

https://dspace.org/

Harmonisation of organisational human capital disclosure as a facilitator of foreign investment into a developing country

Chazuza, Tendai

2017

https://hdl.handle.net/10539/28704

Chazuza, Tendai (2017) Harmonisation of organisational human capital disclosure as a facilitator of foreign investment into a developing country, University of the Witwatersrand, Johannesburg, <http://hdl.handle.net/10539/28704>

Downloaded from a DSpace repository. https://dspace.org/

Harmonisation of organisational human capital disclosure as a facilitator of foreign investment into a developing country

by

Tendai Chazuza (935826)

A thesis submitted to the Faculty of Commerce, Law & Management at the University of the Witwatersrand in fulfilment of the requirements for the degree of Doctor of Philosophy

Supervisor: Professor Gregory, John. Lee

November 2017

ABSTRACT

This thesis examines how the harmonisation of human capital information disclosure in the corporate annual reports of stock exchange listed organisations may facilitate foreign investments into a developing country. Harmonisation is a process for developing a set of standards, practices and frameworks for reporting that are aligned with the aim of increasing compatibility of such disclosure frameworks, whilst maintaining some form of flexibility. The need to undertake this study has been motivated by the minimal and fragmented disclosure of human capital information in corporate annual reports. Such limited and uneven reporting creates asymmetric information problems with foreign investors. As such, this thesis seeks to understand how the harmonised disclosure of human capital information could assist in reducing information asymmetry problems faced by foreign investors as they make investment decisions into a developing country.

Influenced by the interpretive paradigm, the study followed the qualitative approach to research where the basic interpretive qualitative research design has been employed. Data was collected in two phases. The first phase of the study made a comparison of the human capital information voluntarily disclosed in the corporate annual reports of selected Zimbabwean Stock Exchange listed organisations in the service sector, and the information required by foreign investors investing into that sector. This was done to understand if there were any information gaps between the providers and users of corporate information. Document analysis of 14 corporate annual reports drawn from organisations in the service sector of Zimbabwe's banking, insurance, tourism and hospitality and telecommunications industries was done using a pre-defined human capital disclosure checklist. Document analysis was done to understand the disclosure practices of the organisations. The same human capital disclosure checklist used on document analysis was also sent to 15 foreign investors into these sectors, to infer their human capital information requirements. Comparisons of findings from the two sources were made to establish whether there were information disparities. The findings

from this first phase of the study informed some of the questions posed in the second phase of the study.

The second phase of the thesis reports the results of a qualitative study from interviews. This phase was aimed at understanding if the harmonised disclosure of human capital information in corporate annual reports could facilitate foreign investments through the reduction of information asymmetry problems. Specifically, the interviews were meant to ascertain if the harmonisation of human capital information disclosure could facilitate signalling and screening as a way to reduce information asymmetry problems with foreign investors. The perceptions of both preparers and users of corporate information were sought from the participating organisations and foreign investors in the selected service industry sectors. A total of thirty-five interviews were conducted with human resources managers, finance directors and foreign investors.

The evidence from the study revealed that the harmonisation of organisational human capital information disclosure in corporate annual reports assists in the reduction of information asymmetry problems. Such reduction in information asymmetry problems facilitates effective decision-making by foreign investors, who are one group of the corporate information users. The major conclusions from the study are that first, there is human capital information asymmetry between preparers of corporate annual reports and foreign investors as users of corporate annual reports. Second, the asymmetric information related to human capital information causes moral hazard and adverse selection problems. Third, harmonised human capital information disclosure facilitates signalling by enhancing signal fit, signal diffusion and reducing signal erosion. Fourth, harmonisation of human capital information disclosure facilitates screening by creating a separating mechanism between good and bad organisations. Fifth, the adequate and harmonised disclosure of relevant human capital information reduces information asymmetry problems. Sixth, the signalling environment affects the signal strength of human capital information. Finally, the reduction of human

capital information asymmetry problems leads to improved investment decision-making by foreign investors, prompting them to invest into the country.

The main contribution of this study lies in providing a systematic, theoretically informed proposal for the harmonisation of human capital information disclosure in corporate annual reports though the development of a theoretical model. The model explores how the harmonised disclosure of human capital information support signalling and screening as ways to enhance foreign investment by reducing information asymmetry problems. The study also makes methodological, empirical and practical contributions. Further research is recommended to empirically test the theoretical model and move the model towards the development of normative theory.

Keywords:

Corporate annual reporting, investment decision-making; developing country; facilitates; foreign investors; harmonisation; human capital; human capital disclosure; information asymmetry, signalling; screening.

DECLARATION

I, Tendai Chazuza, hereby declare that this thesis is my own unaided work except where due recognition has been given. The thesis is submitted for the degree of Doctor of Philosophy at the University of the Witwatersrand, Johannesburg, South Africa. It has not been submitted in part or full for any other degree or to any other university.

.....

Tendai Chazuza

.....

Date

ACKNOWLEDGEMENTS

My sincere gratitude goes to my supervisor, Professor Gregory Lee, who has guided and mentored me until the completion of this thesis. I cannot adequately express my appreciation for the unwavering support you gave me until the end of the research journey. Your patience throughout the research process has helped me to become a better researcher. I am also thankful for the research material that you provided me throughout the study.

I am also grateful to Dr Kerin Myres for the Atlas.ti initiation, Professor Louise Whittaker for insightful seminars, Professor Terri Carmichael and Dr Zandamela for your methodology and theory building insights. My special thanks also go to the post-graduate seminar organisers and presenters. To Susan Benvenuti, Yvonne Reed, Jean Moore, Salim Nakhjavani, Cathi Albertyn and Jane Castle, thank you for your encouragement during the PhD writing retreats. I would also like to thank the Wits Business School (WBS) staff, with special mention going to Mmabatho Leeuw for her assistance and efficiency in the PhD Office.

My deepest appreciation also goes to the organisations that willingly agreed to be the unit of analysis in this research and to the research participants for providing valuable data for this study. Regardless of your demanding schedules, you generously spared your precious time, which afforded me the opportunity to learn from your experiences. As a fulfilment of the ethics requirements and for your protection as promised during data collection, your names will remain anonymous. However, I remain thankful for the data you provided for the study.

To my examiners, thank you for taking time to go though the document and for the fruitful feedback.

To my sponsors of the Bradlow Scholarship, African Capacity Building Fund (facilitated by Women's University in Africa) and the Wits Bursary Fund, I thank you for the financial assistance you provided to me.

To Dr Arnold Chidhakwa, Dr Jenkins Mukonoweshuro, Pastor John Ringson, Professor Lovemore Mbigi, Dr Tadiwa Mangwengwende, Dr Chris Mutengwa, Dr Nomsa Mazonde, Dr Jones Mensor ,Varaidzo Moyo, Grace, Chengete Chakamira, Euphemia, Kennedy: thank you for all the support and encouragement at various stages of my study.

To my dearest husband, Richard Chazuza, and my lovely son, Donovan, I sincerely thank you for your patience and support. I could not have done this without you rallying behind me.

To my brother Casper Shumba and Mai Vavi, thank you for your lovely care during my stay in South Africa. To my little and learned brother Dr Tapiwa Shumba, thank you again for your support. To all my brothers, sisters, friends and relatives, thank you also for your moral support.

To my late parents, Andrea and Flora Shumba, I thank you and dedicate this thesis to you.

Above all, I acknowledge the mercy and love of God the Almighty, for He is the one who took me this far.

DEDICATION

To all those who believe in the value relevance of the human capital asset.

To my late parents, this is also for you.

LIST OF ABBREVIATIONS

AFDB	African Development Bank
FD	Finance directors
FMAC	Financial and Management Accounting Committee
FMEL	German Federal Ministry of Economics and Labour
GDP	Gross Domestic Product
GNI	Gross National Income
GRI	The Global Reporting Initiative
G4	Fourth generation
HC	Human capital
HDI	Human Development Index
HRM	Human Resource Manager
IASB	International Accounting Standard Board
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IPO	Initial Public Offering
METI	Ministry of Economy, Trade and Industry
OECD	Organisation for Economic Co-operation and Development
IC	Intellectual capital
IIRC	International Integrated Reporting Council
IR	Integrated Report
SABPP	South African Board of People Practice
SASB	Sustainability Accounting Standards Board
TSER	Targeted Socio-Economic Research
UNCTAD	United Nations Conference on Trade and Development
WBS	Wits Business School
ZIA	Zimbabwe Investment Authority
ZSE	Zimbabwe Stock Exchange

TABLE OF CONTENTS

ABSTRACT I
DECLARATION IV
ACKNOWLEDGEMENTS V
DEDICATION VII
LIST OF ABBREVIATIONS VIII
TABLE OF CONTENTS IX
LIST OF TABLES XVI
LIST OF FIGURES XVII
PART I 1
CHAPTER 1 1
THESIS INTRODUCTION 1
1.0 INTRODUCTION 1
1.1 CONTEXT OF THE STUDY 3
1.2 PROBLEM/ PURPOSE STATEMENT 10
1.3 RESEARCH QUESTIONS 11
1.4 SIGNIFICANCE OF THE STUDY 11
1.5 RESEARCH DELIMITATIONS 13
1.6 DEFINITIONS OF KEY TERMS 14
1.7 THESIS STRUCTURE 15
1.8 CONCLUSION 16
CHAPTER 2 17
HUMAN CAPITAL - AN INTANGIBLE ASSET 17
2.0 INTRODUCTION 17
2.1 INTANGIBLE ASSETS AND INTELLECTUAL CAPITAL 17
2.1.1 Intellectual capital defined *20*
2.1.2 Components of intellectual capital *21*
2.1.3. Intellectual capital and organisational performance *22*
2.1.4 Measuring intellectual capital *23*
2.1.4.1 Characteristics of indicators in intellectual measurement 25
2.1.5 Reporting on Intellectual capital *26*
2.2 HUMAN CAPITAL 29
2.2.1 The concept of human capital *29*
2.2.2 Definition of human capital *31*
2.2.3 Human capital value creation and organisational performance *31*
2.2.4 Human capital measurement *34*
2.3 CONCLUSION 35
CHAPTER 3 37
HUMAN CAPITAL INFORMATION DISCLOSURE 37

