



## HR & Finance: Accounting for people by Ginny Jones, APR

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Whether it's training, wellness programs or employee satisfaction surveys, the issue of proving bottom line worth remains an ongoing struggle for the Human Resource executive. Why is one required to "make the business case" for something we intrinsically know is important to financial performance?

Perhaps it's because the ways and means available to us – our financial reporting systems – are based on antiquated models in which only tangible assets have an allocated value.

A quick look at your organization's balance sheet shows that there is no entry for people. Whether it's the knowledge your employees possess or the value of the relationships they maintain with your customers, shareholders and regulators, we need some innovative thinking and language to allow for dialogue with our financial officers.

The information age is here to stay. Yet our understanding of its influence is limited. According to Bill Wilkerson, President of the Canadian Business and Economic Roundtable on Mental Health in the Workplace, "Information is everywhere. And all-powerful in so many ways. For example, information about money – transmitted worldwide in an instant – is now more important than money itself."

In the knowledge economy, human capital -- defined here as the capacity to innovate based on skill sets and mind sets -- will dominate. Why then do we retain both our industrial age management models -- in which tasks, control, and production of product lines dominate -- and our outdated financial reporting structures? Neither support nor even fit with contemporary commercial demands.

Last year, the International Accounting Standards Committee (IASC) published its

along awaited standard on Intangible Assets (IAS 38). It applies, among other things, to expenditures on advertising, training, start-up and research and development ( R&D). A media announcement issued upon its release stated, "Investment in, and awareness of, the importance of intangible assets have increased significantly in the last two decades." While the standard is expected to have no direct impact on how Canadian chartered accountancy firms report and file (unless the client is a multinational firm with offices in countries required to comply with IASC standards), it does give a global definition to intangibles.

During the 3rd World Congress on Intellectual Capital, held in Hamilton, Ontario earlier this year, Beverley Brennan, Chair of the Canadian Institute of Chartered Accountants (CICA), cautioned the intellectual capital management community (ICM) to allow for time for experimentation and best practices to emerge. She called for researchers to team up with practitioners to create the knowledge base required for, "the development of a whole new measurement system for value creation, one that would operate in parallel with the existing value realization measurement system."

In the meantime, the CICA is establishing the Canadian Performance Reporting Initiative Board. Among its duties will be to "advance knowledge in ICM and other areas critical to performance measurement."

For years, Human Resources personnel have struggled to become "strategic business partners". This is a golden opportunity for Human Resource leaders to work together with the CICA and the ICM to ensure that people count.