

*Full Length Research Paper*

# The significance of human capital disclosures in corporate annual reports of top South African listed companies: evidence from the financial directors and managers

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**This paper reports the research results of survey questionnaire administered on the financial directors and managers (identified as preparers of corporate annual reports) of top South African listed companies. The purpose of the survey questionnaire was to determine whether the financial directors and managers report on the identified human capital attributes and also to determine the extent to which these items contribute to creating value for these companies. The results show that in most cases, this category of preparers of corporate annual reports (CARs) do not provide sufficient information on the majority of the human capital (HC) attributes even though they are perceived to have strong contributions to value creation.**

**Key words:** Human capital, human capital attributes, human capital disclosures, value creation, financial directors and managers, corporate annual reports, South African listed companies.

## INTRODUCTION

The term “capital” has been described as an institutional system which facilitates the progressive development of technology and organisational structures, the differentiation and legitimisation of organisational processes to enhance capital accumulation and development (Abeysekera, 2008:16). Human capital (HC) has also been portrayed as a significant component of intangible assets (IAs) which constitutes a major driver in the value creation process in the new economy of knowledge-intensive companies (Abhayawansa and Abeysekera, 2008:51).

In today’s new economy, intangible knowledge and intelligence that emanate from human capital are critical inputs in the value creating process (Hai-Ming and Ku-Jan 2003:470). Therefore, it could be said that the dawn

of the new economy has prompted the shift of companies’ value drivers from physical tangible assets to non-physical intangible assets. This paper attempts to determine the level of significance placed on human capital disclosures in corporate annual reports by financial directors and managers of top South African listed companies.

## LITERATURE REVIEW

Some researchers explained HC in terms of employee’s skills only (Flamholtz and Lacey, 1981) and in terms of the combination of knowledge, skills and abilities of people. Mackelvery (1983) and Hudsson (1993) define

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human capital on an individual level as the combination of an individual's generic inheritance; education; experience and attitude towards life and business. The common factor in these definitions is that employee's attributes are capable of creating values.

HC as distinct from economic capital is also referred to as the combination of factors owned by individual employees and the collective workforce of an organisation (Abeysekera, 2008:16). HC is made up of the intellectual skills and capabilities, knowledge obtained through education and training which consequently allow an individual to execute given tasks more effectively and productively. HC includes personal traits such as intelligence; energy; attitude; reliability; commitment; ability to learn, aptitude; imagination; creativity; desire to share information, participate in a team, and focus on the goals of the firm (Abeysekera, 2008:16). In today's new economy, intangible knowledge and intelligence that emanate from human capital are critical inputs in the value creating process (Hai-Ming and Ku-Jan, 2003:470).

Human capital has been recognised as one of the three major categories of intangible resources capable of creating value for business firms (Meritum, 2002:63). In today's economies characterised by knowledge, human capital remains an important intangible asset necessary for achieving competitive advantage and sustainable organisational success and growth (ICAEW, 2000). Human capital performance has been found to be strongly influenced by individual and corporate investments in education and training (Combs et al., 2006). Human capital is an asset that can provide a source of sustained competitive advantage because they are often difficult to imitate (Popova and Sharpanskykh, 2010). Human capital has also been referred to as a combination of knowledge, skills and abilities embodied in people (Coff, 2002). This major human capital attributes of knowledge, skills and abilities when combined with employees experiences through education and training have been viewed as the main drivers of organisational performance (Crook et al., 2011:444).

The conclusions of other researchers also suggest that many organisations have realised that HC practices and their disclosures play a significant role in the performance of firms (Boudreau 1991; Wright and McMahan 1992:303). This has resulted in a great shift by management towards the contribution of human resources in the last decade (Bassi et al., 2000). Firms who engage in pragmatic HC practices such as acquisition, development and retention of employees, incentive compensation, employee empowerment, selective staffing, job rotation, comprehensive training and team work can intensify the value creation processes (Youndt et al., 1996:839).

Some recent studies show the significance of human capital information to corporate value creation. In their study, Rimmel et al. (2012:112) found out that intellectual capital statements which contain company-specific

information on human capital play a role in corporate value creation. In another recent study in which content analysis was performed using a quality multidimensional scheme composed of three disclosure profiles, it was found out that human capital disclosures represent the most reported category, followed by relational and organisational capital (Cinquini et al., 2012: 531).

