

# EMPIRICAL STUDY ON THE HUMAN RESOURCES MANAGEMENT CONTROL: THE CASE OF PUBLIC SECTOR <sup>i</sup>

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## **Abstract:**

*In the establishment of a human resources management control system model we considered its flexibility to the present human resources practical needs, with the rationale of finding a resolution for the existing inconveniences, yielding an advantage to the steps we offer to perform. The empirical study that we have carried out consists of the analysis of companies and public sector entities, tracking, on one hand, the detection of the extent to which the Romanian entities have organized a human resources management policy, and on the other hand, the recognition of the inconveniences that underlie in human resources management, for those entities that follow a human resources management policy. Within this article we presented the results obtained for the public sector entities and we made a comparison of the results obtained for the companies and for the public sector entities.*

**Key words:** Human resources management control system, empirical study, public sector entity

**JEL classification:** Q19, M41

## INTRODUCTION

Environmental and social concerns are globally important. Climate change, human rights, biodiversity extinction are just few examples of the nowadays challenges. Consequently, environmental and social concerns are being considered more and more as globally important issues for both public and private entities. Some multinational companies have considered sustainable development and have experimented different types of societal accountability systems. Following the same pattern, the popularity of the corporative sustainable reporting has grown in the past decade. The Global Reporting Initiative (GRI) has evolved as sustainable reporting standard and offers a theoretical framework for reporting equivalent to the one behind the financial reporting. At the same time, although, there is no knowledge on the actual changes created regardless of the emphasis on the societal issues.

Accounting research in the societal field becomes more and more visible now in important journals and makes increasingly the subject of expert conferences. All things considered, despite global concerns and business environment innovations, the academic research is not equally developed all over the world. We consider that this is the case for Romania too. For this reason, through this paper, we feel that we will bring a positive contribution to the knowledge in this particular field for our country.

We shall continue this by presenting below a literature review on the human resource management control system, the research methodology used for this study, the results of empirical research and some of the findings of research.

## 1. LITERATURE REVIEW

We will begin by presenting a literature review, for the reason that „this represents the starting point for the selection of further research directions” (Ittner and Larcker, 2002).

The management control system must ensure the coherence between the undertaken strategy (what the company wants to achieve) and the specific means for applying that strategy (what the company must do and the resources needed in the process). The management controller is the individual who contributes to ensuring this coherence. The information available are multiple, although in the decision making process a limited quantity of data is correlated, respectively the data that is relevant and pertinent. The management controller participates to the creation of the useful decision making information system. The management controller plays the co-pilot role to the manager, he assists in the process of running the activity, he alerts him in significant situations, he helps to take the necessary decisions to correct the trajectory. Here are some considerations that have allowed us to support the major role played by the management controller in the companies' activity (Dumitrana et al., 2009).

Currently, the economic reality is characterized by uncertainty, turbulence and stiff competition, entities are required to show the same concern on their mission and vision, their stability over time, adapting to changing conditions, to survive. How is it possible to know if these entities have entered the path for achieving the established goals, if they have not deviated from these, if routing tools have been well selected and implemented? The answer must be sought in the general control and management control in particular.

We consider that people are the most important asset within a company. In the context of companies' social policies and management objectives, together with all other departments, management control contributes to an efficient use of company resources. In this paper we want to emphasize the importance of human resource management control, as one of the key factors of development process in all countries, and the organization's need for management control to provide information on human resources.

What are the main concerns of companies linked to profitability-efficiency-wage? Staff reorganization processes, combined with cost reduction efforts and new requirements appear in current times in the context of company management control.

Man is the richest resource in the company. The coordination of human resources elements gives birth to the company's performance. Therefore companies must establish the objectives of both financial performance and human performance. But man is not a piloted machine. Its own complexity, variable throughout time, is added to the complexity of human relationships. A company that does not integrate social criteria, not only may jeopardize its image, its functioning, its continuity, but more importantly, it will not be able to develop through its capital trust to its partners. Creating value and wealth is not only the result of intrinsic qualities of a product, but also the composition of the intangible benefits that accompanies it. The manner in which people communicate and work together determines the performance of an organization.

In France at the end of the years 1970 (Martory, 2003) appears the idea of a Social Statement of Financial Position. This is a report that presents in connection with the social environment the expenses and the services of an organization directed to social groups that have relationships with it (employees, investors, customers, suppliers and the public). Here are also disclosed some social politics, the targets, the measures considered for their achievement, the value obtained by the organization etc.

Naro (2005) started his work by presenting the objectives and the range of the social management control. He presented then the main social indicators, classified in economic and financial, structural, training, payment, attitude and professional risk indicators. He then presented the “human” dimensions of the French “tableau de bord”, balanced scorecard and skandia navigator and their recent developments. He concludes that the disclosure of the human management dimension in the performance reports needs an improvement of the existing instruments.