3.0 INTRODUCTION 37
3.1 CORPORATE REPORTING 37
3.2 CORPORATE ANNUAL REPORTS 38
3.3 USERS OF CORPORATE ANNUAL REPORTS 39
3.4 INFORMATION PROVISION IN CORPORATE ANNUAL REPORTS. 41
3.5. HUMAN CAPITAL INFORMATION DISCLOSURE 43
3.5.1 Reasons for limited disclosure of human capital information *48*
3.5.2 Motives for human capital information disclosure *50*
3.6 HARMONISATION OF HUMAN CAPITAL INFORMATION DISCLOSURE . 51
3.6.1 Harmonisation as a concept *51*
3.6.2 Benefits and challenges of harmonisation *53*
3.6.3 Harmonised human capital information disclosure system *55*
3.6.4 Initiatives to harmonise human capital information disclosure *56*
3.6.4.1 Global Reporting Initiative 57
3.6.4.2 Integrated reporting (IR) 58
3.6.4.3 The smarter annual report 60
3.6.4.4 Meritum Guidelines (2002) 61
3.6.4.5 Nordika Guidelines (2001) 62
3.6.4.6 IFAC Guidelines (1998) 62
3.6.4.7. Danish Guidelines (DATI) (2000, 2003) 63
3.6.4.8 German Guidelines (2004) 63
3.6.4.9 Japanese Guidelines (2005) 63
3.7 CONCLUSION 65

CHAPTER 4 66

THEORETICAL FRAMEWORK 66

4.0 INTRODUCTION 66
4.1 INFORMATION ASYMMETRY EXPLAINED 66
4.2 INFORMATION ASYMMETRY PROBLEMS 67
4.2.1 The Moral Hazard problem *68*
4.2.2 The Adverse Selection problem *68*
4.3. SOLUTIONS TO INFORMATION ASYMMETRY PROBLEMS 72
4.3.1 Signalling as a solution to information asymmetry problems *73*
4.3.1.1 Signalling human capital information in capital markets 76
4.3.2 Screening as a solution to information asymmetry *87*
4.3.2.1 Self selection 89
4.4 HARMONISATION AND FOREIGN INVESTMENT DECISION-MAKING 90
4.5 LITERATURE GAP 91
4.6 CONCLUSION 92

CHAPTER 5 93

RESEARCH METHODOLOGY 93

5.0 INTRODUCTION 93
5.1 OUTLINE OF THE ENQUIRY PROCESS 93
5.2. RESEARCH PHILOSOPHY 95
5.3 RESEARCH DESIGN 98
5.4 CONTEXTUAL SETTING OF THE STUDY 103
5.4.1 Developing country *103*

5.4.2 Zimbabwe as the study site *104*
5.5 SAMPLING STRATEGY 106
5.5.1 Unit of analysis *107*
5.5.2 Selection of participants for the study *108*
5.5.2.1 Selection of participating organisations 108
5.5.2.2 Selection of participating individuals 111
5.6 DATA COLLECTION PROCESS 114
5.6.1 Documentary data collection *115*
5.6.2 Human capital information disclosure checklist *117*
5.6.2.1 Decision on the human capital information disclosure checklist used ... 117
5.6.3 Semi-structured interviews *119*
5.6.4 Memoing *121*
5.7 DATA ANALYSIS PROCESS 122
5.7.1 Analysis of corporate annual reports *122*
5.7.1.2 Validity and reliability in content analysis 123
5.7.2 Analysis of feedback from the human capital checklist *124*
5.7.3 Analysis of semi- structured interviews *124*
5.7.3.1 Data preparation 124
5.7.3.2 Familiarising with data 125
5.7.3.3 Data Interpretation: Coding, categorisation and theme building process 126
5.7.4 Memo writing: analytical memos *129*
5.8 PRESENTATION OF DATA 129
5.8.1 Document analysis and the human capital disclosure checklist *129*
5.8.2 Semi-structured interviews *130*
5.8.2.1 Within-sample presentation and analysis 130
5.8.2.2 Cross-sample presentation and analysis 131
5.9 GENERALISATION OF DATA/ THEORY BUILDING PROCESS 131
5.10 LIMITATIONS 132
5.11 ENSURING QUALITY OF THE RESEARCH 134
5.11.1 Reliability *135*
5.11.2 Construct validity *136*
5.11.3 External validity *136*
5.11.4 Internal validity *137*
5.12 ETHICAL CONSIDERATIONS 138
5.13 CONCLUSION 139

PART II 140

WITHIN- DATA SOURCE ANALYSIS 140

CHAPTER 6 141

FINDINGS FROM DOCUMENT ANALYSIS AND HUMAN CAPITAL DISCLOSURE CHECKLIST 141

6.0 INTRODUCTION 141
6.1 FINDINGS FROM THE CORPORATE ANNUAL REPORTS 141
6.1.1 Human capital information disclosures *143*
6.1.1.1 Most disclosed human capital items 146
6.1.1.2 Moderately disclosed human capital information items 150
6.1.1.3 The minimally disclosed human capital items 153

6.1.1.4 Human capital information items not disclosed 160
6.1.2 Disclosure levels by individual organisations *160*
6.1.3 Summary of content analysis *163*
6.2 FINDINGS FROM THE HUMAN CAPITAL DISCLOSURE CHECKLIST 164
6.2.1. Human capital information considerations in investment decisions *164*
6.3 IMPORTANCE AND DISCLOSURE LEVELS OF INFORMATION ITEMS ... 167
6.3.1 Disclosure levels of very important human capital information *167*
6.3.2 Disclosure levels of important human capital information *169*
6.3.3 Disclosure levels of less important human capital information *169*
6.3.4. Disclosure levels of not important human capital information *170*
6.3.5 Comparative analysis of information provision and requirement *170*
6.4 CONCLUSION 171

CHAPTER 7 173

FINDINGS FROM GROUP1 INTERVIEWS: HUMAN RESOURCE MANAGERS . 173

7.0 INTRODUCTION 173
7.1 BACKGROUND INFORMATION FOR PARTICIPANTS 174
7.2 RESEARCH FINDINGS 175
7.2.1 Overview of corporate annual reporting *175*
7.2.1.1 Reasons for corporate annual reporting 175
7.2.1.2 Stakeholders targeted for corporate reporting 177
7.2.1.3 Regulations influencing corporate reporting 178
7.2.1.4 Dominant information in the corporate annual reports 178
7.2.1.5 Important information for decision-making 180
7.2.1.6 Information needed by investors 180
7.2.2 Human capital information disclosure *181*
7.2.2.1 Reasons for human capital information disclosure 182
7.2.2.2 Adequacy of human capital information disclosure 183
7.2.2.3 Reasons for minimal disclosure 184
7.2.2.4 Fragmented human capital disclosure across organisations 188
7.2.3 Human capital information asymmetry problems *190*
7.2.3.1 Risk of bad investment selection 190
7.2.3.2 Opportunistic behaviour 191
7.2.4 Solutions to human capital information asymmetry problems *192*
7.2.4.1 Signalling human capital information 192
7.2.4.2 Screening using human capital information 199
7.2.5 Harmonisation of human capital information disclosure *203*
7.2.5.1 Harmonisation benefits 203
7.2.5.2 Harmonisation challenges 207
7.2.5.3 Voluntary harmonisation 208
7.2.6 Decision usefulness of harmonised human capital information *208*
7.2.6.1 Harmonisation enhances decision usefulness 209
7.3 CONCLUSION 210

CHAPTER 8 217

FINDINGS FROM GROUP 2 INTERVIEWS: FINANCE DIRECTORS 217

8.0 INTRODUCTION 217
8.1 BACKGROUND INFORMATION ON PARTICIPANTS 218

8.2 RESEARCH FINDINGS 219
8.2.1 Overview of corporate annual reporting *219*
8.2.1.1 Reasons for corporate annual reporting 219
8.2.1.2 Major stakeholders targeted for corporate reporting 222
8.2.1.3 Regulations influencing corporate reporting 223
8.2.1.4 Dominant information in the corporate annual reports 224
8.2.1.5 Important information for decision-making 225
8.2.1.6 Information needed by investors 227
8.2.2 Human capital information disclosure *227*
8.2.2.1 Reasons for human capital information disclosure 228
8.2.2.2 Adequacy of human capital information disclosure 231
8.2.2.3 Reasons for minimal human capital information disclosure 232
8.2.2.4 Fragmented human capital disclosure across organisations 235
8.2.3 Human capital information asymmetry problems *238*
8.2.3.1 Risk of bad investment selection 238
8.2.3.2 Opportunistic behaviour 238
8.2.4 Solutions to human capital information asymmetry problems *239*
8.2.4.1 Signalling human capital information 239
8.2.4.2 Screening using human capital information 246
8.2.5 Harmonisation of human capital information disclosure *250*
8.2.5.1 Harmonisation benefits 250
8.2.5.2 Harmonisation challenges 253
8.2.5.3 Mandatory harmonisation 255
8.2.6 Decision usefulness of harmonised human capital information *255*
8.2.6.1 Harmonisation enhances decision usefulness 255
8.3 CONCLUSION 256

CHAPTER 9 262

FINDINGS FROM GROUP 3 INTERVIEWS: FOREIGN INVESTORS 262

9.0 INTRODUCTION 262
9.1 BACKGROUND INFORMATION ON PARTICIPANTS 262
9.2 RESEARCH FINDINGS 263
9 2.1 Overview of the investment decisions *263*
9.2.1.1 Motives for investing 264
9.2.1.2 Determinants for investment 265
9.2.1.3 Investment challenges 266
9.2.1.4 Sources of information 267
9.2.1.5 Information needed by foreign investors 269
9.2.2 Foreign investors' preferences on human capital information *271*
9.2.2.1 Importance of human capital information 271
9.2.2.2 Human capital information needed by foreign investors 272
9.2.2.3 Adequacy of human capital information 275
9.2.2.4 Fragmented disclosure of human capital information 277
9.2.3 Human capital information asymmetry problems *278*
9.2.3.1 Risks of bad investment selection 278
9.2.3.2 Opportunistic behaviour 278
9.2.4 Solutions to information asymmetry problems *279*
9.2.4.1 Human capital information signals 279

9.2.4.2 Screening through human capital information 283
9.2.5 Harmonisation of human capital information disclosure *286*
9.2.5.1 Harmonisation benefits 286
9.2.5.2 Harmonisation challenges 289
9.2.5.3 Mandatory / voluntary harmonisation 290
9.2.6 Decision usefulness of harmonised human capital information..... *291*
9.2.6.1 Harmonisation enhances decision usefulness 292
9.3 CONCLUSION 293