Furthermore, the study of Dominguez (2012:4) provides useful practical implications about the concern for employees' welfare in the human capital disclosure policy of the most competitive companies in Spain. In a most recent study which seeks to investigate if human capital information voluntarily provided by German companies is value-relevant, it was found out that human capital information is value-relevant and that information on qualification and competence is positively associated with firm value (Gamerschlag, 2013:325).

Apparently, HC could be described as the source of innovation and strategic renewal regardless of whether it originates from arranging files and other clerical works or brainstorming, re-engineering and problem-solving. The used and the useful knowledge of an employee is the source of human capital resources. Apparently, the common assertion that people are the most important resource is both right and true.

## METHODOLOGY

The study employed survey questionnaire method to seek the opinions of some financial directors and managers on the degree of the contributions to value creation by the 91 human capital disclosure checklist (divided into 9 themes) compiled from previous research on intellectual capital disclosures in general and human capital disclosures in particular (Abeysekera, 2008:26; Beattie and Smith, 2010:274; Cormier et al., 2009:88; Ax and Marton, 2008:437; Vergauwen et al., 2007:172; Beattie and Thompson, 2007:134; Meyer and Fourie, 2006; Beattie and Thompson 2004; Arvidsson, 2003:37).

The contact details of 60 randomly selected companies out of the top 100 Johannesburg Stock Exchange (JSE) listed companies were collated from the McGregor database and from the individual company's official websites. Thereafter telephonic conversations were made before the questionnaires were distributed by electronic mailing system to 60 financial directors and managers. A total of 50 responses were received giving a response rate of 83%. The responses were submitted online.

The questionnaire contained two questions in line with its objectives which are to determine whether the human capital items are actually disclosed by this preparer group and also to determine the extent to which these items contribute to creating value for the selected companies. The first question requires a yes or no answer and if the answer to the first question is yes, the respondent will be required to state the extent to which the HC items contribute to creating value on the rating scale indicated as 'no contribution'; 'weak contribution'; 'moderate contribution'; 'strong contribution' and 'very strong contribution'.

## RESULTS AND DISCUSSION

The results of the questionnaires set below include a

**Table 1.** Human capital terminology

Human capital terminology	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Human assets	9.10	0.00	9.10	54.50	27.30	100.00	4.17	0.753
Human resources	0.00	0.00	6.60	46.70	46.70	100.00	4.17	0.753
Human value	0.00	0.00	22.23	33.33	44.44	100.00	4.33	0.816
Human capital	0.00	0.00	11.10	55.60	33.30	100.00	4.17	0.753

short motivation for the disclosure theme, the results in the form of tables and a conclusion. In the discussion of results, the options 'strong contribution' and 'very strong contribution' are taken as 'strong contribution' while the options 'no contribution' and 'weak contribution' are taken as 'weak contribution'.

### Human capital terminology

The purpose of this section is to determine the most frequently used terminology in CARs and also to assess the importance attached to human capital. From our results, 90% of the respondents used the term, human resources; 80% used human assets; 69.20% used human value and 64.70% used human capital in their CARs.

However from Table 1, 55.60% and 54.50% of the respondents stated that human capital and human assets respectively make strong contributions to value creation while human resources and human value were said to make very strong contributions by 46.7% and 44.44% of the respondents respectively. The mean (ranging from 4.17 to 4.38) and the standard deviation (ranging from 0.75 to 0.82) show that the respondents generally agree that human capital make strong contribution to value creation. This means that the majority of the financial directors and managers are aware of the significance of human capital in contributing to value creation in their organisations.

### Human capital features

The purpose of this section is to discover the extent of disclosure of items under this theme and also to determine their relative level of contributions to value creation. The results show that learning; expertise and skill ranked as most frequently disclosed features as 83.3% respondents; 72.2% respondents and 61.1% respondents respectively agreed that they provide such information in CARs, commitment; work-related competence; professional experience; capability and teamwork were moderately disclosed as 58.8%; 58.8%;

56.3%; 47.4% and 40.0% respondents respectively affirm that they provide such information. Other items with low disclosure frequencies are creativity; innovation; loyalty; personal experience and entrepreneur spirit with less than 40% of the respondents agree that they do provide such information.

