balance sheet. As is invariably the case with truisms of this sort, stating the problem is much easier than identifying a possible solution to it. Paton was very aware of the difficulties entailed in "measuring such factors in terms of the dollar", (still) the fundamental pre-requisite for including any asset on the balance sheet. Consequently, the objective of successfully taking people into account might be recognised as a challenge to the very purpose of accounting itself.

In the early 1960s, Hermanson took up the challenge identified by Paton four decades previously. His HAA approach offered a means to put people on the balance sheet (Hermanson, 1963, 1964). Hermanson initially dismissed the objection that the lack of ownership evident in the case of a workforce compromised the certainty of any future economic benefits, thereby undermining its status as an asset. He argued that it was appropriate to distinguish between conventional owned assets and those he designated "operational", *inter alia* employees, allowing him to proceed to the measurement or valuation challenge – the identification of robust financial values that could be incorporated within a balance sheet. Hermanson's prescriptions are familiar to anyone working in this field and require no further rehearsal here. It is more instructive to recognise two attributes of the project he initiated in his contribution to the debate. The early 1960s was a time when accounting theory took a major leap forward, including the publication of the seminal *A Statement of Basic Accounting Theory* document (AAA, 1967) and the initial debates regarding the merits of alternative models to the traditional historical cost convention in the guise of current value accounting models, exploring interesting accounting challenges such as accounting for people offered further opportunity to debate the merits of such models. More significantly perhaps, at this time accounting was increasingly becoming recognised as financial accounting and reporting, the credibility of which required to be reinforced at every opportunity. If taking people into account was to be pursued it was preferable to accomplish this in a conventional way, i.e. by means of the provision of robust financial valuations.

The search for a robust (financial) valuation methodology that would facilitate incorporating employees within the balance sheet was pursued in earnest throughout the remainder of the 1960s and into the 1970s, something fully documented in the first edition of Flamholtz's *Human Resource Accounting: Advances in Concepts, Methods and Applications* volume (Flamholtz, 1974a). Three decades later, it is still possible to encounter sincere endeavours to achieve what might now be regarded as something of a holy grail, usually at the hands of younger colleagues. Equally, the mention of accounting for people as a research interest invariably quickly moves to the notion of putting people on the balance sheet and a variously informed re-affirmation of the myriad difficulties in accomplishing what remains accepted a worthy, if rather unlikely, outcome. Fortunately, not everyone who has contributed to the development of accounting for people over the past half century has, however, been balance sheet or financial valuation focused. Indeed for most researchers, it is HRA rather than HAA that provides their key reference point.

The term HRA was introduced to the accounting research community in *The Accounting Review* paper Brummet, Flamholtz and Pyle published in April 1968. The penultimate paragraph of the paper is usefully quoted in its entirety:

> It is significant to note that many of the concepts and much of the terminology being used in developing human resource accounting are being adopted from conventional accounting. They are merely being applied to a problem that has been relatively ignored. Although familiar accounting concepts and terminology are being used, human resource accounting is not designed for use in published financial statements. It is intended as a managerial tool. It is designed to satisfy information needs presently faced by operating management. It aims to provide management with relevant, timely, quantifiable, and verifiable information about human resources to encourage informed judgements and decisions. It is future oriented, and thus deals not only with transactions data as conventional accounting, but also with measurements of replacement costs and economic value. Since human resource accounting is intended as a managerial tool, it need not be constrained by accounting conventions, legal restrictions, or tax laws. (Brummet *et al.*, 1968, p. 224).

This quote is unequivocal that the authors sought to position their HRA approach to accounting for people as a managerial accounting development rather than one associated with financial accounting and reporting. This is evident early in their paper when the authors deploy the management planning and control cycle to contextualise the contribution of HRA. It might be argued that in identifying HRA as a managerial tool, as the authors do at two points in the above quotation, HRA could equally well be understood as a contribution to human resource management. Flamholtz, soon to emerge as the key proponent of HRA, had switched from accounting to human resource management as an undergraduate, with Pyle joining him as a doctoral student in human resource management and organisational behaviour in the Institute for Social Research at the University of Michigan. The Institute was led by Likert, who was enthused by HAA, including a chapter on measuring human resource valuation in his seminal management text *The Human Organization: Its Management and Value* (Likert, 1967). Brummet, a senior accounting professor at Michigan, provided the accounting input.

Flamholtz's doctoral dissertation, completed in 1969, was concerned with the valuation of human resources, for which purpose he developed a stochastic model focused on positional service rewards (Flamholtz, 1971, 1972). This focus reflected the prevailing domination of quantitative emphases within the financial accounting and reporting research community, a time when managerial accounting's fortunes were at a low ebb. As Johnson and Kaplan (1987) subsequently argued, managerial accounting was increasingly becoming subordinated to financial accounting and reporting. Cost accounting had long been little more than an appendix to financial reporting, while more management-oriented developments, including budgeting, decision making and performance measurement, had evidenced little progress for a couple of generations. The emergence of a management control sub-discipline in the early 1960s attracted the attention of a growing number of researchers, not only in the US but also in the UK and Europe. Many researchers were seduced by the prospect of integrating management knowledge, not least motivation theory and subsequently contingency theory into the organisational accounting arena. Unfortunately, much of the new thinking had yet to prove itself as being capable of contributing to "better" accounting practice, again largely identifiable as financial accounting and reporting. An interesting exception to this situation was evident in Denmark, where, however, work by Madsen and Worre on budgeting and strategy had more impact within management accounting circles (Israelsen and Rhode, 2005). This was also the beginning of the era of behavioural accounting, arguably a subtly pejorative designation and an area where parking a development such as HRA might also be considered.

3. "Think people"

In 1973 Flamholtz began to develop HRA in the direction with which it is most commonly associated, i.e., the provision of information that would enable managers, accountants, investors and other stakeholders to more effectively manage an organisation's stock of scarce and valuable human resources. Returning to the emphases of the 1968 paper with Brummet and Pyle, HRA was positioned as principally a managerial accounting development. Notwithstanding any potential to enhance financial statements, HRA was no longer to be construed as seeking to put people on the balance sheet. What was being proposed in HRA was little short of heresy, an accounting development that was explicitly oriented to providing management with information designed to promote the better (best) use of the various attributes associated with what Flamholtz soon confirmed was the most important, most valuable and increasingly scarce resource–employees. His identification of a "think people" motivation as being the most important objective of HRA (Flamholtz, 1974b) cannot be understood in any other way. It returns to the aphorism that provides the opening sentence of his 1968 paper with Brummet and Pyle. For his part, Flamholtz was little concerned about whether shareholders sought such information, perhaps safe in the knowledge that many of them were similarly uninterested in putting people on the balance sheet, regardless of its fascination for accounting academics. Nor were the social accounting potentialities of HRA lost on Flamholtz, although again, this was still very much an alien space for shareholders, managers and the great majority of accounting practitioners alike.