In Romania, The National Statistics Institute asks from the companies that fulfill some conditions to present the following items regarding the human resources disclosures: the number of employees at the end of the year, the average number of employees at the end of the month, the time worked in normal time and supplementary hours, the gross amounts paid out of the wages fund; the gross amounts paid out of the net profit; the gross amounts paid out of the other funds; the gross amounts paid out of the social insurances; employees contribution to the health budget; employees contribution to the social insurances budget; employees contribution to the unemployment fund; the wages tax; the average gross wages; employees structure on sexes, occupations and income categories (Dumitru et al., 2009).

Dumitru and others (2008) have presented in their study the steps to be taken in the elaboration of a management control system model based on company pre-established goals and reports that must be prepared to show the way in which the targets are attained in a commercial company. The model they suggest was build starting from the activity identification in a company activating in the commercial field and from is responsibility unit.

Human resources management control organization (HRMC) means from our point of view: activity recognition with the purpose to control them, indicators specification with the purpose of calculating them, reports selection to be prepared for different control levels, different department gathered data reconciliation (human resources, different responsibility centers), fight against absenteeism, constancy and attractiveness measurement, budgeting the need for labor force from one exercise to another, legal and social limitations integration in the economic context, social risk management, knowledge and the hierarchy of all total remuneration components, alignment of business strategy and remuneration policy, performance criteria management (tensioning device for control, indicators characteristics), human resources costs and performance measurement (Dumitrana et al., 2009).

Human resources management control represents a permanent control performed for social information supply and for companies’ social performance measurement, taken together in a close correlation with economic performance. Human resources management control can be divided into two parts: one part devoted to control activities and the other one devoted to control activity results development.

Human resources management control represents a ruling and reporting instrument for the company human resources, for the management and for various responsibility focuses. Human resources management control defines, produces and analyses the aggregate quantitative and qualitative data on human resources management within a company.

The position of social management controller can be positioned in the organizational chart of a company either in the department of human resources or in the financial department. This individual will cooperate with other services in order to attain its objectives and to respect the policies established by the organization.

A study performed by the counseling American office *Watson Ayatt* shows that the most advanced companies in their management of the human resources capital are able to create twice more value than others. Today, employees are a little more confident and a little stricter. They want to go from a financial economy to a human

economy. Their attitude towards labor transforms them, making them clients from suppliers. The current social environment transforms the work place into a life place, just as if society represents a second family. Companies such as Accor, Bouygues Telecom, Deloitte & Touche are competing in image for their employees. The economic media lists the companies' reasons towards their employees: fitness gyms, travel agency, hairdresser, nursery, restaurant, etc.

Some companies even offer benefits at home, starting from the principle that a satisfied employee, free of worries and daily journeys, is more available and more efficient for the enterprise.

Therefore we believe that implementing a human resource management control is essential to the individual performance (company level) to reach its overall performance (society level). Employment analysis is often misunderstood, is perceived as a chore or simply turned into a formal activity by employers and human resources departments.

Literature references allow an empirical and exploratory analysis through which positive correlations can be identified between the employee degree of satisfaction and their trust on one side, and the commitment level on the other side.

## **2. RESEARCH METHODOLOGY**

The research proposes a structured nature, resorting to the testing of hypothesis and investigation of the interconnections between the examined variables, fact that makes it to fall within a descriptive research typology. Depending in the purpose of the research, it falls in the category of conclusive research.

The data collection method choice was ad-hoc survey, statistical method that assumes direct contact with the beholder of the statistical information and it is done randomly. The present research was a quantitative one because the information gathered were quantified and quantitatively analyzed. As instrument of information collection we used the questionnaire. The questions included in the questionnaire were mostly closed and composite questions for which the respondent was given the possibility to fill in the answer in case none of the given options were satisfying; both the closed questions and the composite questions were made multiple choice answer questions.

The questionnaires were made using MS Word and were distributed to the respondents by electronic mail. Approximately 100 questionnaires were distributed by electronic mail in September 2009, obtaining 38 answers; from which 28 were private entities and 10 state institutions. Next we will analyse the answers received from the private entities.

## **3. QUESTIONNAIRE ANALYSIS AND FUNDAMENTAL CONCLUSIONS**

The first part of our research, based on fundamental research, resides in a literature review referring to the existing problems of human resources management control. This review of the specialized literature helped us to organize the main ideas commonly accepted on this subject.

Such a research helped us understand the notions that build up the theoretical domain of the research theme, but most of all helped us get to the conviction that the substance of these concepts is not a rigid one, but one that is modeled through in time and space. The literature review assured our capacity to understand the characteristics of the present human resources management control process.