However, Table 2 shows that creativity; innovation and work-related competence were said to make a very strong contributions of 50%; 50% and 40% respectively while capability; commitment; expertise learning; loyalty; skill; teamwork; personal experience; professional experience and entrepreneurial spirit were said to have strong contributions ranging from 40% to 60%. It appears that the level of disclosure does not correlate with the level of contributions, for instance learning with the highest level of disclosure (83.3%) only had a strong contribution of 46.6% whereas creativity with the lowest level of disclosure (12.5%) was said to have a very strong contribution of 50.0%. Furthermore, the standard deviation (ranging from 0.52 to 1.27) from the mean (ranging from 3.56 to 4.00) with the exception of creativity attribute with the standard deviation of 2.12 generally indicate that the respondents agree that majority of these attributes do contribute to value creation.

### Human capital relations

This section shows the level of disclosure in the HC relations attributes and the respective contributions of each of these attributes to value creation. The results show that human capital related disclosures were frequently disclosed in the Chairman's statement; operating review; financial statement because 100%; 94.7% and 89.5% respondents respectively agreed that they provide information on these attributes. Other specific attributes which were also frequently reported are leadership; company culture; community service; workforce profile; union activity and employee appreciated having 89.5%; 84.2%; 83.3%; 72.2% and 70.6% respondents respectively stating that they provide information on them. Other attributes that were moderately disclosed are recruitment policies; communication channel and meeting style with 58.8%;

**Table 2.** Human capital features

Human capital features	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Capability/Abilities	0.00	11.10	22.20	55.60	11.10	100.00	3.67	0.866
Commitment	0.00	0.00	40.00	40.00	20.00	100.00	3.80	0.789
Work-related competence	0.00	0.00	40.00	20.00	40.00	100.00	4.00	0.943
Creativity	0.00	50.00	0.00	0.00	50.00	100.00	3.50	2.121
Expertise	0.00	0.00	23.10	53.80	23.10	100.00	4.00	0.707
Innovation	0.00	16.67	16.67	16.66	50.00	100.00	4.00	1.265
Learning	0.00	6.70	26.70	46.60	20.00	100.00	3.80	0.862
Loyalty	0.00	20.00	40.00	40.00	0.00	100.00	3.20	0.837
Skill	0.00	18.20	9.10	45.40	27.30	100.00	3.82	1.079
Teamwork	0.00	0.00	40.00	60.00	0.00	100.00	3.60	0.548
Personal experience	0.00	0.00	40.00	60.00	0.00	100.00	3.60	0.548
Professional experience	0.00	0.00	44.40	55.60	0.00	100.00	3.56	0.527
Entrepreneurial spirit	0.00	20.00	20.00	40.00	20.00	100.00	3.60	1.140

52.6% and 41.2% of the respondents respectively agreeing that they provide such information. Attributes which were rarely disclosed are succession plan and employee interview as only 33.3% and 29.4% respondents respectively indicated that they do provide such information. Also, the standard deviation (ranging between 0.71 and 1.36) from the mean (ranging between 3.13 and 4.25) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation.

From Table 3, the perceptions of the preparers with respect to the relative contributions of the attributes to value creation is highlighted. In line with high levels of frequencies reported on the disclosure of human capital attributes in the chairman's statement; operating review and the financial statement, the contributions of these disclosures to value creation were 57.9%; 72.2% and 81.2% respectively after combining both very strong and strong contributions.

It seems that the chairman's statement and the operating review contained more of qualitative disclosures on human capital in the form of appreciation to the board, management and employees, appointment and/or resignation of board members and executive management team; report on loss of employees as a result of death and so on. On the other hand, the financial statements often disclose quantitative information about board and executive remuneration and other employees' welfare packages.

Specific attributes which were reported to have strong contributions are employee appreciated; workforce profile; communication channel; leadership; succession

plan; recruitment policies; employee interview; union activity and community service with 76.9%; 62.4%; 63.6%; 68.8%; 87.5%; 70.0%; 60.0%; 64.3% and 75.0% respectively. The remaining attributes that is company culture and meeting style showed 50.0% and 50.0% level of contributions respectively after combining both strong and very strong contributions. Moreover, the standard deviation (ranging between 0.71 and 1.36) from the mean (ranging between 3.13 and 4.25) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation. It appears that all the items in the human capital relations category are perceived to be important as their disclosures seem to contribute immensely to the value creation capability of human capital intangibles.