From its inception, HRA was commended as a promising development able to generate a set of information that management was perceived to be in increasing need of. This is quite distinct from the intent of HAA, where the objective is to determine an aggregate financial valuation for balance sheet purposes. In their 1968 paper, Brummet *et al.* identified three metrics: acquisition cost, replacement cost, and economic value, which together "should contribute to the objective of developing useful approximations of the unknown value of human resources and changes taking place in this value." (p. 222). A key issue here, again quite distinct from what is implicit in the case of HAA, is the acknowledgement that HRA information will provide only approximations (or alternatively estimates) of the cost of variously making use of human resources. In addition, consistent with one of the fundamental characteristics of managerial accounting information in general, HRA information is envisaged as being future oriented, and thereby at odds with the stock-in-trade of financial accounting information. Arguably, even more significant is the observation that by the middle 1970s, Flamholtz was increasingly focused on the cost of utilising scarce human resources rather than the issue of their financial value. This is consistent with both the traditional emphases of managerial accounting and Flamholtz's axiomatic think people's perspective. In principle, he was unpersuaded of the merits of crude labour cost reduction initiatives as a response to unfavourable cost information. In their place, his preference was for what a decade or so later became known as a cost management paradigm (Cooper and Kaplan, 1988, 1991), which challenged management to identify any potential opportunities for reducing resource utilisation rather than decanting employees

Although somewhat unlikely, in the decade or so following the publication of the Brummet *et al.* paper, accounting for people became a major research focus, with HRA very much in the vanguard. Its subsequent demise, however, was no less spectacular than its ascendency. By the end of the decade, interest in HRA had declined significantly, as researchers exited the field to pursue new issues, an example of what Abrahamson (1991) terms a management fashion. Beyond this, consideration should also be given to the underlying assumption that managers were open to the provision of HRA insights. Did they not continue to be more receptive to new ideas that might result in labour cost savings and thereby increased profitability? HRA did not guarantee to deliver such benefits, as a result of which, the availability of funding to continue what many might have viewed as "blue sky" thinking was

under threat. What is particularly ironic about such an explanation is that only a few years later, popular management discourse loudly intoned that "our people are our most valuable asset" (among several other simple imperatives) (Peters and Waterman, 1982). As ever, however, timing can be everything, and although Flamholtz remained active in the field, managerial accounting was at its nadir in terms of influence.

A further element of an explanation lies in the observation that the accounting profession of the late 1970s did not believe itself in need of excursions into alien territories such as human resource management. More specifically, the dominant financial accounting and reporting branch was comfortably dominating the profession as a whole and poised to create a powerful alliance with aspects of finance that, in time, met the needs of the emerging shareholder value movement (Rappaport, 1986). By the time that managerial accounting had begun to fashion a promising new agenda in the late 1980s, one element of which was the non-financial alternative to traditional cost and value metrics that had hitherto encumbered accounting for people in the 1960 and 1970s, there were major new challenges to account for including time, quality, throughput, resource consumption, product commonality, competitors, customers, brands, etc. People had, by and large, disappeared from the stage, something not lost on Roslender (1995), who continued to feel the need to remind accounting researchers of the need to incorporate them within the evolving new management accounting (Kaplan, 1994, 1995).

3.1 The unseen impact of human resource accounting

Although HRA did not become institutionalised as Flamholtz had originally hoped, it was to have an impact in areas ranging from academic topics to practical areas such as US taxation and government contracts. This impact can be seen in a wide variety of intellectual contexts ranging from the concept of intellectual assets to behavioral economics and behavioral finance. For example, HRA and its intellectual cousin behavioral accounting were subsequently later followed by behavioral finance and behavioral economics. HRA also impacted the management control field, which in turn led to the development of the Balanced Scorecard concept, Flamholtz himself subsequently developing a scoreboard reporting framework (Flamholtz and Aksehirili, 2000; Flamholtz and Hua, 2002; Flamholtz, 2003). HRA also had several further impacts that are not generally recognised and acknowledged. Specifically, it led to changes in US tax law and also to changes in US governmental contracts. In addition, HRA has contributed to a growing recognition of the value of corporate culture, which Flamholtz identifies as a constituent of human capital (Flamholtz, 2005). It is in the corporate culture field that most of Flamholtz's work has been pursued since the publication of the second 1985 edition of his *Human Resource Accounting* text, subsequently updated in 1999 (see also Flamholtz and Main, 1999).

In respect of US tax law, specifically under Section 167 of the US Internal Revenue Code, it was possible to write off the cost of intangible assets acquired in mergers and acquisitions under two conditions: first, the value of the intangible assets acquired could be determined with "reasonable accuracy" and second it a reasonable useful life could also be determined with "reasonable accuracy." Kemper Insurance had previously established that customer lists could be valued, and therefore, written off on this basis and their legal team sought to persuade the Internal Revenue Service that it was possible to do something similar with human assets. Flamholtz was initially invited to review a study by Peat Marwick that attempted to determine the value and estimate the reasonable useful life of the human assets acquired by a stock brokerage firm. In his view, they had done a reasonable job on these dimensions but that in his opinion, there was a stronger basis for achieving this in the form of the human resource valuation model developed in his doctoral dissertation at the University of Michigan. Peat Marwick asked Flamholtz to act as an expert witness in their initial attempt

to persuade the Internal Revenue Service to extend their section 167 provision to human assets. He subsequently provided human asset valuations for two later acquisitions by Kemper of additional stock brokerage firms, his valuations being incorporated into Kemper's tax submissions. As expected, the Internal Revenue Service challenged the academic underpinnings of the submission, but a higher Internal Revenue Service court accepted them. Ultimately the IRS accepted the principle that human assets were a valid intangible asset and changed the tax code to permit their valuations and amortisation.