PART III 300

CROSS-SOURCE ANALYSIS, THEORETICAL MODEL AND CONCLUSIONS ... 300

CHAPTER 10 301

CROSS–ANALYSIS OF EVIDENCE AND DISCUSSIONS 301

10.0 INTRODUCTION 301
10.1 CROSS-GROUP REFLECTION OF EMERGING THEMES 301
10. 2 CROSS-GROUP ANALYSIS AND DISCUSSION OF THE THEMES 303
10.2.1 Signalling and screening context *303*
10.2.2 Human capital information asymmetry *312*
10.2.3 Human capital information asymmetry problems *314*
10.2.4 Signalling human capital information *318*
10.2.5 Screening using human capital information *322*
10.2.6 Harmonisation facilitates signalling *326*
10.2.7 Harmonisation facilitates screening *333*
10.2.8 Decision usefulness of harmonised human capital information..... *334*
10.3 CONCLUSION 336

CHAPTER 11 342

EMERGING THEORETICAL MODEL 342

11.0 INTRODUCTION 342
11.1 HARMONISATION FACILITATING INVESTMENT DECISION-MAKING 342
11.2 PROPOSED THEORETICAL MODEL 345
11.2.1 Harmonisation facilitating sound investment decision making *347*
11.2.2 Enhanced signalling *347*
11.2.3 Improved screening *347*
11.2.4 Reduced information asymmetry problems facilitate sound investment decision making *348*
11.2.5 Signalling and screening context *349*
11.3 DISCUSSION OF THE THEORETICAL MODEL 349
11.3.1 Harmonisation facilitates signalling *350*
11.3.2 Harmonisation facilitates screening *354*
11.3.3 Harmonisation reduces information asymmetry problems *356*
11.3.4 Decision usefulness of harmonised human capital disclosure *357*
11.3.5 Signalling and screening context *357*
11.4 CONCLUSION 358

CHAPTER 12 359

CONCLUSIONS, CONTRIBUTIONS AND RECOMMENDATIONS 359

12.0 INTRODUCTION 359
12.1 SUMMARY OF THE MAIN CONCLUSIONS 359
12.1.1 Answering the main research question *360*
12.1.2 Answering the first sub-question *360*
12.1.3 Answering the second sub-question *361*
12.1.4 Answering the third sub-question *362*
12.1.5 Answering the fourth sub-question *363*
12.1.6 Answering the fifth sub-question *364*
12.2 CONTRIBUTIONS OF THE STUDY 364
12.2.1 Theoretical contribution *365*
12.2.2 Methodological contribution *367*
12.2.3 Empirical contributions *368*
12.2.4 Practical implications of the study *369*
12.2.4.1 Zimbabwean Stock Exchange Listed organisations 369
12.2.4.2 Foreign investors 370
12.2.4.3 Human resource professionals 371
12.2.4.4 Policy makers 372
12.3 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH 373
12.4 CONCLUSION 375

REFERENCES 376

APPENDIX A: HUMAN CAPITAL INFORMATION DISCLOSURE CHECKLIST 417
APPENDIX B: INTERVIEW GUIDE FOR PREPARERS OF CORPORATE INFORMATION: HR MANAGERS AND FINANCE DIRECTORS 420
APPENDIX C: INTERVIEW GUIDE FOR FOREIGN INVESTORS: GROUP 3 422
APPENDIX D: PARTICIPANT INFORMATION SHEET 424
APPENDIX E: PARTICIPANT CONSENT FORM 426
APPENDIX F: ETHICS CLEARANCE CERTICATE 428

LIST OF TABLES

Table 2.1: Intellectual Capital Measurement tools 24
Table 3.1: Human Resource disclosure indicator frameworks 45
Table 3.2: GRI sustainability reporting guidelines on core labour issues 58
Table 3.3: Human capital vital in articulating human capital value creation 60
Table 5.1: The enquiry process 94
Table 5.2: Participating organisations 110
Table 5.3: Participating individuals 113
Table 5.4: Design tests: Summary on validity and reliability 138
Table 6.1: Reports used for content analysis 142
Table 6.2: Most disclosed human capital information 146
Table 6.3: Moderately disclosed human capital information 151
Table 6.4: Minimally disclosed human capital information items 154
Table 6.5: Importance and disclosure levels of human capital information 168
Table 7.1: Summary of evidence and emerging themes 212
Table 8.1: Summary of evidence and emerging themes 258
Table 9 .1: Summary of evidence and emerging themes 295
Table 10.1: Cross-reflection of emerging themes 302
Table 10.2: Macro environmental context 304
Table 10.3: Corporate information disclosures context 309
Table 10.4: Human capital information asymmetry 313
Table 10.5: Human capital information asymmetry problems 316
Table 10.6: Signalling human capital information 320
Table 10.7: Screening through human capital information 324
Table 10.8: Harmonisation enhances signal fit 327
Table 10.9: Harmonisation enhances signal diffusion 328
Table 10.10: Harmonisation reduces signal erosion 330
Table 10.11: Harmonisation facilitates screening 333
Table 10.12: Decision usefulness of harmonised information 335
Table.10.13: Summary of study evidence 338

LIST OF FIGURES

Figure 2.1: Characteristics of indicators 25

Figure 4.1: Antecedents of sustainable signal correlation 77

Figure 5.1: Data collection, presentation and analysis steps 102

Figure 6.1: Human capital disclosure by organisations 145

Figure 6.2: Human capital information disclosure levels 162

Figure 6.3: Human capital information considerations by foreign investors 166

Figure 11.1: Framework on harmonisation of HC facilitating decision-making 343

Figure 11.2: Proposed theoretical model 346

PART I

CHAPTER 1

THESIS INTRODUCTION

1.0 INTRODUCTION

The primary objective of corporate reporting is to communicate corporate information to various stakeholders of the organisation (Binh, 2012; Cronje & Moolman, 2013; Flamholtz, Bullen & Hua, 2002). Such communication is done because of the importance of corporate information in decision-making by the users of corporate information (Chatterjee, Mirshekary, Al Farooque & Safari, 2010; Jones, 2006; Penrose, 2008). One of the fundamental bases upon which corporate information is disclosed to external users is through the acknowledgement that there are some information gaps between the management and external stakeholders of the organisation (An, Davey & Eggleton, 2011; Huang, Luther, Tayles & Haniffa, 2013;).

Information disclosures are therefore done to reduce information asymmetry between the management of the organisation and the various stakeholders (Healy & Palepu, 2001; Marquez-Ramos, 2011) so that users make informed decisions. Inadequate provision of corporate information may result in poor decision-making by users, whilst motivating those who develop corporate information to become involved in opportunistic behaviours as a result of superior information.

Investors, who provide funding to the organisation, are one of the key users of corporate information (Al-Ajmi, 2009; Chatterjee et al., 2010; IASB, 2010; IIRC, 2013). Foreign investors therefore make use of corporate information to inform their funding decisions as they are part of the investors group. The provision of relevant and adequate corporate information becomes crucial in enabling these foreign investors to make sound investment decisions.

With the emergence of a knowledge-based economy where intangible assets are gaining momentum as key sources of value creation and competitive advantage for organisations (Abhayawansa & Guthrie, 2014; Arvidsson, 2011; Barney,1991;Garcia-Meca, Parra, Larran & Martinez, 2005; Guthrie, Petty & Ricceri, 2006;Singh & Narwal, 2015), the demand for the disclosure of non-financial information emanating from these intangible assets is growing (Adelowotan, Cronjé & Wingard, 2013; Horak & Dumancic, 2014; Jones & Smith, 2014). Scholars attribute the rise in the demand for non-financial information to the decreasing relevance of financial information in providing useful information for decision-making (Arvidsson, 2011; Lev & Zarowin, 1999; Sveiby, 1997; Zéghal & Maaloul, 2011). The provision of non-financial information is believed to bridge the information gap between the users and preparers of corporate information (Healy & Palepu, 2001; Holmen, 2014; Samudhrum, Sivalingam & Shanmugam, 2010).

One form of non-financial information which has been advocated for emanates from the human capital intangible asset. Human capital is regarded as the largest and most important intangible asset in an organisation (América, 2011; Barney, 1991; Barney & Wright, 1998; Wright, Dunford & Snell, 2001). Human capital information is therefore considered important in decision-making because of the value-creating abilities of the human capital asset (Crook, Todd, Combs, Woehr & Ketchen, 2011; Narayan, 2010; Wickramasinghe & Fonseka, 2012). With the value being given to human capital information in decision-making, the focus of this study is on how the harmonisation of human capital information disclosure in corporate annual reports could facilitate foreign investment by reducing information asymmetry.

The logic that underpins the study is that whilst the disclosure of human capital information in corporate annual reports can be a solution to information asymmetry problems with foreign investors, the harmonisation of such information disclosure might assist in signalling and screening. The enhancement of signalling and

screening effectiveness would facilitate investment decision-making by reducing information asymmetry problems.

The chapter is arranged as follows: Section 1.1 discusses the context of the study, section 1.2 presents the problem and purpose statements whilst research questions are outlined in section 1.3. A brief overview of the significance of the study is contained in section 1.4., with section 1.5 covering the delimitations of the study. Section 1.6 gives some definitions of key terms used, followed by section 1.7 which gives a summary structure of the thesis. Section 1.8 then concludes the chapter.

1.1 CONTEXT OF THE STUDY

Traditionally, tangible assets were key sources of value creation to an organisation. However, in a knowledge economy the significance of intangible assets is more pronounced (Abhayawansa & Guthrie, 2014; Adelowotan et al., 2013; Arvidsson, 2011; Gamerschlag & Moeller, 2011). Defining a knowledge-based economy is difficult, with some researchers describing rather than defining this knowledge economy. However, such an economy is driven by information and knowledge, with creativity and innovation being the principal source of competitiveness (Guthrie, 2001; Petty & Guthrie, 2000). A knowledge economy is also characterised by the production of intangible rather than tangible products (Hai- Ming & Ku-Jan, 2003), with services as the major product.

Intangible assets are those assets that are not physically seen, are not monetary in nature, but have the ability to generate future benefits for organisations that have them (Edvinsson & Malone, 1997; Hall, 1992; Martín, Delgado, López & Navas, 2011; Singh & Narwal, 2015). While there is some disagreement on what constitutes intangible assets, the major intangible asset grouping, which is intellectual capital, is broadly classified into three categories, namely human capital, structural capital and relational capital, with human capital being the principal component (Bontis, 1998; Choo Huang, Luther, & Tayles, 2007, Edvinsson & Malone, 1997; Stewart, 1997). Human capital represents the stock of knowledge of an organisation which resides in people; structural capital represents

all that is left behind when the human capital is not there, with the relational capital representing the organisation's networks and relationships with the external environment (Bontis, 2003).