### Human capital measurements

This HCD category reflects a mixture of quantitative and qualitative HC measurement attributes expected to be disclosed in CARs prepared by the financial directors and managers. The results show the perspective of financial directors and managers on the disclosure of the quantitative and qualitative attributes. This result shows that the names, ages, educational background and work experience of the board members and management team are perceived to be the items that are frequently disclosed as the percentage of respondents who agreed to this are in the range of 56.3% to 100%. This means the majority of the financial directors provide information on these issues in their CARs. This is partly due to

**Table 3.** Human capital relations

Human capital relations	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Chairman's statement	5.30	0.00	36.80	36.80	21.10	100.00	3.68	1.003
Operating review	0.00	0.00	27.80	27.80	44.40	100.00	4.17	0.857
Financial statement	0.00	12.50	6.30	31.20	50.00	100.00	4.19	1.047
Employee appreciated	0.00	0.00	23.10	30.80	46.10	100.00	4.23	0.832
Workforce profile	6.30	0.00	31.30	43.60	18.80	100.00	3.69	1.014
Company culture	0.00	0.00	50.00	37.50	12.50	100.00	3.63	0.719
Communication channel	0.00	0.00	36.40	45.40	18.20	100.00	3.82	0.751
Leadership	0.00	0.00	31.20	50.00	18.80	100.00	3.88	0.719
Succession plan	0.00	0.00	12.50	50.00	37.50	100.00	4.25	0.707
Meeting style	12.50	25.00	12.50	37.50	12.50	100.00	3.13	1.356
Recruitment policies	10.00	0.00	20.00	40.00	30.00	100.00	3.80	1.229
Employee interview	0.00	20.00	20.00	40.00	20.00	100.00	3.60	1.140
Union activity	0.00	0.00	35.70	42.90	21.40	100.00	3.86	0.770
Community service	6.30	6.30	12.40	50.00	25.00	100.00	3.81	1.109

increased desire by companies to ensure compliance with the King code of corporate governance which encourages disclosures on the experience of board members and executive functions particularly the finance function.

However, comments on abilities of management team had 14.3% of respondents saying yes to its disclosure which invariably means that 85.7% do not provide such information in their CARs; this may be as a result of the inability to measure precisely human ability or capability. With respect to other qualitative items such as information on annual pay audits; performance and productivity and dependence on key employee, only few respondents (13.3%; 21.4% and 7.1% respectively) agreed that they provide information on them. Some organisations may feel that these should be kept within management circle and therefore should not be disclosed in a public document such as CARs.

With respect to the quantitative items, 66.7% of the respondents agreed they provide information on employee number in their CARs; this is closely followed by employee breakdown by gender with 56.3% of the respondents agreeing that they provide information on this issue. One of the reasons for this is that information on gender is expected to be provided as required by the employment equity act. Also, 46.7% of respondents agreed that they provide information on the employees' seniority. Only 28.6% and 6.7% of the respondents agreed that they provide information on employees' nationality and departments respectively. A total of 53.3%; 40% and 35.7% of the respondents agreed that

they provide information on workforce turnover; value added by employees and retention rates respectively. Other quantitative items with 0% disclosure levels are information on average professional experience; average education level; value added by expert; expert seniority; median age of employees and cost of absence as 100% of all the respondents indicated that they do not provide information on these attributes.

Table 4 shows the respondents' perception of the relative contributions of the disclosure items in the HCD category. Over 60% of respondents claimed that attributes such as the educational background and the professional experience of board members have strong contribution to value creation. Other attributes in this category are annual pay audits; workforce turnover; retention rates and performance and productivity with 66.7%; 71.4%; 66.7% and 75% respectively stating that they make strong contributions. However, 100% of the respondents claimed that average educational level of employees contributes a very strong contribution to value creation. This is true in the sense that an educated and trained workforce will contribute greater value than an uneducated and untrained workforce; this explains why companies devote a significant proportion of fund to training and retraining of their workforce.

Also, more than 50% of the respondents claimed that attributes such as employee number; employee nationality; comments on board's ability; comments on top management ability; human capital return on investment and dependence on key employee have strong contributions to value creation.