Through the questionnaire<sup>1</sup> based empirical research we followed the manner in which the position of the companies, where the respondent individuals work, gets practically reflected, where human resources administration is considered. The respondents were hired in Accounting and Human Resources departments of different Romanian entities.

In order to interpret the results, in a first phase, the distribution of independent variables was presented (distribution of the number of employees). 10% from the public institutions included in the sample have less than 75 employees, 30% have between 76 and 150, 10% between 151, and 300, and 40% have over 300 employees.

The legal provisions compliance was done as follows:

Table 1: Legal provisions compliance

		YES		NO		NOT SURE		NOT APPLICABLE	
		Total respondents	Respondents to Question	Total respondents	Respondents to Question	Total respondents	Respondents to Question	Total respondents	Respondents to Question
a)	The calculation, registration and taxes payment according to the legal provisions (10 respondents)	100%	100%	0%	0%	0%	0%	0%	0%
b)	Statements and fiscal notes submission referring to wages(10 respondents)	100%	100%	0%	0%	0%	0%	0%	0%
c)	Employment registration of your employees(9 respondents)	90%	100%	0%	0%	0%	0%	0%	0%
d)	Medical controls of your employees (9 respondents)	90%	100%	0%	0%	0%	0%	0%	0%
e)	Necessary specific authorization attained (9 respondents)	80%	88.89%	10%	11.11%	0%	0%	0%	0%
f)	Work schedule, free days of your employees (9 respondents)	90%	100%	0%	0%	0%	0%	0%	0%
g)	Work environment conditions for your employees (9 respondents)	90%	100%	0%	0%	0%	0%	0%	0%

Compared to the commercial companies included in the sample, for public institutions we observed that the answers are more homogeneous (most people answering „yes”), while for private companies we have also registered answers of „no”, „not sure” or „not applicable”.

Most often used disciplinary sanctioning methods used in public institutions are (6 respondents):

- Written notice – 20% of the institutions;
- Base wage reduction for a duration of 1 to 3 months by 5-10% – 20%;

<sup>1</sup> For the questionnaire please contact the authors at the e-mail address: madidunitru2007@gmail.com

- Base wage reduction and / or, if applicable, a reduction of the management bonus for a duration of 1 to 3 months by 5-10% – 20%.

In the case of the companies 75% of the respondents chose the written notice, while 10.71% chose the disciplinary termination of labor contract (which was chosen by no representative of the public entities).

Personnel satisfaction evaluation studies concerning the work environment and work conditions are performed (9 respondents):

- At 6 months: 0%;
- At 12 months: 40%;
- At more than 12 months: 30%.

In 20% of the public institutions included in the sample there are no personnel satisfaction evaluations

In the case of the companies 20% of the respondents chose the first option on the expense of the third one.

The chances of each employee to advance in career are:

- Few: in 0% of the cases;
- Medium: in 40 of the cases;
- Multiple: in 50 of the cases;
- There are none: in 0% of the cases;

For companies we have registered a larger distribution (28.57%) for the first option, and 17.86% of the respondents have chosen the option „multiple”. Also, in 7, 14% of the cases the respondents have considered that there are no career advancement possibilities within the company they work.

Measurement and stimulation of performance activity performed by the employees are submitted personally and it is done especially by using the following indicators: analysis and synthesis; efficiency; coordination; management; communication. The answers were much more cultured in the case of commercial companies.

The productivity level optimization per employee is done by:

- a. Professional performances evaluation done by reporting the achieved results to the objectives and tasks given
- b. Reducing time to resolve requests from external customers, increasing the number of cases resolved
- c. Reducing time to resolve requests from external customers, increasing the number of cases resolved per time unit given
- d. Reducing time to resolve problems, increasing the number of cases resolved per time unit given
- e. Job attributions fulfillment
- f. Using evaluation noted, using quantitative indicators (no. Of works per employee) and qualitative indicators (low, intermediate and high complexity)

We were not able to establish a co-respondent between these answers and the answers offered the employees of commercial companies.

Employees are involved in social corporate responsibility programs (8 respondents):

- a) Not at all: in 20% of the companies;

- b) Less than last year: in 10% of the companies;
- c) Same as last year: in 50% of the companies;
- d) More than last year: in 0 of the companies.

We observed large differences for the answers given by the commercial companies' employees to the first variant (42.86% of the cases) and the third variant (21.43% of the cases).

Human resources policy effect over employee productivity is evaluated as for (8 respondents):

- a. Very weak: 0%;
- b. Weak: 0%;
- c. Moderate: 20%;
- d. Good: 60%;
- e. Very good: 0%.