Human capital, which is the focal asset in this research, has been defined as the stock of an organisation's competencies, knowledge and personal attributes represented by its employees (Bontis, 2003; Gates & Langevin, 2010). The International Integrated Reporting Council (IIRC) (2013:12) defines human capital as the "*people's competencies, capabilities and experience and their motivations to innovate*". Because of the advent of knowledge economy which is recognising intangible assets as the new source of value creation and competitiveness in organisations (Ordonez, de Pablos & Edvinsson, 2015; Schiuma & Lerro, 2015), as previously alluded to, the demand for human capital is becoming more prominent (Abhayawansa & Guthrie, 2014; Popova & Shapanskykh, 2010). Thus, human capital with innovating capabilities and skills is becoming more valuable in creating competitive advantage, away from the natural resources (Crook et al, 2011; Lin & Wu, 2014; Noorbarsh, Paloni &Youssef, 2001). Drucker (1999: 135) argues that, "*...the most valuable asset of a 21st century institution, whether business or non-business, will be its knowledge workers and their productivity".* As such, it is those organisations which are able to support their business strategies with its people's capabilities that will remain successful. The ability to utilise this human capital in executing business strategies becomes a good indication of the organisation's ability to attain future performance. The capabilities of the people in an organisation are therefore, to a large extent, influencing its productivity and ultimate profits (Becker & Gerhart, 1996; Singh & Narwal, 2015).

With these changes in the sources of value creation, the importance of human capital has also been acknowledged in international business research (Dutta & Osei-Yeboah, 2013; Noorbakhs et al., 2001). Most foreign investors are taking investment interest into the service sector. UNACTAD (2014a) notes that even in the poorest countries, foreign investment is moving to service sectors and away from the extractive industries. Of greater significance is the fact that foreign

investment into Africa (which is considered the least developed continent) has also been largely into the service sector (UNCTAD, 2014, 2015). In the service sector, intangible assets, and human capital in particular, makes a significant contribution to value creation and the performance of the organisation (Cuganesan, 2006; Lin & Wu, 2014; Wickramasinghe & Fonseka, 2012).

If the success of an organisation is partly dependent on its human capital, the need for human capital information by foreign investors therefore becomes critical. It can be argued that information on human capital and its effects on organisational performance provide investors with useful information for them to make informed investment decisions (Dumay, 2016; Moller, Gamerschlag & Guenther, 2011; Saitua-Iribar, Andicoechea-Arondo & Albizu-Gallastegi, 2014). The disclosure of human capital information can serve to enhance effective decision-making by foreign investors through the reduction of information asymmetry problems. This study therefore argues that the harmonised disclosure of human capital information would enhance the reduction of information asymmetry, thereby assisting foreign investors to make well-informed investment decisions.

This study is theoretically grounded in information economics, notably information asymmetry theory. Information asymmetry is a situation when one party to the contract has more information than the other (Akerlof, 1970; Connelly, Certo, Ireland & Reutzel, 2011; Healy & Palepu, 2001; Spread, 2015; Stiglitz, 1985, 2000, 2002). The problem with this asymmetric information situation is that it can potentially cause adverse selection and moral hazard problems (Akerlof, 1970; Bas & Stone, 2014; Healy & Palepu, 2001; Klein, Lambertz & Stahl, 2016; Stiglitz, 2002). Such information asymmetry problems create an uncertainty condition, which makes investment decisions more challenging. Akerlof (1970) argues that these asymmetric information problems lead to inefficiencies in the functioning of the capital market. Asymmetric information problems are particularly pronounced in the international setting due to the fact that it can be costly for foreign players to evaluate local investment opportunities effectively, especially in developing markets where there is a scarcity of market information, comparable organisational

information, and developed institutions (Ahuja & Yayavaram, 2011; Khanna & Palepu, 1997).

In the context of this study, the management of an organisation, in most cases has more information than the foreign investors with regard to the operations of the organisation, such as the capability of the organisation, likely profits/losses, or risks associated with the organisation. The information deficit on the part of the foreign investors may be more pronounced with intangible assets like human capital. This is because such assets are not easily observed, unlike tangible assets (Lev, 2001; Reuer, Tong, Tyler & Arino, 2013; Roos, Roos, Edvinson & Dragonetti, 1997). Due to asymmetric information, the investors are not in a position to know the quality of the organisation and therefore cannot differentiate the quality of various organisations. Foreign investors therefore encounter information challenges when they make investment decisions (He, 2002; Leuz, Lins, & Warnock, 2010; Slangen & van Tulder, 2009). If these information challenges are not fully resolved, foreign investors might rationally undervalue good business investment opportunities and overvalue bad business investment opportunities, relative to the information available to them. Asymmetric information about the quality of the business investment opportunity may contribute to adverse selection and moral hazard problems (Akerlof, 1970; Bas & Stone, 2014; Greenwald & Stiglitz, 1990; Healy & Palepu, 2001; Klein et al., 2016) which may result in foreign investors making poor investment decisions.

Furthermore, organisations of better quality may incur an opportunity loss because their quality is not recognised by the investors, while organisations of low quality might experience an opportunity gain. Given such a scenario, organisations of better quality have the motivation to showcase their superior quality in order to influence investment decisions in their favour. The foreign investors would therefore be able to differentiate between good and bad investment opportunities as presented by the qualities of these organisations. To this effect, organisations can do signalling (Bergh, Connelly, Ketchen & Shannon, 2014; Connelly et al., 2011; Krausert, 2016; Spence, 1973), whilst foreign investors do screening (Milgrom & Roberts, 1992;

Riley, 2001; Rothschild & Stiglitz, 1976; Spread, 2015; Stiglitz, 2005) to reduce the effects of information asymmetry problems.

Signalling represents the efforts by the organisations to provide more information to potential investors such that investment decisions are made with less uncertainty (Bergh et al., 2014; Healy & Palepu, 2001; Spence, 1973, 2000). One way of reducing information problems is therefore to provide the necessary information so that decisions are made with certainty (Husted & Allen, 2007). The provision of adequate information reduces uncertainty and the perception of risk (De George, Ferguson & Spear, 2012), enabling foreign investors to make better investment decisions. With human capital having been considered to be at the centre of organisational success (Crook, et al., 2011; Lev & Daum, 2004; Marr, Gray & Neely, 2003; Riley, Michael & Mahoney, 2017), disclosure of human capital information might be helpful in reducing asymmetric information problems (Huang, et al., 2013; Krausert, 2016).

Screening, on the other hand, has been defined by Stiglitz (2002) as a process of eliciting relevant, vital or critical information that might be withheld or distorted by the more informed party. It therefore refers to the ways in which the less informed party may filter out false information from the more informed party in a way that retains only what is true. Screening is done by the information-deficient party to avoid making bad investment decisions (Spread, 2011, 2015; Stiglitz, 2000). Foreign investors in this case take the lead in reducing the information gap. Self-selection, which has also been viewed as part of the screening process (Inderfurth, Sadrieh & Voigt, 2013; Milgrom & Roberts, 1992; Spread, 2015) is an unconscious self-screening process where the information-rich party out-selects itself through the information that it signals to the information-deficient party.

Although signalling and screening assist in reducing information asymmetry problems, mere disclosure of human capital information might not be sufficient. The harmonisation of such information disclosures might be important in reducing information asymmetry problems. Harmonisation of human capital information

disclosure, as with any other form of reporting in general, enables comparative analysis amongst organisations, reduces cost of information due to enhanced accessibility, and therefore reduces risk in investments (De George et al., 2012). The rationale underlying this study is that the adoption of a harmonised human capital information disclosure system may assist in reducing asymmetric information problems by enhancing signalling and screening, thereby facilitating sound investment decisions. Harmonisation of human capital information disclosure is therefore expected to alleviate information asymmetry problems between local organisations and foreign investors as users of corporate information.

Efforts to disclose human capital information can be traced back to the 1960s through the introduction of Human Capital Accounting (Flamholtz, 1999), with renewed interest in human capital information re-surfacing in the 1980s. Since 1996 the development of procedures to report on human capital and other intangible assets gained momentum (OECD, 2006). To date, extensive research has been undertaken on human capital information disclosures, with different guidelines being given for the disclosure of human capital information (Giuliani & Marasca, 2011; Saitua-Iribar et al., 2014). Efforts to systematically disclose human capital information have been observed, although such efforts were mainly seen in the context of different reporting species.

At the international level, the IIRC (2013), through its integrated reporting principles, is pushing for systematic human capital disclosure. Recent efforts have also been seen through Smart annual reporting, which is an initiative supported by the Sustainability Accounting Standards Board (SASB) in the United States of America and the IIRC (Bassi, Creelman & Lambert, 2015). The main aim of the Smart annual report is to provide guidance on improving annual reporting, especially through the provision of better human capital information. The Global Reporting Initiative (GRI) has also made some effort to provide guidelines for human capital information disclosure though its social indicators.

Multi-country level initiatives which were undertaken on the measurement, management and reporting of intellectual capital activities (inclusive of human capital) include the MERITUM project which involved Denmark, Finland, France, Norway, Spain and Sweden (European Union, 2002), the Value Measurement and Reporting Collaborative involving Australia, Canada, German, South Africa and the United States of America; and the collaboration by Nordic countries to develop the Nordika guidelines.

At country level, various guidelines on IC reporting have emerged, for example German guidelines, Spanish guidelines, and Japanese guidelines. With the growing influence of Integrated Reporting, South Africa, through the South African Board of People Practice (SABPP), is also in the process of developing human resources reporting standards. Several studies have also been done on human capital information disclosure and intellectual capital in general. These include Guthrie and Petty (2000) in Australia; Bontis (2003) in Canada; Gamerschlag (2013) in Germany; Chandler and Mehra (2011) in India; Khan and Khan (2010) in Bangladesh; April, et al (2003) and Adelowotan, et al. (2013) in South Africa; Lipungu (2013) in Malawi; and Husin, Ahmad, & Sapingi (2013) in Malaysia.

However, because of the lack of agreed guidelines on human capital information disclosure (Giuliani & Marasca, 2011; Saitua-Iribar et al., 2014; Sujan & Abeysekera, 2007), organisations in different countries have been voluntarily disclosing human capital information in corporate annual reports. Such a disclosure scenario has resulted in unsystematic and fragmented disclosures (Chander & Mehra, 2011; Saitua, Albizu & Andicoechea, 2015), rendering such human capital information less useful for decision-making. Human capital information gaps created by such fragmented disclosures of human capital information might be creating asymmetric information problems with foreign investors as users of corporate annual reports. The problem is therefore related to the minimal and fragmented disclosures of human capital information in corporate annual reports. With many improvements being made in disclosing human capital information, the study aims to explore from the perceptions of the preparers and users of corporate

information disclosures whether harmonisation of human capital information disclosure would facilitate foreign investment into a developing country by reducing information asymmetry problems.