**Table 4.** Human capital measurements

Human capital measurements	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Employee number	30.00	0.00	20.00	40.00	10.00	100.00	3.00	1.491
Employee breakdown by age	0.00	33.33	33.33	33.34	0.00	100.00	3.00	1.000
Employee breakdown by seniority	42.90	0.00	57.10	0.00	0.00	100.00	2.14	1.069
Employee breakdown by gender	22.20	11.10	66.70	0.00	0.00	100.00	2.44	0.882
Employee breakdown by nationality	0.00	25.00	25.00	25.00	25.00	100.00	3.50	1.291
Employee breakdown by department	0.00	50.00	50.00	0.00	0.00	100.00	2.50	0.707
Growth/renewal ratios: average professional experience	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.00
Growth/renewal ratios: average education level	0.00	0.00	0.00	0.00	100.00	100.00	5.00	0.00
Efficiency ratios: value added per expert	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.00
Efficiency ratios: value added per employee	0.00	20.00	40.00	40.00	0.00	100.00	3.20	0.837
Name and age of board members	7.70	15.40	38.40	30.80	7.70	100.00	3.15	1.068
Board members educational background (academic career)	0.00	21.40	14.30	50.00	14.30	100.00	3.57	1.016
Board members work experience (professional career)	0.00	15.40	23.10	53.80	7.70	100.00	3.54	0.877
Comments on the abilities of the Board	0.00	0.00	44.43	44.43	11.14	100.00	3.67	0.707
Name and age of top management team	0.00	22.23	44.44	33.33	0.00	100.00	3.11	0.782
Their educational background (academic career)	0.00	25.00	37.50	37.50	0.00	100.00	3.13	0.835
Their work experience (professional career)	0.00	42.80	28.60	28.60	0.00	100.00	2.86	0.900
Comments on the abilities of top management team	0.00	0.00	50.00	25.00	25.00	100.00	3.75	0.957
Stability ratios: expert seniority	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.00
Stability ratios: median age of	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.00

Table 4. cont.

Human capital measurements	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
employee								
Human capital return on investment	0.00	0.00	50.00	0.00	50.00	100.00	4.00	1.414
Training return on investment	0.00	0.00	50.00	50.00	0.00	100.00	3.50	0.707
Cost of absence	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.00
Cost of resignations	0.00	50.00	50.00	0.00	0.00	100.00	2.50	0.707
Annual pay audits	0.00	0.00	33.30	0.00	66.70	100.00	4.33	1.155
Workforce turnover	0.00	0.00	28.60	57.10	14.30	100.00	3.86	0.690
Retention rates	0.00	0.00	33.30	16.70	50.00	100.00	4.17	0.983
Performance and productivity	0.00	0.00	25.00	25.00	50.00	100.00	4.25	0.957
Dependence on key employee	0.00	0.00	50.00	0.00	50.00	100.00	4.00	1.414

In another dimension, 100% of the respondents agreed that attributes such as average professional experience; value added per expert; expert seniority; median age of employees; cost of absence make a moderate contribution to value creation while over 50% claimed that employee breakdown by seniority; employee breakdown by department; comment on the abilities of top management team; human capital return on investment; training return on investment; cost of resignation and dependence on key employee have a moderate contribution to value creation.

However, over 40% of the respondents stated that attributes such as employee breakdown by seniority; professional career of top management team and cost of resignation have weak or no contribution to value creation. Also, the standard deviation (ranging between 0.00 and 1.50) from the mean (ranging between 2.14 to 5.00) generally indicates that the respondents agree that majority of these attributes do contribute to corporate value creation. Generally, it appears that majority of the attributes in this category are seen to make moderate to very strong contributions to value creation although the level of disclosures of these attributes seem to be low.

### Human capital training and development

This section indicates the various HCD attributes related to the human capital training and development category. The results indicate that 80% of the respondents provide

information on training programmes while 20% do not. This is because training is seen as essential to developing the capability of workforce. Most companies report more of qualitative information on training than quantitative information regarding value added by employees.

However, over 50% of the respondents agreed that they do not provide information on other attributes such as knowledge; education; vocational qualifications; career development; talent management; competence development programmes and job rotation opportunities. These issues are very important when assessing the value creation potential of organisations and therefore should be given priority in disclosures in CARs.