HRA also led to changes in US governmental contract provision where human capital was involved. Specifically, the US government now allows the reimbursement of costs where a "commensurate advantage" is shown. In several cases involving reimbursement of costs, companies claimed that the cost of using their own private aircraft was justified by the commensurate advantage of the opportunity cost of executive time saved. Flamholtz was again engaged as an expert witness by lawyers representing several large companies, applying HRA models to determine the value of executive time saved (see Flamholtz, 1999).

4. Taking up the baton

The disappearance of HRA from the research agenda and an accompanying loss of visibility of papers focused on accounting for people in the accounting literature continued throughout the 1980s; however, as Weetman (1988) acknowledged it was unlikely that it would disappear completely given its intellectual if not practical appeal. In 1992 Roslender and Dyson published a paper in which they identified a further generic approach to accounting for people that they termed Human Worth Accounting (HWA) (Roslender and Dyson, 1992). Although somewhat sceptical of Peters and Waterman's maxim that employees are an organisation's most important asset, Roslender and Dyson argued that understanding what employers valued *in* their employees, i.e., their worth, potentially provided a pathway to advance accounting for people. Unlike value, the worth was not to be understood in financial terms, at least not in the first instance. This position was informed by Roslender and Dyson's interest in the current developments at that time,within managerial accounting and especially the development of softer and soft metrics. The concurrent emergence of Kaplan and Norton's Balanced Scorecard reporting framework reinforced their conviction that advocates of accounting for people were on the verge of a new period of development (Kaplan and Norton, 1992, 1993, 1996). Nevertheless, in retrospect, it is possible to see in the paper several observations that acknowledge the difficulties entailed in escaping the clutches of financial accounting and reporting.

In 1997 Roslender revisited his paper with Dyson in the *Journal of Human Resource Costing and Accounting* (Roslender, 1997). The journal had been established at the PEI at Stockholm Business School, with a collective editorship, publishing its first issue in 1996. The Institute had been founded in the late 1980s by Grojer, Johanson and their Stockholm colleagues, immediately becoming the home for a new approach to accounting for people in the guise of HRCA. In 1983 Gröjer and Johanson had published an influential book chapter on *personalekonomi*, a Swedish neologism meaning HRCA, following it the next year with a monograph on this new field (Gröjer and Johanson, 1983, 1984). The target readership was managers, together with university students studying accounting and human resource management, disciplines in which Grojer and Johanson were trained. Much of the book's content was about different methods of calculation applied to human resources problems. Existing costs concerned sick leave, personnel turnover, and poor productivity. In the case of investment calculations, the focus was on the potential profitability of recruitment, competence, rehabilitation, and preventive work health investments. While human resources professionals, company doctors and nurses, unions and policymakers quickly became enthused by the book, as a result of which Grojer and Johanson were invited to make

presentations and develop courses, including in the university sector, on these and related issues, largely by management practitioners and their representatives. Accountants were more hesitant.

The then prevailing socio-economic context in Sweden explained this enthusiasm for HRCA (Johanson and Mabon, 1998). Swedish legislation required human resource decisions to be long-term and thus expensive. Following their introduction in the 1970s, Swedish Joint-Codetermination and Job Security legislation had radically reduced the opportunities for the management or the HR function to make decisions relating to the labour force. Such decisions could only be made on the basis of extended negotiations with the unions and often with considerable legal restrictions as to what courses of action might be taken, resulting in an increasing interest in the functioning of the labour force and in developing improved methods to reduce poor HR decision-making, which could only be rectified after an extended period and at considerable expense. In the 1980s, employee salaries were relatively high, although over time these had moderated somewhat. The strength of the unions and the traditional pattern of centralised wage negotiation limited the opportunities for individual companies to control salary levels and to regulate these on the basis of the relative success or failure of the company, however. In addition, social costs in excess of 40% further increased the total cost of employees. The extent to which this resource can be utilised in an efficient way thus becomes an important consideration in running a company. In spite of these favourable Swedish labour market attributes, however, by the late 1980s, sick leave rates were rising rapidly, continuing into the early 1990s, ensuring that managers, HR professionals, unions and company doctors were receptive to HRCA ideas and to learn how to use its tools.

A number of large Swedish international companies, including Electrolux, Ericsson and Volvo, were becoming concerned about their productivity and efficiency in the face of increased competition in the global marketplace and recognised in HRCA a development that had the potential to assist them in this direction. Sweden's large public sector, where service activities such as hospitals and caring for the young and the aged constitute a large part, also evidenced similar productivity concerns motivating sector administrators to focus upon improvements within these areas. Pursuing HRCA was looked upon as a promising way for the future. The emergent private sector quickly recognised that it too had much to gain by following this pathway as sickness absence rates began to creep upwards and the full range of employment costs began to register with senior managers. HRCA also had significant appeal to Sweden's HR professionals who had a perception of a low organisational status compared with their colleagues, at home and internationally. The combination of human resources and HRCA was undoubtedly seen as a means of improving the status and competence of the HR function and its ability to play a part in the strategic decision-making of the company.

During the later 1980s, Grojer and Johanson published further material on the purchase of HRCA and its constituent insights and tools, including Gröjer and Johanson (1988), Johanson (1987) and Johanson and Johrén (1989), together with several other Swedish researchers. Focus on employee investment techniques proved particularly important. The Johanson and Johrén text has subsequently been revised every fifth year and is still being sold primarily to HRM students and employees in the occupational health services in numbers that have not diminished since the millennium. After a high demand for the book during the first five to ten years, the number of copies sold decreased to a stable level that does not seem to diminish.

With HRCA now rapidly gaining momentum within Sweden, and a home at the PEI, a critical mass of researchers had begun to assemble. In addition to the initial foci on costing and investment techniques new ground was struck, with Grojer and Johanson beginning to experiment with some form of extended profit and loss account that incorporated a range of personnel costs, including turnover costs, costs of absence, "social costs" and retraining costs.

As a consequence, it was possible to identify otherwise profitable enterprises as making losses, as a case study at Volvo illustrated (Grojer and Johanson, 1996). In 1991, the Swedish government had proposed a legal obligation for organisations with more than 100 employees to provide an account of personnel costs (e.g. personnel turnover, sickness leave, training, and working environment) in the annual report. The proposal was based on political interest in improving the working environment. For many reasons, the proposal was withdrawn. However, most of the bodies to which the proposed legislation was submitted for additional views were positive to the idea of having better information on personnel costs, which this alternative profit and loss account provided.