1.2 PROBLEM/ PURPOSE STATEMENT

With the increase in the acknowledgement of human capital as a key driver of organisation performance (Arvidsson, 2011; Fitz-Enz, 2009; Wright, Coff & Moliterno, 2014; Wyatt & Frick, 2010), the need for human capital information in making investment decisions is accelerating. Whilst acknowledging the value relevance of human capital in today's business activities, the disclosure of human capital information in corporate annual reports has remained significantly low (Abeysekera, 2013; Adelowotan et al., 2013; Samudhram, et. al, 2010; Verma & Dewe, 2008). In addition to minimum disclosure, such disclosure is not done systematically, leading to fragmented reporting (Chander & Mehra, 2011; Nielsen & Madsen, 2009; Saitua, et al., 2015). The problem is that the lack of systematic and agreed methodologies for human capital information disclosure might be creating information asymmetry problems (Samudhram, et al. 2010). The paucity and fragmentation of human capital information disclosure may hinder effective decision-making by foreign investors due to information asymmetry problems.

The purpose of this study is to assess if the disclosure of relevant human capital information in a harmonised way may facilitate foreign investment by reducing information asymmetry problems. Specifically, the research seeks to establish if the harmonised disclosure of relevant human capital information could augment signalling and screening as ways to reduce information asymmetry problems. The reduction of information asymmetry problems might assist foreign investors in making informed investment decisions. Such reduction in information asymmetry problems reduces information barrier which is one of the major barriers to foreign investment (Young & Guenther, 2003). A theoretical model which explains how harmonised disclosures of human capital information can facilitate foreign investment through the reduction of information asymmetry will be proposed as the contribution of this study.

1.3 RESEARCH QUESTIONS

The main research question to be answered by the study is:

> **Can the harmonisation of human capital information disclosure in corporate annual reports facilitate foreign investment by reducing information asymmetry problems?**

This main question is answered by addressing the following sub-questions:

1. Are there disparities between human capital information provision and information requirements in corporate annual reports?
2. What information problems are caused by human capital information asymmetry?
3. Can the harmonisation of human capital information disclosure assist in signalling important information to foreign investors when making investment decisions?
4. Can the harmonisation of human capital information disclosure facilitate screening by foreign investors when making investment decisions?
5. How does the harmonisation of human capital information enhance the decision usefulness of human capital information in investment decision-making by foreign investors?

1.4 SIGNIFICANCE OF THE STUDY

It is the expectation of the researcher that the study will make theoretical, methodological, empirical and practical contributions to the body of knowledge (Corley & Gioia, 2011; Mintzberg, 2005; Whetten, 1989).

First, the study seeks to develop a theoretical model that explains how the harmonisation of human capital information disclosure in corporate annual reports may assist foreign investors in making informed decisions through the reduction of information asymmetry problems. The rationale underlying this study is that the adoption of a harmonised human capital information disclosure system will reduce asymmetric information problems by enhancing signalling and screening, thereby

facilitating sound investment decisions. Harmonisation of human capital information disclosure is therefore expected to alleviate information asymmetry problems between local organisations and foreign investors as preparers and users of corporate information. The harmonised disclosure of human capital information is important in understanding how quality of disclosure could be enhanced in corporate reporting to facilitate effective decision-making by users of corporate information. The perceptions and experiences of participants in the context of a developing country where there is a dearth of information on human capital information disclosure may contribute to the existing body of knowledge.

Second, the study may contribute to research methodology by using a multiple sample, multiple source interpretive qualitative research design. Most research on human capital information usually relies more on either content analysis of corporate annual reports or interviews only without doing triangulation. The use of a combination of content analysis, disclosure checklist and interviews, with information being obtained from different sample groups, will provide greater insight into human capital information disclosure in corporate annual reports.

Third, the study makes empirical contribution by exploring the relationships between harmonised human capital information disclosure and asymmetric information problems in the context of capital markets. While adverse selection and moral hazard problems are clearly conceptualised in theory, empirical insights and evidence of their effects as predicted by theory remain scarce, and are mostly explained in the context of insurance markets (Bas & Stone, 2014)**.** This paper empirically provides some insights into human capital information problems from the capital market perspective. The experiences of the participating preparers of corporate information and foreign investors will provide rich empirical data that others can learn from, especially in relation to how the harmonised disclosure of human capital information may assist in reducing information problems.

Fourth, investors and other stakeholders in general could use the study findings to demand quality disclosure in corporate information disclosure, such that they

reduce poor decision-making due to information asymmetry problems. This is particularly in light of the recent growth in the relevance of intangible assets in understanding organisational value. Thus, most information on intangible assets is not comparable or easily assessable for decision-making purposes. Improving the awareness of the benefits of harmonised human capital disclosure in reducing asymmetric information challenges could therefore encourage investors to demand improved disclosure in corporate annual reporting.

Fifth, the study may have implications for the human resource profession as the internal providers of human capital information for external disclosure. Their disclosure practices will contribute to the body of human capital reporting practice. The study could therefore contribute to the knowledge of those preparing corporate annual reports.

Sixth, the study could contribute towards policy on corporate information disclosure given the importance of corporate information in the decision-making process of different corporate information users. An appreciation of the benefits to be attained by the harmonised disclosure of human capital information in corporate annual reports may encourage policy makers to reflect on the current policies on corporate reporting. Such reflections might help policy makers to develop appropriate policy interventions that promote quality and useful disclosures in corporate reporting.

1.5 RESEARCH DELIMITATIONS

The study focuses on the harmonised disclosure of human capital information in corporate annual reports and how it can facilitate investment decisions by foreign investors. The empirical examination is contextualised in the service sector of a developing country. Organisations listed on the Zimbabwean Stock Exchange (ZSE) were therefore considered. Only organisations listed under the financial, insurance, telecommunications and tourism sub-sectors were part of the study.

Human capital is considered more important in the service sector (Cuganesan, 2006; Wickramasinghe & Fonseka, 2012), making the sector an interesting setting in which to study human capital information disclosure. While there are various ways in which organisations disclose their human capital information, this research focuses on the voluntary disclosures made in annual corporate reports. The annual corporate report is the only mandatory means, and the most frequently used source, of corporate information in which listed organisations communicate with their external stakeholders (Bence, Hapeshi & Hussey, 1995; Chatterjee, et al., 2010). The analysis of corporate annual reports is also limited to the non-financial data on human capital information. The corporate annual reports of 2014 were therefore considered in this study as they were the most recent reports available at the time of data collection.

For interview purposes, the human resource managers and finance directors were considered as the preparers of corporate annual reports, with foreign investors in the selected service sub-sectors being considered the users of corporate information. Key terms used in this study are to be understood within the framework in which they are defined, under the definition of key terms and within the study.

1.6 DEFINITIONS OF KEY TERMS

Corporate reporting: This includes all aspects of financial reporting as well as other means of communicating information that relates directly or indirectly to the information provided by the accounting system of an organisation.

Facilitate: To make something possible or easier (Oxford English Dictionary).

Harmonisation: This is a process for developing a set of standards, practices and frameworks for reporting that is homogeneous, such that the reporting is not in logical conflict (Upadhyay, 2015).

Foreign investors: These are the people who put money into an organisation outside of their home country.

Investment decision: This is a determination made by an investor about investment opportunities.

Intangible assets: These are non-physical assets that are created through the flow of information within the organisation and also between the organisation and its environment (Roos et al., 1997).

Human capital: The stock of an organisation's competencies, knowledge and personal attributes as represented by its employees (Gates & Langevin, 2010; Bontis, 2003).

Human capital disclosure: This is the organisation's provision of information about the knowledge, capabilities and motivation of its people (Gamerschlang & Moeller, 2011; Rahman, Amhed & Hassan, 2016).

Information asymmetry: The situation when one party to the contract has more information than the other (Akerlof, 1970; Stiglitz, 1985, 2000, 2005).

Screening: The process where the less informed party elicits relevant, vital or critical information that might be withheld or distorted by the more informed party (Stiglitz, 2002).

Signalling: This is a deliberate process of communicating some information by the more informed party to the less informed party (Connelly et al., 2011; Spence, 2002).

1.7 THESIS STRUCTURE

The study is presented in three major parts consisting of twelve chapters. Part I comprises Chapters 1 to 5. Chapter 1 outlines the problem statement and contextual issues that provide the introduction to the study. Chapters 2 to 4 review relevant theoretical and empirical literature. In Chapter 2, the importance of human capital in value creation is explored, leading to the need for the disclosure of such information for decision-making purposes. Chapter 3 explores the nature of corporate annual reporting and the usefulness of the information emanating from such reports. The chapter brings some insights on the relevance and adequacy of human capital information emanating from such reporting in influencing investment decision-making by foreign investors. Chapter 4 brings in the theoretical framework where human capital information disclosures are discussed through the lens of information asymmetry theory. The theoretical chapter establishes the basis for the discussion on harmonisation of human capital information disclosures as a

solution to information asymmetry problems. In Chapter 5, the research methodology is presented. The study is guided by the interpretivism philosophy, with the basic interpretive qualitative design having been adopted. Data were collected using documentary sources, human capital disclosure checklists and semi-structured interviews, and in turn inductively analysed using thematic analysis.

Part II focuses on the presentation and analysis of data from different sources. However, data from documentary analysis and human capital disclosure checklists are presented in Chapter 6 to allow for a comparative analysis of these data sources. Chapters 6 to 9 therefore present and analyse individual data sources using the theoretical framework of information asymmetry, research questions and categories grounded in the data.

Part III consists of Chapters 10, 11 and 12. In Chapter 10, the cross-analysis of different data sources is done. It is therefore in this chapter that findings are discussed, fused and substantiated with the existing literature. The emerging theoretical model is then outlined in Chapter 11, with Chapter 12 providing a summary of the main conclusions, contributions and limitations of the study. Suggestions for further research will also be provided in this chapter.

1.8 CONCLUSION

The current chapter serves as an introduction to the study. It sets the scene and provides context for the subject of the research. It emphasised the importance of human capital information in investment decisions. The role that harmonised human capital information disclosure by organisations might play in reducing information asymmetry problems with foreign investors has been explained. The problem/purpose statement, significance, delimitations and key terms used in the study have been elaborated in this chapter.

The next three chapters focus on literature review.