From Table 5, it could be seen that 50% and above of the respondents agreed that all the attributes in this category make strong contribution to value creation although more than 50% agreed that they do not provide information on these. Moreover, the standard deviation (between 0.84 and 1.22) from the mean (between 3.33 and 4.50) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation.

Also, the standard deviation (ranging from 0.55 to 1.14) from the mean (ranging from 3.50 to 4.40) generally indicates that the respondents agree that majority of these attributes do contribute to corporate value creation. It is suggested that the preparers of CARs ought to provide more information on these attributes which are capable of creating values so as to enable CARs to be

**Table 5.** Human capital training and development

Human capital training and development	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Knowledge	0.00	0.00	40.00	60.00	0.00	100.00	3.60	0.548
Education	0.00	16.70	33.30	33.30	16.70	100.00	3.50	1.049
Vocational qualifications	0.00	20.00	20.00	40.00	20.00	100.00	3.60	1.140
Career development	0.00	0.00	16.70	66.60	16.70	100.00	4.00	0.632
Training programmes	0.00	0.00	9.10	54.50	36.40	100.00	4.27	0.647
Talent management	0.00	0.00	14.20	42.90	42.90	100.00	4.29	0.756
Competence development programmes	0.00	0.00	0.00	60.00	40.00	100.00	4.40	0.548
Job rotation opportunities	0.00	0.00	50.00	50.00	0.00	100.00	3.50	0.707

more decision useful.

### Human capital remuneration and welfare

This section shows the disclosure attributes in the human capital remuneration and welfare category. The results show that over 50% of the respondents provide information on attributes such as executive compensation plan; employee compensation plan; employee benefits; employee share scheme and employee share option scheme while over 60% of the respondents agreed that they do not provide information on attributes such as employee asset acquisition scheme; employee job satisfaction and recognition and reward. However, Table 6 indicates that over 50% of the respondents agreed that all the attributes in the category have strong to very strong contribution to value creation. Moreover, the standard deviation (ranging from 0.00 to 1.22) from the mean (ranging from 3.33 to 4.50) generally indicates that the respondents agree that majority of these attributes do contribute to corporate value creation.

This result portrayed the significance of remuneration and welfare to employees' performance and productivity. In addition, these disclosures are in compliance with Companies Act and the King III code of corporate governance.

### Human capital equity issues

This section reflects human capital equity issues of race, gender, disability and religion. The results indicate that 50% of the respondents provide information on race,

gender and religion while 50% do not. Information on disabled applicants and employees is not provided by 92.9% and 66.7% respondents respectively. On the other hand, Table 7 shows that 57.1% and 42.9% of the respondents claimed that information on race; gender and religion make moderate and strong contributions respectively. 80% and 20% of the respondents agreed that information on disabled employees make moderate and strong contributions respectively. However, 100% respondents agreed that information on disabled employees made a strong contribution to value creation. Also, the standard deviation (ranging from 0.00 to 0.89) from the mean (ranging from 3.40 to 4.00) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation.

The employment equity act requires all companies to provide information on these equity issues; it appears that majority of the preparers are yet to provide full information on these issues particularly on disabled applicant and employees.

### Human capital environmental safety

This section deals with issues relating to environmental safety, ethical business policy and corporate social responsibility. The results indicate that a greater percentage that is between 71% and 100% of the respondents provide information on employees' safety policy; corporate social responsibility and community engagement while 50% of the respondents provide information on working environment policy. However, Table 8 indicates that a greater percentage of



**Table 6.** Human capital remuneration and welfare

<b>Human capital remuneration and welfare</b>	<b>No contribution</b>	<b>Weak contribution</b>	<b>Moderate contribution</b>	<b>Strong contribution</b>	<b>Very strong contribution</b>	<b>Total</b>	<b>Mean</b>	<b>Std.Dev.</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Executive compensation plan	0.00	7.60	30.80	30.80	30.80	100.00	3.85	0.987
Employee compensation plan	0.00	10.00	30.00	20.00	40.00	100.00	3.90	1.101
Employee benefits	0.00	0.00	16.70	16.70	66.60	100.00	4.50	0.837
Employee share scheme	0.00	20.00	20.00	40.00	20.00	100.00	3.60	1.075
Employee share option scheme	0.00	20.00	10.00	50.00	20.00	100.00	3.70	1.059
Employee job satisfaction	0.00	33.30	16.70	33.30	16.70	100.00	3.33	1.211
Recognition and reward	0.00	14.30	14.30	14.30	57.10	100.00	4.14	1.215
Employee Asset Acquisition Scheme	0.00	0.00	0.00	100.00	0.00	100.00	4.00	0.00