Autumn 1997 saw several related proposals presented in the Swedish Parliament concerning legislation to increase the transparency of human capital investments in enterprises. For example, both the Swedish Commission for the Promotion of Adult Education and Training and the Swedish Commission for Sickness and Work Injury invoked HRCA. The latter Commission emphasised the importance of strengthening the awareness of employers of the consequences of profitability of investments in rehabilitation and preventive measures. They suggested that different measures needed to be taken to increase this awareness, including HRCA methods. In addition to this interest in Sweden, HRCA ideas had begun to attract organisations outside Sweden, e.g., the Danish Labour Union, the Finnish and Danish governments, the EU, and from the OECD. As noted earlier, the *Journal of Human Resource Costing and Accounting* had begun publishing in 1996, its initial editorial board being joined by Flamholtz and Roslender, as well as Boudreau and Cascio from the US and, from Australia, Guthrie.

Nevertheless, despite considerable critical acclaim and a promising outlook for HRCA in Sweden and beyond, it was becoming increasingly clear that serious difficulties now existed in respect of the widespread practical application of the concept, i.e. limited popular acclaim. Johanson (1999) sought to increase understanding of why the HRCA development regularly did not work as expected. His ambition was to increase the knowledge of how an implementation of the concept could be performed from a management control perspective, understood as a Swedish adaptation of the generic management control approach. Johanson concluded that although most managers in the majority of studies held very positive attitudes toward HRCA, the integration of HRCA in the management control process has never been really attained. In seven Swedish case studies, the inhibiting factors in the implementation process of HRCA are compared. The lesson is that training, information, rewards, target setting and cultural systems were inhibiting factors when trying to implement HRCA. Any attempt to rejuvenate HRCA should focus on knowledge of human resource costs, values and outcomes, as well as how to calculate these; top management support, as well as other elements in the reward system; robust HRCA target setting, and an openness to organisational change.

A commentary on the status of HRCA published the previous year in the *Accounting, Auditing and Accountability Journal* was to prove more prescient (Gröjer and Johanson, 1998). HRCA was argued to have had significant appeal in Sweden in the 1980s and early 1990s because it eschewed putting people on the balance sheet and offered a changed way of thinking that placed the managerial accounting perspective at its forefront (as had both Flamholtz and Roslender and Dyson previously). Second, HRCA was promoted in a period when the Swedish economy was undergoing first, a severe crisis and thereafter a radical change in terms of increased productivity due to reorganisations, downsizing, mergers and acquisitions. A further reason behind the huge interest could also have been that the pedagogics behind supplying the ideas was very good in the way that rather simple tools were provided via books, courses and speeches, not just for students but also for managers within the public, as well as the private sector. HRCA initiatives readily found application to contemporary problems like sickness absence, personnel turnover and competence

development. New insights were now becoming available with the emergence of the IC field, something that Grojer and Johanson, to a degree, had already become immersed in.

5. Human capital accounting

The identification of human capital as one of three core components of IC in the mid-1990s provided a fillip to the next attempt to account for people. IC had been identified as providing the substance of the "hidden value" that existed between the market values and book values of an increasing number of leading companies (Brooking, 1996; Edvinsson, 1997). By this time, the gap between these two values had become worryingly high, reaching even greater levels by the end of the decade with the emergence of dot.com enterprises that, in many cases, exhibited a near absence of traditional physical capital. IC was quickly recognised to provide a key source of competitive advantage, in many cases, as a consequence of its uniqueness, at least in the short to medium term. Alongside human capital was relational capital, which also encompassed customer capital, and structural capital, which incorporated intellectual property and infrastructural capital (Dzinkowski, 1999). In the case of human capital, it was now evident that it was the attributes employees brought (or gifted) to their employers that made them so valuable or constituted their "worth" (cf. Roslender and Dyson, 1992).

The growing importance of IC was quickly recognised to present a major challenge to the jurisdiction of an accounting profession that had long struggled to accommodate the presence of a growing number of intangible assets. Inevitably the identification of its human capital component also resonated with the unfinished business of accounting for people. Although there was initial evidence of an enthusiasm for somehow furnishing financial values for the various constituents of a company's stocks of IC, including employees, this was soon understood to be an improbable path to pursue, and widely continues to be so regarded two decades later. Accounting and reporting on a company's stocks of IC (assets) were argued to be better accomplished through the employment of some form of scoreboard framework, two early influential examples of which were the Skandia Navigator (Edvinsson, 1997) and the Intangible Assets Monitor (Sveiby, 1997). Within these frameworks companies were challenged to identify a number of metrics (or key performance indicators) that might be used, in combination, to provide an account of their stocks of lC. an overlap with Kaplan and Norton's earlier Balanced Scorecard framework is readily apparent and in their 1996 monograph, Kaplan and Norton make a brief reference to the Skandia Navigator development (pp. 210–2).

What is important about IC scoreboard reporting developments is that they are focused on the *growth* of a company's stocks of IC over a specific time period. This attribute was emphasised in Edvinsson (1997) on the grounds that if IC is such a critical prerequisite for sustainable competitive advantage, then it is vital that stocks of it are grown on a continuous basis, this growth being effectively captured and represented via the collection of indicators used to populate the various elements of the reporting framework/scoreboard. In this way, such frameworks have something in common with a balance sheet understood as providing an indication of the prospects of the future financial and commercial health of the enterprise. Although this representation of the nature of the balance sheet may have disappeared from view in the second half of the twentieth century, the global financial crisis of the last decade provided a sharp reminder of the need for a "healthy" balance sheet, not least in the case of the banking sector. Managers who are unable to grow the stocks of their most crucial IC constituents, and are thereby unable to report their success using sets of credible metrics, can expect to find themselves subject to the same scrutiny attendant on the use of more traditional accounting and financial numbers.

From this brief description of the general nature of IC accounting and reporting, it is evident that human capital accounting (HCA) differs from both HAA and HRA.

HCA rejects the temptation of placing any sort of financial value on employees, either as individuals or as a group (workforce). Since there is no intent to put people on the balance sheet, there is no necessity to continue to pursue an acceptable valuation model, an attribute that HCA shares with HRA. However, unlike HRA, HCA does not exchange a focus on value for a focus on cost. In order to provide an account of human capital and its growth during a specific time period, the development of *non-financial* metrics provides the means to this end. In this regard, HCA does evidence an important continuity with HRA, as a development within managerial accounting. It does so by embracing the same generic alternatives that were identified in the course of that discipline's search for relevance (and credibility) from the mid-1980s.