CHAPTER 2

HUMAN CAPITAL - AN INTANGIBLE ASSET

2.0 INTRODUCTION

As outlined in chapter 1, this thesis examines how the harmonisation of human capital information disclosure in corporate annual reports may facilitate foreign investment through the reduction of information asymmetry problems. The previous chapter provided an overview of the growing importance of human capital as a result of the changes in the sources of value drivers, as illustrated by the transition of the economy into a knowledge economy.

This chapter focuses on the review of relevant literature on human capital as a concept, and clarifying how human capital has become important in the economic transactions of organisations in a knowledge economy. This review of literature on human capital and its importance is undertaken in order to provide the necessary background for the discussion on harmonisation of human capital information disclosure and how it facilitates foreign investors' investment decision-making by reducing information asymmetry problems.

However, because human capital is viewed as part of the intellectual group of intangible assets, it is necessary to briefly explain intellectual capital as a sub-group of intangible assets, so as to contextualise human capital in this research. The chapter therefore covers intangible assets and interllectual capital in general, then moving on specifically to human capital as an intangible asset.

2.1 INTANGIBLE ASSETS AND INTELLECTUAL CAPITAL

Intangible assets are part of the two broad categories of assets, with tangible assets being the other category. An asset is a resource that is controlled by the organisation, and from which future economic benefits are expected (Brockington, 1995; International Accounting Standard Board (IASB), 2011). Tangible assets are those assets that have a physical substance and/or are monetary in nature, whereas

intangible assets have no physical substance and are not monetary in nature, for example, goodwill, patents, brands, and human capital (Arrigheti, Landini & Lasagni, 2014; Hall, 1992).

In as much as these intangible assets have no physical substance and are not monetary in nature like tangible assets, intangible assets are also capable of generating future benefits for organisations that have them (Abhayawansa & Guthrie, 2014; Keong- Choong; 2008; Kong & Farrell, 2010; Lev, 2001). Some intangible resources like human capital are not wholly under the control of the organisation, which has contributed to such resources not being classified as assets (IASB, 2010). However, because such intangible resources have the potential for bringing future economic benefits, academic fields such as management and intellectual capital recognise them as assets, in as much as they are not recognised as such by the financial accounting field (Fulmer & Ployhart, 2014; Guthrie et al., 2004; Lev, 2001).

Some of the characteristics of intangible assets as described by Brockington (1995: 13) are the following:

1) They cannot be bought and sold in an organised market.
2) They are more specific to the business that owns them, sometimes to the extent that they may have no value at all to anyone else.
3) Disposal of these intangible assets will affect and may prevent the continuance of all or a substantial part of the activities of the business.
4) Direct verification of the existence of these assets may be impossible. They may merely manifest themselves in conferring trading advantages over those not possessing the asset.
5) Their life may be indefinite.
6) Their value may fluctuate in an unpredictable way.

Because of such characteristics of intangibility which are difficult to decipher, the concept of intangible assets has been viewed differently by various disciplines. In

economics, intangible assets are known as "knowledge assets", while in management these assets are generally referred to as "intellectual capital". In the field of law such assets are known as "intellectual property". In the accounting field, intangible assets are referred to as "goodwill", a term which is usually used to describe the difference between the market and book value of an organisation (Beaver, 1998).

Most researchers use the terms intangible assets and intellectual capital interchangeably (Cronje & Moolman, 2012; Petty & Guthrie, 2000). Over and above such wide use of different terms on intangible assets, early researchers who focused on the definitions and classifications of these intangible assets were not in agreement on the definitions and classifications of the intangible assets (Engstrom, Westnes & Westnes, 2003; Kaufmann & Schneider, 2004). Commenting on these variations in term use and definitions, Lev (2001: 5) states that:

> *"All these three terms are widely used − intangibles in the accounting literature, knowledge assets by economists, and intellectual capital in the management and legal literature – but they refer essentially to the same thing: a non-physical claim to future benefits''.*

Such variations in the use of terms and definitions is also attributed to the traditional accounting practices which failed to provide for the identification and measurement of these intangible assets in organisations (Guthrie et al., 1999). Historically, the distinction of intangible assets and intellectual capital has always been unclear, with intangible assets being referred to as goodwill (IASB, 1997) and intellectual capital being considered as a part of the goodwill. However, the Organisation for Economic Co-operation and Development (OECD) makes a clear distinction by classifying intellectual capital as a sub-component of intangible assets, rather than synonymising the two concepts (Petty & Guthrie, 2000). Thus the arguments of the OECD (1999) are that there are some items like reputation, which are intangible in nature but not necessarily part of the intellectual capital. In agreement with this line of thinking, the current study classifies intellectual capital as a sub-set of intangible assets.

Intangible assets are those assets that are created through the flow of information within the organisation and also between the organisation and its environment (Roos et al., 1997). These intangible assets develop slowly over a long period and are used over a long time. They are enhanced through such long use and because of that, the intangible assets provide a competitive advantage to the organisations which have them (Barney, 1991; Marr et al., 2003; Marrocu, Paci & Pontis, 2012; Stewart, 1997). Such assets include human capital, brand names, trademarks, patents, customer relationships, investments in training, leadership, and commitment (Arrighetti, Landini & Lasagni, 2014; Hall, 1992; Stewart, 1997). The conclusion can therefore be drawn that while there is little precision in definitions and term use, there is some consensus that these assets have a non-physical claim to future benefits (Lev, 2001).

2.1.1 Intellectual capital defined

Many definitions have been used to define intellectual capital with no agreed academic definition of intellectual capital (Unegbu, 2016). Such disagreements emanate from the fact that the terms and definitions around intangible assets have been debatable, as noted in the various use of these terms by different authors. Nahapiet and Ghoshal (1998:245) states that intellectual capital refers to the "knowledge and knowing capability of a social collectivity, such as an organisation, intellectual community, or professional practice". As such, intellectual capital is to do with the knowledge of the society as a whole. Gratton and Ghoshal (2003) argues that intellectual capital is part of human capital, where human capital subsumes intellectual capital, and also includes within it social capital and emotional capital. Some researchers explain intellectual capital in terms of its components by arguing that intellectual capital is a factor that includes human capital, social capital and organisational capital (Black, Wright & Bachman, 1998; Roos, et al., 1997).

Thus, contrary to the view of Gratton and Ghoshal (2003), that human capital is broader than intellectual capital, most researchers consider intellectual capital to be broader than human capital, where human capital is actually one of the key

dimensions of the broader intellectual capital (Bontis, 1998; Brooking, 1996; Kaplan & Norton, 1996; Michalisin, Kline & Smith, 2000; Ramírez, 2010; Stewart, 1997; Sveiby, 1997).

In support of this view, Petty and Guthrie (2000) acknowledges that most modern researchers have distinguished intellectual capital and intangible assets by grouping intellectual capital into three categories, namely human capital, relational capital and structural capital. For the purposes of this study, intellectual capital is defined as all those intangible assets of an organisation which are embodied in the human capital, relational capital and structural capital.

2.1.2 Components of intellectual capital

While there are no conclusive agreements on the terms and definitions of intellectual capital as alluded to earlier, most researchers concur that intellectual capital is broadly divided into three major components, namely human capital, structural capital and relational capital (Bontis, 1998; Brooking, 1996; Ramírez, 2010; Stewart, 1997; Unegbu, 2016). Human capital has been defined by Bontis (2003) as the stock of knowledge of an organisation as represented by its employees. Such stocks of knowledge include skills, talent, competency, work experience, and individual and collective knowledge within the organisation. However, this component cannot be owned by the organisation (Bontis, 2003), as employees can choose to leave the organisation.

Structural capital, another component, is all those things which remain with the organisation when the employees are not there (Bontis, 1998; Stewart, 1997). Unlike human capital, structural capital can therefore be owned by an organisation, in as much as it is not reflected in the financial statements of the organisation (Edvinson & Malone, 1997). These include brands, patents, computer software, organisational procedures, and copyrights (Grasenick & Low, 2004; Roos, et al., 2005).

Relational capital is defined as the external relationships that the organisation develops (Grasenick & Low, 2004). Examples of relational capital are given by Roos et al., 2005) as being customers, potential customers, partners, investors and creditors. Relational capital is therefore more to do with customer relationships and knowledge of the marketing channels (Bontis, 1998).

Of these three major intellectual groupings, human capital is viewed as the largest and most important intangible asset in an organisation (Backhuijs, Holterman, Oudman, Overgoor & Zijlstra, 1999; Johanson, Maertensson, & Skoog, 1999; Miller et al., 1999), although previous researchers have concluded that relational capital is the most measured and reported of the three (Abeysekera, 2013; Bozzolan, Favotto & Ricceri, 2003; Sujan & Abeysekera, 2007). However, Wang and Chang (2005) suggests that each of these three components gives little value on its own, but the interplay of these intellectual capitals gives more value to the organisation.

2.1.3. Intellectual capital and organisational performance

Research on intellectual capital has emphasised a link between intangible assets and organisational performance. Though this research points to different indicators of performance such as profitability and survival, financial performance, market value, productivity, internationalisation and organisational performance, the research concludes that intangible assets are crucial in attaining organisational performance.

Delios and Beamish (2001) found a positive relationship between intangible assets and organisational profitability and survival. Similarly, Bontis (1998) identified a link between intangible assets and organisational performance. Marrocu et al. (2012) note the positive contribution of intangible assets to both the organisation and industry productivity. Delgado-Gomez, Ramirez- Aleson and Espitia-Escuer (2004) found a positive relationship between intangible assets and internationalisation. Such a link identifies intangible assets as key resources in attaining competitive advantage in a knowledge economy (Barney, 1991; Corrado, Hulten & Sichel, 2009; Marrocu et al., 2012). There appears to be a general

agreement among these researchers that intangibles are important factors affecting the performance of organisations.

2.1.4 Measuring intellectual capital

A number of frameworks for the measurement of intellectual capital (IC) have been developed. For example, Sveiby (2007) identifies thirty-four different frameworks for measuring and reporting of intellectual capital (Dumay, 2009). Some of the prominent measurement tools that have been developed by researchers are listed in Table 2.1. Different views therefore exist among practitioners and researchers about measuring the components of intellectual capital, with agreement having been reached only on the concept of intellectual capital.

Such lack of consensus has been attributed to the frameworks having been, for the most part, developed by practitioners rather than academics, and as a result the validity and motives behind their development is questioned (Andriessen, 2004). The lack of agreement among academics and practitioners on the correct and best way to represent the components of intellectual capital has, however, paved the way for some doubts on the usefulness of these measurement frameworks (Dumay, 2009). Uncertainties in the measurement of intellectual capital reduce the usefulness of information to be derived from such measurements.