**Table 7.** Human capital equity issues

<b>Human capital equity issues</b>	<b>No contribution</b>	<b>Weak contribution</b>	<b>Moderate contribution</b>	<b>Strong contribution</b>	<b>Very strong contribution</b>	<b>Total</b>	<b>Mean</b>	<b>Std. Dev.</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Race, gender and religion	0.00	0.00	57.10	42.90	0.00	100.00	3.43	0.535
Disabled employees	0.00	0.00	80.00	0.00	20.00	100.00	3.40	0.894
Disabled applicants	0.00	0.00	0.00	100.00	0.00	100.00	4.00	0.00

respondents that is between 71% and 78% agreed that these attributes make strong contributions to value creation. Moreover, the standard deviation (ranging from 0.90 to 1.21) from the mean (ranging from 3.92 to 4.14) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation.

The results here portrayed the importance attached to environmental safety by companies. It appears to be a good corporate practice to provide adequate information on environmental safety in line with local and international regulations on environmental safety.

### **Human capital health and wellness**

This section deals with issues bordering on employees'

health and wellness. Our results reveal that 64.3% of the respondents report on occupational as well as physical wellness while 53.8% of the respondents report on social wellness. Issues bordering on intellectual wellness; emotional wellness; financial wellness and spiritual wellness received little or no attention by this preparer group as 83.3%; 76.9%; 69.2% and 91.7% respondents respectively said that they do not provide information on these attributes. However, Table 9 shows that all these attributes are perceived to have moderate contributions to value creation by 55% to 100% of the respondents. In addition, the standard deviation (ranging from 0.00 to 1.21) from the mean (ranging from 2.50 to 4.00) generally indicates that the respondents agree that majority of these attributes also contribute to corporate value creation.

It is advisable that issue of health and wellness should

**Table 8.** Human capital environmental safety

Human capital environmental safety	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Statement of working environment policy	0.00	0.00	28.60	28.60	42.80	100.00	4.14	0.900
Statement of employee safety policy	0.00	11.12	11.12	44.43	33.33	100.00	4.00	1.000
Description of community involvement	7.70	0.00	15.40	46.10	30.80	100.00	3.92	1.115
Statement of policy regarding corporate social responsibility	8.30	0.00	16.70	33.30%	41.70	100.00	4.00	1.206
Statement of ethical business policy	8.30	0.00	16.70	33.30%	41.70	100.00	4.00	1.206

**Table 9.** Human capital health and wellness

Human capital health and wellness	No contribution	Weak contribution	Moderate contribution	Strong contribution	Very strong contribution	Total	Mean	Std. Dev.
	%	%	%	%	%	%		
Social wellness	0.00	14.30	71.40	14.30	0.00	100.00	3.00	0.577
Occupational wellness	0.00	22.20	55.60	0.00	22.20	100.00	3.22	1.093
Intellectual wellness	0.00	50.00	50.00	0.00	0.00	100.00	2.50	0.707
Emotional wellness	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.000
Physical wellness	0.00	0.00	55.60	11.10	33.30	100.00	3.78	0.972
Financial wellness	0.00	0.00	75.00	0.00	25.00	100.00	3.50	1.000
Spiritual wellness	0.00	0.00	100.00	0.00	0.00	100.00	3.00	0.000

be reported holistically so as to incorporate other aspects are not reported at the moment. This will ensure that the wellness of employees' body, soul and spirit could be monitored and ascertained.

## CONCLUSION

The significant issues arising from this study are that, in few cases, disclosures are a function of perceived level of significance of these items but in many cases preparers do not provide adequate information on some items even though these items are perceived to have strong contributions to value creation. Secondly, it appears that companies provide some information in response to

some local and international laws and regulations guiding corporate governance and reporting.

It is therefore recommended that information on these attributes should be fully disclosed in the corporate annual reports; companies may be adjudged by the users of CARs to have greater corporate value because they will find these reports to more decision useful.

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