The potential content of a company's human capital account is extensive, although it should always be informed by what individual senior management cadres believe to be important to the future success of their company. Put simply, companies should seek to report what is crucial in respect of their employees' capacity to create and deliver value to customers, and in turn to shareholders, in the marketplace. Equally such information should apply to the workforce as an entity rather than as individuals, since future success lies with the group rather than with individuals. This was always an unresolved issue within both HAA and HRA but it disappears as a consequence of moving away from the cost and value calculus.

As observed above, a human capital approach to accounting for people focuses not on people *per se* but on the attributes they bring to the enterprise. Growing people entails enhancing their stocks of attributes, which can readily be represented using non-financial metrics. Most of these attributes have long been recognised but not "counted" as a result of endeavouring to force people into the black box we recognise as "accounting", as in HAA, HRA and to some extent, HRCA. The most fundamental attribute employees exhibit are their levels of *education and training*. Documenting these has long been part of the work of the HR function, using simple taxonomies based on recognised attainment levels. There seems to be no reason to re-invent the wheel – if such information already exists, then it should be used irrespective of its jurisdictional origins. In this connection, there may be a case for also incorporating any relevant demographic information into a human capital account. Any decision on such inclusions should be based on the contribution they make to documenting workforce growth. A second well-understood couple is that of *experience and expertise*. Assembling information on these attributes is more difficult than for education and training as there is no universally applicable taxonomy of such things. Every company will have its own understanding of what constitutes relevant experience and expertise within its workforce. While some elements are undoubtedly portable, much in the manner of education and training, an increasing number are likely to be organisation-specific, consistent with the argument that a key feature of a company's intellectual capital is the difficulty that competitors find in imitating (copying) it in the short to medium term. In the case of experience and expertise, it would seem sensible for companies to have in place some form of database of workforce skills that should be constantly updated as individuals acquire new elements. However, whereas in the case of HRA, it was principally the financial cost of such workforce enhancements that had to be identified and agreed in advance, the requirement of HCA is that of documenting such enhancements in their own terms.

Beyond the above attributes, a further number has more contemporary resonance, and as such, are more important nowadays than in previous years. The capacity for *ingenuity and creativity* at even relatively low levels within the organisation are attributes that companies must ensure are continually enhanced. In the case of these attributes, the presence of an enabling organisational culture would seem to have a major contribution to play. Within the taxonomy of IC components organisational culture has tended to be located within the structural (or infrastructural) capital designation, as a consequence of which it is necessary that in any account of the growth of workforce ingenuity and creativity will make extensive

reference to the enabling qualities of the infrastructure. The same reasoning applies in the case of further contemporary attributes such as *flexibility, the capacity for multi-tasking* and the possession of *effective interpersonal (soft) skills*. Although individuals will have the potential to develop such attributes, some individuals are likely to find this more difficult than others, so the presence of an appropriate organisational culture again becomes more crucial. Unless the ground is sufficiently fertile, it will be difficult to cultivate increasing stocks of these attributes.

What should be becoming apparent at this point is that a human capital account constituted solely of non-financial metrics is unlikely to be able to communicate the full extent of human capital growth in a particular time period. At the beginning of this section, scoreboard reporting frameworks such as the Skandia Navigator or Intangible Assets Monitor were identified as providing the means of reporting human capital growth using non-financial metrics for the most part. It might also be noted that human resources scorecards have also been developed (Ulrich, 1997; Becker *et al.*, 2001; Huselid, 2005). IC accounting and reporting approaches were not restricted to such initiatives, however. The Intellectual Capital Statement was identified by the Danish Guideline Project as a possible next step in the process, where numbers were complemented by narrative insights (DATI, 2000; Mouritsen *et al.*, 2003; Nielsen *et al.*, 2017). Roslender and Fincham (2001) suggested that in the case of human capital, which they designated primary intellectual capital, such narratives might extend to self-narratives through which employees are able to document their own experiences of personal growth (see also Fincham and Roslender, 2003; Roslender and Fincham, 2004).

The progress evident in both HC and the broader IC field within the previous decade came to an abrupt halt in the mid-2000s. Having weathered the storm that IC had so recently threatened, the accounting profession was confronted by new challenges, including the fall-out from Enron and related accounting scandals and the initial process of implementing a harmonised approach to financial reporting. IC research continued as many younger researchers explored the field. Studies of IC accounting and reporting practices were reported in journals such as the *Journal of Intellectual Capital* and the *Journal of Human Resource Costing and Accounting*. Many of these studies evidenced very basic research designs. The subsequent emergence of studies of IC "in action" (or practice) sought to embrace some of the insights delivered by the interdisciplinary and critical accounting research community, while several papers provided authoritative reviews of the evolution of the IC field in its first twenty years (Alcaniz *et al.*, 2011; Guthrie *et al.*, 2012; Dumay and Roslender, 2013). The recent *Routledge Companion to Intellectual Capital* collection communicates the filling out of the IC field, as well as identifying a number of fruitful pathways that IC researchers might consider pursuing as IC has begun to evidence a higher profile in the last few years (Guthrie *et al.*, 2017).

5.1 The promise of integrated reporting

Advocates of the various approaches to accounting for people outlined above would claim that what they provided were feasible ways to meet the challenge of taking people into account. That any of these approaches have so far failed to become widely established might be explained by the observation that by and large, those with a generic responsibility for accounting were little interested in the people constituent. In the case of HCA, with its underpinnings in IC, it has become more difficult to deny the necessity of according people their place within the contemporary value creation, delivery and capture process. Although it remains easy to be sceptical about Peters and Waterman's "our people are our greatest asset" maxim, it is now exceedingly difficult not to recognise that employees, at all levels, are solidly at the heart of value creation, delivery and capture.

Therefore, it is of little surprise that recent interest in developing IR as the next basis for financial reporting incorporates a strong acknowledgement that human capital, alongside other components of IC and natural capital, now needs to become a more substantial part of the narrative of corporate reporting. The principal sponsor of this new approach is the International Integrated Reporting Council (IIRC), identified as “a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs” (IIRC, 2013, p. 1). The inclusion of human capital among the six capitals the IIRC identifies to constitute the inputs to (as well the outcomes of) what it terms the value creation process, within which the enterprise’s business model plays a pivotal role, is not something that can simply be overlooked (IIRC, 2013). Although human capital may not be regarded by senior management and their accounting and finance staffs as being as important as some of the other capitals, a position that continues to remain some time away, the message that IR communicates is that some within the financial accounting and reporting community have begun to entertain this view. The irony here is that HRA, HRCA and HCA were much more inclined to a managerial accounting emphasis when seeking to account for people, liberated from the shackles that putting people on the balance sheet had placed upon the task.