Table 2.1: Intellectual Capital Measurement tools

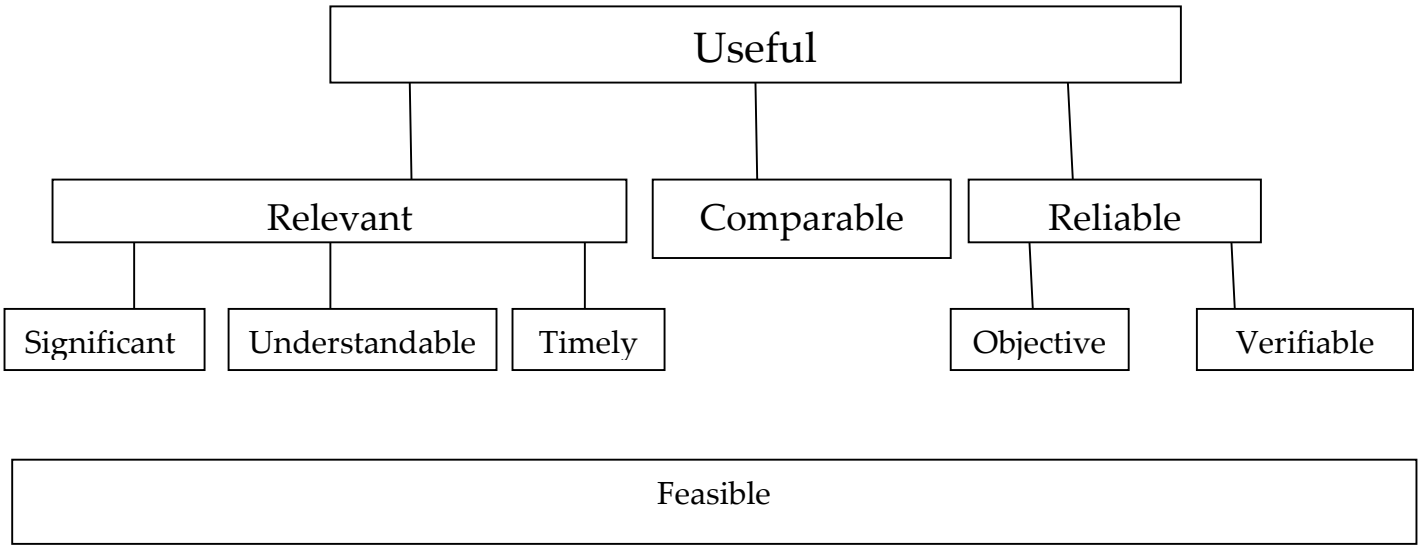
Label	Major Proponent	Description of measure
National Intellectual Capital Index	*Bontis (2004)*	A modified version of the Skandia Navigator for nations: National Wealth is comprised of Financial Wealth and Intellectual Capital (Human Capital + Structural Capital)
Topplinjen/ Business IQ	*Sandvik (2004)*	A combination of four indices; Identity Index, Human Capital Index, Knowledge Capital Index, Reputation Index. Developed in Norway by consulting firm Human Capital Gruppen.
Knowledge Capital Earnings	*Lev (1999)*	Knowledge Capital Earnings are calculated as the portion of normalised earnings (3 years industry average and consensus analyst future estimates) over and above earnings attributable to book assets. Earnings then used to capitalise Knowledge Capital.
Value Added Intellectual Coefficient (VAIC™)	*Pulic (1997)*	An equation that measures how much and how efficiently intellectual capital and capital employed create value based on the relationship to three major components: (1) capital employed; (2) human capital; and (3) structural capital. $VAIC™_i = CEE_i + HCE_i + SCE_i$
Economic Value Added (EVA™)	*Stern & Stewart (1997)*	Calculated by adjusting the firm's disclosed profit with charges related to intangibles. Changes in EVA provide an indication of whether the firm's intellectual capital is productive or not. EVA is the property of the consulting firm Stern & Stewart and one of the most common methods utilised.
Technology Broker	*Brooking (1996)*	Value of intellectual capital of a firm is assessed based on diagnostic analysis of a firm's response to twenty questions covering four major components of intellectual capital: Human-centred Assets, Intellectual Property Assets, Market Assets, and Infrastructure Assets.
Skandia Navigator™	*Edvinsson and Malone (1997)*	Intellectual capital is measured through the analysis of up to 164 metric measures (91 intellectually based and 73 traditional metrics) that cover five components: (1) financial; (2) customer; (3) process; (4) renewal and development; and (5) human. This method was promoted by the Skandia Insurance Company, but Skandia no longer produces the report.
Intangible Asset Monitor	*Sveiby (1997)*	Management selects indicators, based on the strategic objectives of the firm, to measure four aspects of creating value from 3 classes of intangible assets labelled: People's Competence, Internal Structure, External Structure. Value Creation modes are: (1) growth; (2) renewal; (3) utilisation/efficiency; and (4) risk reduction/stability.
Table 2.1 continueed…		
Balanced Score Card	*Kaplan & Norton (1992)*	A company's performance is measured by indicators covering four major focus perspectives: (1) financial perspective; (2) customer perspective; (3) internal process perspective; and (4) learning perspective. The indicators are based on the strategic objectives of the firm
Tobin's q	*Tobin James (1950s)*	The "q" is the ratio of the stock market value of the firm divided by the replacement cost of its assets. Changes in "q" provide a proxy for measuring effective performance or not of a firm's intellectual capital. Developed by the Nobel Laureate economist James Tobin in the 1950s.

Source: Extracted from Sveiby (2001)

2.1.4.1 Characteristics of indicators in intellectual measurement

In an effort to improve the credibility of intellectual measurements, the MERITUM Project proposes some characteristics to be considered in assessing the indicators used in measuring intellectual capital (MERITUM, 2002). These indicators are diagrammatically presented in Figure 2.1

Figure 2.1: Characteristics of indicators



Source: MERITUM Report: 2002

The above indicators can be described as follows:

Useful: The indicator may serve as an input in the decision-making process of either (or both) internal management for managerial and control purposes or external parties (if disclosed) for capital investment and credit purposes.

Relevant: The indicator must convey information that is able to modify or confirm the expectations of decision-makers.

Significant: The information provided by the indicator must be related to a critical intangible of the company, i.e., it is linked to a characteristic of the company that helps understand its value-creation process.

Understandable: Indicators must be clearly presented and calculated, using a rational procedure that may be understood by potential users.

Timely: For management purposes, indicators must be made available to managers as frequently as they require. The information on intangibles that the organisation decides to provide to its stakeholders must be made available with the same frequency with which financial reports are prepared.

Reliable: The information provided by the indicator must be trustworthy: It must be objective and verifiable.

Objective: The value of the indicator must not be affected by any bias arising from the interests of the parties involved in the preparation or use of the information disclosed by the firm.

Verifiable: It should be possible to assess the truthfulness of the information provided by the indicator.

Feasible: It is possible to compute the cost of the indicators, while its total calculatory costs are lower than the benefits arising from the use of the indicators, i.e., the indicator set withstands the cost-benefit test.

Comparable: Indicators must be computed and presented following generally accepted criteria, so that users may make comparisons over time and across companies.

Although there are diverse views as to the measurement of intellectual capital (Dumay, 2009), the relevance of intellectual capital is recognised (Arvidsson, 2011; Dumay, 2016). Continuous understanding of these assets is therefore needed if benefits from measuring and reporting on such assets are to be attained. Intellectual capital as a subject has been viewed as interesting (Chatzkel, 2004) and complicated (Bueno, Salmador, Rodríguez & Martín De Castro, 2006; Cuganesan, 2006), explaining some of the measurement challenges involved.

2.1.5 Reporting on Intellectual capital

As revealed by a number of researchers previously mentioned, there is general agreement among researchers that there is a positive link between intellectual capital and the performance of organisations. Reporting information on intangible assets is therefore important in enabling external communication, efficient allocation of resources and improvement in internal organisation management

(Zambon, 2004). There are therefore both internal and external reasons for such reporting, as pointed out by Marr et al. (2003), in that internal reasons are to do with the need to manage the organisation, while external reasons focus on the need to communicate the capacity and performance of the organisation to the stakeholders.

Focusing on external reporting, Zambon (2004) outlines external reasons for reporting on intellectual capital as follows:

> 1) It reflects the actual worth of the company by giving information that is more useful to current and potential investors.
> 2) It improves the accurateness of stock prices through providing a more comprehensive picture of a firm's assets.
> 3) It reduces the uncertainty about a company's growth potential, which ultimately positively affects the organisation's cost of capital.
> 4) It stimulates the pursuit of a set of policies by means of the knowledge embodied in the employees – aimed at increasing customer satisfaction and loyalty.
> 5) It helps young and knowledge-intensive organisations, which generally encounter great difficulty in attracting external financiers, to develop a reliable and accepted way to quantify the intellectual capital to investors and financiers.

From the above-mentioned reasons for intellectual capital reporting, it may be concluded that it is more beneficial for the organisations to externally report on their intellectual capital. Andriessen (2004) outlines five benefits of external reporting on intellectual capital as: 1) closing the gap between book value and market value; 2) providing improved information about the "real value" of the organization; 3) reducing information asymmetry; 4) increasing the ability to raise capital by providing a valuation on intangibles; and 5) enhancing an organization's reputation. Some of the organisations that have benefited from intellectual capital reporting as explained by Zambon are discussed below.

Skandia, the first company to release an intellectual capital report as part of its corporate annual report, found that its stock price rose by approximately 40%. Out of that 40%, 25% was attributed to being the response to the intellectual capital supplement (Sullivan, 1998). In addition, the organisation is argued to have reduced administration time on acquisitions by 60-70% through the re-use of knowledge and transfer of experiences. WM Data, one of Sweden's fastest growing information technology companies, benefited from intellectual reporting by identifying problems with the composition of the company's staff, and at the same time using staff turnover ratio in maintaining knowledge which was crucial to the company. ABB Sverige, Sweden's largest industrial company, managed to reduce its lead time while at the same time becoming more productive by using its internal and external intellectual capital management system. A Danish consulting firm, PLS Consult, attributed the considerable growth of the organisation to its intellectual capital accounts. These accounts focus on information about the education, age and experience of its human resources.

Whilst evidence exists suggesting that reporting of intellectual capital may be beneficial, the inadequate communication of intellectual capital also has its consequential implications. Holland (2001) argues that smaller investors have no access to such information on intangible assets as this information is accessed through private sources by the larger investors. As such, without such reporting, they will be at a disadvantage compared to the large investors who can easily access such information through private meetings. Insider trading has also been noted by Aboody and Lev (2000) as an implication of inadequate reporting of intellectual capital. Thus, the management of the organisation, being at an information advantage when compared to the external stakeholders, might exploit internally produced information on these assets at the expense of other investors.