For the commercial companies we observed a more balanced distribution among the last three variants (no respondent has chosen the first option), respectively moderate in 46.43% of the cases; good in 32.14% of the cases; very good in 14.29% of the cases.

In 80% (8 companies) from the companies included in the sample the positions have designated skills that ensure success and the rest (10% of the companies) have not limitations. The answer is comparable to the one obtained at the level of commercial companies.

Efficiency and productivity are measured within the respondent companies by:

- a. Activity report, efficiency indicators, evaluation report
- b. Professional performances evaluation is made by reporting the results achieved for the objectives and tasks given
- c. Granting merit payment
- d. Granting merit payment, ratings at the end of each year
- e. Ratings, granting awards
- f. Task completion, number of cases per employee, honoring mandatory minimal quality standards
- g. Using all above mentioned indicators.

For this case also we were not able to establish a correspondence with the answers attained from the commercial companies (the question was open type).

The main concerns connected to talent development within institutions refer to (open question):

- a. The talent development process includes the steps of recruiting, selection, insertion, career management, personal development and team development
- b. It is not the case
- c. This subject was not approached

The percentage of the employees included in the program of professional training is of 70% in four institutions and under 10% in the rest of respondent institutions. The answers have been more scattered for commercial companies.

The strategic planning dimensions for Human resources in a company have been appreciated as follows by the respondents (open question):

- a. The human resources department considers the personnel needs derived from the long and medium term attaining objectives strategies. We evaluate the abilities

and the potential, we evaluate the skills, we evaluate the leadership potential and we facilitate transition

- b. Human resources organizational culture, essential set of competences, key processes analyzed in the field of human resources, management system, strategic management divided in action directions
- c. Human resources organizational culture, essential set of competences, key processes analyzed in the field of human resources, management system, strategic management divided in action directions and change
- d. 3-5 years
- e. Multiannual strategic plan that comprises as a specific section the component of human resources

The recruiting-selection process within the institution is evaluated as for being (9 respondents):

- a. Very weak: 0%;
- b. Weak: 0%;
- c. Medium: 10%;
- d. Good: 30%;
- e. Very good: 50%.

Most respondents in commercial companies have chosen the option „good” (42.86%), while 7% of them have chosen the first 2 options.

The budget allocated to human resources is between 10,600 and 26,000,000 RON/year, and the one for professional training is of 1 to 35% from the one allocated to human resources. The budget allocated to human resources for the respondent commercial companies is between 2,000 and 450,000 RON/year.

#### 4. CONCLUSIONS

The economic environment along with the social system must tender a human resources strategy considering the demographic evolution and also the professional training of the individuals.

The preparation of various reports for managers requires information on expenses, costs, number of employees, types of employment, types of positions, types of activities, etc. Some information are gathered from the human resources (employees, jobs, activities), and often from the accounting department (expenses, costs, turnover). Reports and situations to be drawn for the information flow to managers are characterized by flexibility, adaptability to requirements, and lack of a certain standardization that could create obstacles. The report content through the light of the information is much more wide targeting both the financial side and the non-financial side (qualitative indicators). An efficient management control maintains the company under pressure and helps it to achieve its goals and to remain on the desired path that can lead to the desired target.

Considering the importance of the management controller in the life of an enterprise, we consider timely and imperative this development of the occupation in the Romanian companies. Also, we propose the inclusion of the management controller on the classification list of occupations in Romania and organization of a distinct division – *management controller* - with attributions and correlations with the other divisions that follows, analyses and reports necessary information that supports managerial decisions concerning the achievement of short term objectives as steps in the realization of strategic objectives.



Something newer (at least in Romania) is the concept of Social Responsibility of the Organization. This concept, along with the subject of hygiene, security, labor time management, social dialogue management, knowledge management, is still in the consideration of the social management controller. The social management control tries to reconcile the financial assignments with the way forecasts are made and the piloting of human resources within an organization. This will take place in a framework of the connections established in the organizations, between the employees and the activities they develop.

Adding value to the organization through strategies related to the human resources requires a much wider attention than normal a common role from the human resources department may provide. Thereby, the social management controller represents a new international profession that is practically absent nationally. This profession will be at the intersection between piloting, management and human resources.

In this study we have tried to identify the problems that exist in the field of human resource management and to determine the practical needs of public entities from Romania in the implementation of a human resources management control. For a better argument, we have presented results achieved in comparison to the results achieved within commercial companies. We consider that our research was somehow restrained by the small number of answers received. For the future we propose to study the satisfaction degree of the employees and the involvement degree in which the company is socially responsible, as parts of human resources management control.

Management control becomes a requirement for all entities. The management control organization falls within the competence of each entity or company in relation to the volume and quality of information that managers require.

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