Roslender and Nielsen (2019) observe that the IIRC’s pivotal 2013 *Framework* document is relatively light on prescription, and thereby untypical of how financial accounting and reporting pronouncements, including theory, are usually framed. In their view, the document is intended to promote thought about how the entire financial accounting and reporting regime might evolve or be reformulated. Rather than provide a series of answers to what are identified as the key questions, the IIRC seem to some degree comfortable to remain more in question mode. To a degree, this might be one reason that IR has not been an immediate success with the profession. This aside, however, in HCA, the accounting profession has a well-founded approach that it might consider exploring as it looks for ways in which it might begin to realise this aspect of the IIRC’s vision.

Although the IIRC’s reference to human capital is considerable encouragement for those who continue to promote taking people into account, it is the IIRC’s identification of the value creation process as the principal focus for financial reporting activity that is likely to be more appealing to the profession and management. The term value creation is by no means novel within accounting and finance, where it is widely used to refer to the fundamental objective of profit-making businesses. For several decades profit has not been what most providers of capital have principally been seeking, however. Their interest is in the accumulation of shareholder value or capital accumulation, for which dividends from the profit are foregone in the pursuit of long-term financial value, and thus, acceptance of high levels of retained earnings. The IIRC identifies the purpose of IR as follows:

> Integrated Reporting <IR> promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation. (IIRC, 2013, p. 6).

The IIRC continuously acknowledges the existence of a growing array of stakeholders, whose information needs require to be addressed by developments such as IR. The latter quotation provides evidence that IR may simply be an instance of “old wine in new bottles”, i.e. a financial reporting approach that continues to privilege the needs of shareholders. By implication, if the needs of other stakeholders are met, this is best seen as a bonus.

6. Incorporating a new dimension: employee health and wellbeing

From the inception of the accounting for people project, its advocates have been clear about which attributes that people provide to organisations might be taken into account whether by seeking to value, cost or document their growth (or otherwise) using non-financial measures.

During the present century, a new focus has become evident, that of employee health and wellbeing, one of two generic categories of ill-health: conditions that might be deemed to occur naturally, and conditions that are not solely driven by such processes. In the case of the former category of ill-health, there is an inevitability that a certain proportion of the population will get sick for a variety of natural reasons. The intent of preventative medical interventions is to reduce this inevitability as much as possible, allowing as many people as possible to live long and healthy lives. People becoming unwell because of the conditions under which they are required to work, and in many cases, are prepared to do so, in an increasingly fast-paced, twenty-hour hour society is greatly at odds with any pronouncements of them being highly valuable assets. The sometimes recognised preference for talking about amortising human assets rather than depreciating them captures the hidden reality well, for when you amortise a loan, it is understood as "killing off" the financial obligation.

The absence of employees from their places of work as a consequence of ill-health serves nobody's interests, even in an age where the financial consequences of such absences are less serious than they previously were for many employees. While employees may not suffer financially, the denial of the opportunity to work because of compromised health and wellbeing has become recognised to sometimes intensify the original condition(s). Employers are deprived of the attributes of valuable employees, which absence, in turn, translates to the customer experience, broadly conceived. Beyond this, there is a cost to society, both in terms of resources required to provide the requisite medical interventions, and in many cases, reductions in tax revenues. There is considerable talk of life-style driven ill-health in the present era, with people becoming sick because they smoke, consume too much alcohol, engage in the (ab)use of illegal substances, become obese, make poor dietary choices, eschew even modest exercise, etc. As a result, a proportion of the workforce unquestionably finds that they not able to present themselves at the place at work as regularly as their colleagues. At the opposite end of the continuum, there are employees whose absence is the result of accidents, either within or outside the workplace.

In recent times, however, sickness absence due to workplace factors has reached worrying levels. The drivers of such absences are widely understood: continual organisational change, poor management and management communication; bullying, overwork, fear of losing jobs, etc. Although it is possible to provide documentary evidence that sickness absence levels have been on a downward trajectory for some years, the identification of the presenteeism phenomenon, which sees sick employees turning up for work when they should actually be absent, suggests a less encouraging scenario (Hemp, 2004; Chandola, 2010; Johns, 2010). A further concern is the recently identified leaveism phenomenon, where individuals accommodate to the stresses associated with the contemporary workplace by taking annual leave to catch up with their work, engage in regular unpaid, at home overtime, take work on holiday with them, etc. (Hesketh and Cooper, 2014, 2018; Hesketh *et al.*, 2014, 2015). All of this is occurring at a time when long term sickness absence due to mental health issues continues to rise inexorably. In this context, those organisations that are able to report falling levels of work health issues through the presence of some form of *healthy organisation* philosophy can be seen to be growing the quality of both working and non-working life for their employees, as well as for themselves and the broader society. They might also become viewed as desirable organisations to be employed by in the prevailing competition for talent.

An early excursion into accounting for the health and wellbeing field occurred in Sweden, and involved members of the PEI group. The work was motivated by the alarming increase in workplace sickness absence levels across all sectors around the time of the millennium. Swedbank became interested in systematically adding a work health element to its existing human capital and broader management control measurement and management systems, laying the foundations for the bank's health management system (Johanson and Backlund, 2006).

A longitudinal database was developed by Swedbank to study correlations between notions of health and profitability, as well as the profitability of different health promotion activities, in addition to initiating different employee health development programmes. At the same time, the Swedish government sought to encourage the development of what they called Health Statements (HS) in order to mobilise attention and action in decreasing the costly (both at the firm level and at the societal level) sick leaves among the workforce. By directing attention to the healthy or unhealthy situations in an organisation, preferably with a connection to profitability, it should be possible to get health issues onto the management agenda and thus decrease sick leave.

One of several initiatives pursued was a three-year research and development project addressing HS formulation and involving seven Swedish municipalities. The founding idea of the project was to let these organisations, all of which claimed to have serious problems with absenteeism, develop their own HS models (Almqvist *et al.*, 2007). The experiences were very different between the seven municipalities and even between different departments within the same organisation. There was largely an agreement that the HS project meant that issues on health, wellbeing or related HR policies had gained increased attention, and that successful processes of change had begun. There was a general opinion that HSs are important – in some cases, crucial – for the municipality's future. The upcoming requirement to recruit new personnel was one of the main challenges to which the HS project can contribute. If the need for more manpower was unable to be resolved through decreased sick leave and increased status as an attractive employer, the organisations will face some serious problems in a couple of years. Unfortunately, however, the project was also characterised by considerable ambivalence concerning the contents of any report (HS), attitudes towards measurability and especially the basic use of concepts. There was no generally accepted definition of the HS concept, it being the municipalities' task to give the concept substance and evaluate its usefulness. At the beginning of the project, it was easy to attract attention from different municipalities with the HS concept; subsequently, it proved a little more problematic, with the HS concept being interpreted differently by the local authorities.

A key issue was the question: what should a HS contain? As a means of visualising a foundation for action, a HS should highlight the connection between heath issues and financial control and provide a plan for any such action. In the final summary of the project it was suggested that a HS should have the following structure: a vision; an enabling strategy; the key health components; goals for each component; necessary activities to achieve goals; follow-up and measurement methods for each component, and for each component, appropriate indicators. In this way, HSs are envisaged as assuming a similar format to IC scoreboard reporting frameworks, as identified earlier in the paper, in addition to HR scoreboards. At the same time, however, there was considerable concern about the necessity to somehow link the HS with more conventional accounting and reporting practices in order to embed such developments within management control systems. This motivated Johanson to bring together a number of European researchers in accounting, HRM, work health and work environment to investigate the possibility of extending the borders of accounting in the field of intangibles, and in turn, to embed employee health and wellbeing concerns therein. The work of the "Uppsala Group" was subsequently published in 2007 in a collection of papers edited by Johanson, Ahonen and Roslender, by which time employee health and wellbeing had slipped down the Swedish accounting research agenda, as well as in neighbouring countries and the group was disbanded.

At same time Roslender had secured research funding from the Institute of Chartered Accountants of Scotland to explore the views of accounting and HR professionals on viewing health and wellbeing as a crucial organisational asset (Roslender *et al.*, 2010; Roslender *et al.*, 2012; see also Roslender *et al.*, 2006). Predictably HR professionals were more receptive to the proposal, with a section of their accounting colleagues evidencing an extremely negative

attitude to the idea. There was some evidence that concern about employee health and wellbeing issues had already peaked, possibly mirroring headline findings that, as with Sweden, sickness absence levels were now on a discernibly downward trajectory. The research also provided a further pair of insights: a sizable number of HR professionals were confident that their accounting colleagues would at some point be able to find a way to account for health and wellbeing, and despite their general skepticism about the necessity for such developments on the part of accounting practitioners, there seemed to be a ready acceptance that this would need to be pursued outside of the prevailing reporting framework.

More recently, continuing concerns about the extent and pattern of sickness absence in the UK has resulted in Roslender exploring the promotion of employee health and wellbeing levels with his colleagues Monk and Murray, uncovering widespread denial that a major problem exists, undermining the case of increased levels of intervention by employers and government alike (Monk *et al.*, 2018; Roslender *et al.*, 2019a, b; Murray, 2019). Johanson has recently joined the staff at the Karolinska Institutet in Stockholm as a research professor at a time when work health issues have returned to the research agenda. A tool that aimed at integrating financial aspects of work health, and incorporating aspects closely related to HRCA, was developed and disseminated by the Institutet in late 2016 (www.fhvforskning.se/images/Analysverktget/Analysvtool_webb_2017_HR.pdf). The tool considers financial aspects of work health alongside managerial attention, decision-making and governance inside organisations that could also be of use to trade unions and occupational health services. The tool has two parts. In the first part, an organisation is supposed to be analysed with respect to health issues and working conditions, e.g. the balance between demand and control or role clearness. The second part is a model for calculating the costs for ill-health in terms of absenteeism or presentism, but also for investment calculations. It is argued that the tool complements other guidelines addressing low back pain, psychic health and life habits. National and international research provides the bases of the guidelines. Newly published Swedish studies by Stromberg *et al.* (2017) investigate cost efficiency from an employer perspective of low back pain prevention and productivity losses due to absenteeism and presentism, respectively. By comparison with Roslender's studies, it appears that Sweden remains some way ahead of the UK in recognising the significance of present patterns of sickness absence and presenteeism and their continuing impact on the performance of organisations, whether in the private or the public sector.

7. Looking to a better future?

Half a century after Flamholtz urged the accounting profession to pursue the challenge of accounting for people from a managerial accounting perspective, its progress has been only modest. Many in the profession continue to understand the issue in terms of finding some means of putting people on the balance sheet, although there may be a recognition that if neither customers nor brands, two major contemporary sources of competitive advantage, can be accommodated within the statement of financial position, it is naïve to believe that accounting for people will show the way forward. Flamholtz's arguments in favour of taking people into account as a means to provide management with information that would facilitate better human resource utilisation were advanced at a time when sociologists, among others, were identifying the importance of more highly educated and increasingly scarce employees within a post-industrial future (Touraine, 1971; Bell, 1973; Illich, 1973). His timely message was destined to attract the attention of management as they were beginning to experience the challenges of the post-industrial era. Unfortunately, what HRA delivered was generally both unremarkable and largely unhelpful to management. At its simplest, it reinforced management's appreciation of how costly labour was becoming. In crude terms, most

managers wanted guidance on how to reduce labour costs, something their management accountants had helped deliver for several generations.

As observed earlier, in the 1970s, Flamholtz had little alternative but to replace the focus on value, as in HAA, with one predominantly on cost. Accounting for cost was how managerial accounting was generally understood in the mid-1970s, the point in time when HRA was much in need of some new thinking. The growing interest in management control amongst researchers similarly offered little or no help as cost continued to prevail here too, albeit with a less technical bias and a greater managerial orientation. It is in this sense that it was previously asserted that HRA emerged somewhere around fifteen or twenty years prematurely. By the end of the 1980s, the initial progress of the new management accounting had demonstrated the utility of using non-financial metrics to provide the information management increasingly sought in the face of growing competition in the global marketplace. A decade later, accounting for and reporting on IC growth was heavily reliant on the use of non-financial metrics and multi-perspective scoreboard frameworks. The emergence of HCA held out the promise of providing the foundation for an accounting for people project that, having extricated itself from the cost and value calculus, no longer required employees to be forced into the traditional accounting and finance framework.

The interest which the growth in IC (assets) generated in its first decade, to the mid-2000s, subsided as quickly as it had risen, however. Many insights were produced, particularly concerning how it might be possible to report IC growth. Their impact again proved relatively modest, as exemplified in the case of the Danish Intellectual Capital Statement development, regarded in some quarters as being at the leading edge (Nielsen *et al.*, 2016, 2017). This research identifies a widespread lack of enthusiasm on the part of many Danish accounting practitioners for such excursions, some of which could be traced back to their employers' involvement in the second phase of the Guideline Project between 2000 and 2002. Consequently, it is no surprise to learn that new approaches to accounting for people informed by the body of IC research fared similarly. Many accounting respondents to Roslender *et al.* (2010) Institute of Chartered Accountants of Scotland funded study were highly dismissive of the suggestion that the pursuit of some means of taking people into account held much merit at all. Although more enthusiasm was evident among their human resource management colleagues, for the most part, there was little evidence to suggest that they had any understanding of even the most basic technical issues this might entail.

There appears to be some substance to a comment by a human resource management professor to one of the authors to the effect that: "I have always felt HRA was an interesting idea but have never been able to identify the question to which it provides an answer". In a paper commemorating Jan-Erik Grojer's contribution to accounting for people, Roslender (2009) provides a very simple answer – because people matter. Both Paton and Flamholtz embraced this view, together with many of those colleagues who have contributed to the field over the years. Flamholtz's "think people" exhortation arguably best captures this axiom. Unfortunately, many, if not most, managers remain unpersuaded by such a view. Employees are a resource that should be acquired as economically and then utilised as effectively as possible. The sociology of work literature has documented the progressive processification of labour for approaching three centuries, a phenomenon that is currently moving into a new phase with the spread of artificial intelligence to the lower ranks of some established professional occupations, including accounting and finance. In such a milieu, many ardent advocates of the contribution of people to the value creation process find themselves impelled to engage with the question of *how* it might be possible to account for people rather than document further the arguments about *why* this should be pursued.

The alternative interpretation of value creation that has emerged in recent years, and which to a degree underpins current interest in promoting IR, identifies employees as playing

a more crucial role in this process than for many generations. Nowadays the success of enterprises is asserted to be determined by how successfully they are able to create value for and deliver value to their *customers*, whether it be value for money in the case of low cost (priced) market offerings or intangible, an emotional value in the case relative high cost (priced) market offerings (cf Porter, 1985). Unless customers receive the expectations they have of specific value propositions on a continuing basis, they are unlikely to form sustained relationships with businesses. In this respect we live in a world in which it is customers who determine the fate of businesses, an about-face from the previous arrangement in which customers, or more correctly consumers, largely accepted what was made available to them, albeit constrained by their own financial circumstances. It was only the very rich who could and indeed still are able to precisely demand what they wished to purchase. Nowadays, a growing number of customers experience some degree of marketplace empowerment and are able to better pressurise businesses into being responsive to their needs.

At this point, it is useful to recall the recent twin mantras regarding the most valuable assets that businesses have: people and customers. In the case of people, their capacity to create value for shareholders, or as the IIRC refers to them "the providers of financial capital", has long been understood. This is more accurately understood to be the creation of *financial* value or (shareholder) wealth. The rise of the customer and her/his prevalence in the marketplace continues to be explored across the contemporary marketing management literature. The challenge now is to document how pivotal people are to the creation and delivery of successful value propositions that meet and ideally exceed customer value expectations. This documentation entails the fabrication of the story of a business, how it deploys people in the process of ensuring the greatest extent of customer capture. The term "story of a business" is one way in which a business model has been characterised, thus explaining why the IIRC in its *Framework* document locates the business model at the very core of the value creation process (IIRC, 2013, p. 13). This has recently led Roslender and Nielsen (2018) to describe IR as providing a means of financial reporting *through* the business model, of which one key dimension is accounting for people (human capital), as discussed in section 5 above.

Implicit in the arguments underpinning IR is an acceptance that people play a vital role in accomplishing successful customer value creation and delivery, as well as value capture for shareholders. Whether theirs is *the* most important contribution is obviously a matter of debate that is unlikely to produce consensus. From the standpoint of accounting for people, however, what is more important is that the emergence of IR has reaffirmed the reason why we should continue to search for ways to effectively achieve this. Notwithstanding the earlier comments on the how to question, it is now necessary to make or perhaps reiterate several salient points. First, in progressing taking people into account, there must be no attempt to regress to the cost and value calculus for this purpose, since both perspectives are underpinned by an accounting rather than a people logic. There is very little within the history of attempts to account for people that serves their interests (Roslender and Stevenson, 2009; Roslender *et al.*, 2015). Second, HCA's strong reliance on developing non-financial metrics that communicate how a workforce's collective attributes have been grown or enhanced over a period of time is a step in the direction of constructively "thinking people". Developing and reporting a range of employee health and wellbeing metrics would constitute a step-change in the latter project. The absence of scarce employee resources from any workplace due to ill health can serve no one's interests. Ensuring that the health and wellbeing of a business's workforce are systematically improved is fully consistent with the sustainability imperative that energised many of IR's early advocates. Thirdly, Roslender and Fincham's call for the production of employee self-accounts continues to hold significant promise, documenting how people view their growth, including their health and wellbeing (Roslender and Fincham, 2001, 2004; see also Roslender *et al.*, 2015). However, whereas

previously their independence from the accounts fabricated on their behalf by accountants was argued to constitute a major strength of such accounts, establishing arrangements that bring employees and employers together to produce such accounts now seems more valuable. If the adage that our employees are our most valuable asset is really to be believed, why would management not be attracted to participating in documenting what this entails in practice?

From the outset, the challenge of taking people into account has had only a modest appeal to senior management who have continued to view their employees in a largely instrumental way. Although within the human resource management profession there has been a degree of interest in accounting for people, its practitioners are not widely regarded as major players within the organisational hierarchy. To compound this, the greater part of the accounting profession has tended to view the topic as being of peripheral importance. Consequently, it is likely to require a major change in circumstances before accounting for people becomes a critical issue. In our view, the continued degeneration of employee health and wellbeing, especially among many of the most scarce and often the most pressured categories of human capital, may serve to motivate management to begin to “re-think people”.

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Corresponding author
Robin Roslender can be contacted at: rroslender@business.aau.dk

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