Marr, et al. (2003) argues that wrong valuations of organisations, especially when intellectual capital is not included, place an organisation at higher level of risk. Such risk increases the cost of capital (Leadbeater, 2000; Lev, 2001). Whilst reducing information gaps with the external users, it can be inferred that reporting of

intellectual capital is also advantageous to the reporting organisations. The reporting of human capital as part of the key intellectual group is therefore important.

2.2 HUMAN CAPITAL

2.2.1 The concept of human capital

As already indicated, human capital is part of the broader category of intellectual capital. Human capital as a concept traces its roots from the idea of investing in people, as developed by Adam Smith (1776) in his book, *Wealth of Nations.* His main argument was that different levels of education differentiated how people work, which ultimately differentiated their returns. Smith was of the opinion that more educated people have better returns than less educated people.

However, the term 'human capital was invented by Schultz (1961) who discovered that the return on human capital investments in the United States were larger than investments in the physical assets. As such, awareness increased that the human resources were key in achieving better returns on investments. Such realisations provided the impetus for the treatment of human capital as an asset, in such a way as to enable the communication of the value of human resources to the users of corporate information (Brummet, Flamholtz & Pyle, 1968; Hermanson, 1964). However, due to some measurement problems, the growth of human resources as a source value creation in organisations remained limited, with external sources of competitive advantage being dominant in that decade (Barney, Wright & Ketchen Jr, 2001).

The emergence of the resource-based view (RBV) of the organisation in the 1980s, however, re-directed the focus of sources of competitive advantage to the internal resources of an organisation (Barney, 1991; Grimaldi, Cricelli & Rogo, 2013; Hall, 1992; Wernerfelt, 1984, 1995). Thus, the argument behind the RBV is that it is the internal resources of an organisation that give a distinction amongst competitive organisations (Barney, 1991; Campbell & Park, 2017; Wright, McMahan, & McWilliams, 1994). Barney (1991:102) describes a competitive advantage to be in

existence “when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors”. Thus, in the realm of the RBV, competitive advantage therefore only occurs when there is organisational resource heterogeneity and organisational resource immobility (Wright et al., 1994). However, a competitive advantage is considered sustainable only when other organisations are incapable of duplicating the benefits of a competitive advantage (Lippman & Rumelt, 1982). Sustainability therefore comes when all efforts by competitors to duplicate the advantage have ceased (Wright et al., 1994).

Barney (1991) gives four attributes to the resource that provides a sustained competitive advantage: l) the resource must add positive value to the organisation; 2) the resource must be unique or rare among current and potential competitors; 3) the resource must be imperfectly imitable; and 4) the resource should not be substituted with another resource by competing organisations. Whilst resources encompass physical capital resources, human capital resources and organizational capital resources (Barney, 1991), the bulk of resources that bring sustainable competitive advantage are intangible resources (Barney, 1991; Grimaldi et al., 2013).

With human capital being part of intangible resources, human capital has also emerged as a key source of competitive advantage. Human capital is considered valuable, imperfectly imitable and non-substitutable (Barney, 1991; Wright et al., 1994). While other components of sustainability could be easily shared with other resources, the non-imitability of human capital has received much recognition in accepting human capital as a source of sustainable competitive advantage. Imitating human capital has been deemed challenging as the identification of the precise source of advantage was difficult (Duarte Alonso & Bressan, 2016; Shaw, Park & Kim, 2013; Wright, et al., 1994). Although some challenges emerged on the measurement of human capital (and intangible assets in general as mentioned earlier), the prominence of human capital as a key source of sustainable competitive

advantage is still growing (Campbell, Saxton & Banerjee, 2014; Duarte- Alonso & Bressan, 2016; Ordenez de Pablos & Edvinsson, 2015; Wright, et al., 1994).

2.2.2 Definition of human capital

Human capital has been defined as the combined intelligence, skills and expertise that give the organisation its distinctive character (Bontis, Dragonetti, Jacobsen & Roos, 1999). Bontis (2003) further defines human capital as the stock of an organisation's competencies, knowledge and personal attributes represented by its employees. As such, it is the employee attributes that distinguish one organisation from the other. Defining human capital from another angle, Gates and Langevin (2010) refers to human capital as the knowledge, competencies, experience, creativity, attitudes and motivation of the employees of an organisation.

A broader definition by Afiouni (2013), given after a thorough review of literature on human capital definitions, explains human capital as a combination of cognitive component (knowledge, skills and abilities) behavioural component (willingness and capability to install knowledge, skills and abilities), fit component (alignment of cognitive and behavioural components with strategic imperatives), flexibility component (capability to acclimatise to various business strategies) and measurement component (assessing human capital's contribution to value creation). Human capital therefore represents all the human capabilities and stores of knowledge in an organisation which are inherent in an organisation's people. It is these attributes that give the organisation its distinctive character, thereby creating a competitive advantage in those organisations which have more superior stock of these employee attributes.

2.2.3 Human capital value creation and organisational performance

The importance of human capital as an asset capable of creating value has been explained by the RBV of the organisation, which regards human capital as a key source of sustained competitive advantage. Thus, because of its intangibility human capital is 'valuable, inimitable, rare and non-substitutable' (Barney, 1991), rendering it a key source of value creation and competitive advantage. From the

characteristics defining human capital, as indicated by the various definitions used in understanding human capital, there is a notion that employee attributes are capable of creating value for an organisation.

In support of this idea of value creation, MERITUM (2002) acknowledges that human capital is recognised as an intangible asset that has the capacity to create value. In their study on the relationship between human capital and value creation, Wright and Snell (2005) concludes that it is those organisations that give priority to the capabilities, knowledge and skills of their human resources that will be able to achieve value creation capacity. As such, the creation of value through human capital is possible and achievable. The engagement by organisations in realistic human capital practices can therefore intensify the value creation process (Youndt, Snell, Dean & Lepak, 1996). The human capital theory, which is grounded in pure economics, further suggests that individual skills, knowledge and experience generate economic value for an organisation. The theory further argues that these can be stimulated thorough education and training acquired by individual employees. Becker (1964) also portrays human capital as the foundation for the wealth-creating capacity of an organisation, while Mincer (1989) views human capital as a generator of growth through innovation.

While acknowledging human capital to be a source of value creation, Edvinsson and Sullivan (1996) argues that it is not the stock of the knowledge on its own that will bring value creation to the organisation. They argue that the ability of the organisation to extract knowledge will drive value creation. In support of this argument, Coff (1997) points out that the mere presence of human capital is not enough to achieve competitive advantage. As such, the ability of an organisation to support its business strategies with human capital becomes an indication of the organisation's capacity to generate value. An organisation that is able to translate human capital capabilities to meet the expectations of the various stakeholders will therefore remain successful (Bass, Lev, Low, Mcmurrer & Siesfeld, 2000).
In as much as Lev (2001) argues that intangible assets by themselves neither create nor generate growth, the role of human capital as a value and growth creator has

been accepted among investors, economists and managers (Marr et al., 2003). Thus, while other resources might give limited advantages to the organisation, human capital is recognised as having the capability to provide unlimited benefits to organisations (Rao & Varghese, 2009). As such, it is a key source of value creation for organisations.

Value creation should translate into the actual performance by the organisation. As such, to reflect the capability of human capital in value creation; insights can also be drawn from the relationships between human capital and organisational performance. Literature on the value of human capital to an organisation suggests that human capital provide the business competencies which develop innovation and ensure competitive advantage (Lipunga, 2013; MERITUM, 2002; Ordenez de Pablos, 2003). As such, organisations that have a competent human capital base are able to respond to unanticipated economic change and hence will be ready to exploit opportunities associated with such changes. Such opportunities enable these organisations to remain successful. An organisation's ability to support the business with the human capital it has is an important indication of the organisation's future business performance. Human capital is also reflected as an important asset that drives profit generation in organisations (Crook et al., 2011; Stewart, 1997; Sveiby, 1997).

Supporting the link between human capital and organisational performance, other researchers argue that there is a positive relationship between human capital disclosure and the profitability of the organisation (Lin, Huang, Du & Lin, 2012; Skoog, 2003). Ashton (2005) established that successful business strategies were associated with the personal traits of the top executives. Pena (2002) also found a positive relationship between the entrepreneur's level of experience, motivation and education and the performance of the undertaking created. In a study of Taiwanese listed organisations, Chen, Cheng and Hwang (2005) found that human capital had a positive effect on an organisation's market value and profitability. Kamath (2008) similarly established that human capital had a major impact on the profitability and productivity of top organisations in India's drug and pharmaceutical industry. In

Malaysia, according to Ting and Lean (2009), human capital has a positive relationship with the profitability of financial institutions.

Human capital is therefore considered as the most vital resource of the organisation with the ability to increase the performance of an organisation in the current business environment (Narayan, 2010; Wickramasinghe & Fonseka, 2012). The current business environment characterized by rapid technological change and increasingly sophisticated customers and innovations has led to the shift of competitive base away from traditional physical and financial resources (Cuganesan, 2006) to intangible resources like human capital. As such, the productivity and profitability of organisations are being determined to a large extent by the capabilities of their people (Becker, & Gerhart, 1996; Singh & Narwal, 2015). The competitive advantages of these organisations therefore lie predominantly in their people, rendering human capital a key driver of organisational performance.

2.2.4 Human capital measurement

Given the value relevance attributed to human capital, Marr et al., (2003) points out that human capital measurement is meant to enhance internal management of the organisation and at the same time to externally communicate the capacity and performance of the organisation to the stakeholders. However, the measurement of human capital has been faced with many challenges. The measuring of human assets is considered more subjective than measuring other physical assets; as such this has seen the asset being excluded as an asset in financial reporting (Baron, 2011; Steen, Welch & McCormack, 2011). Huselid (1995) argues that the two major issues with human capital measures were that, firstly, there was no common framework for reporting that goes beyond historical measures (for example; cost of training or cost of recruiting) to more detailed information on the work force quality. Secondly, many organisations lack databases and audited information that can give strong and relevant information, especially to investors. As such, a major concern was on the practical difficulties of collecting human capital information to

present for reporting, and whether investors will understand such information (Stiles & Kulvisaechana, 2003).

Due to failures in quantifying human capital, researchers have begun to place greater emphasises on value creation than on measurement processes. The IIRC is of the opinion that "the communication about value creation should be the next step in the evolution of corporate reporting'' (IIRC, 2013:1). A number of models have therefore been developed in an effort to analyse and provide useful information to both the internal and external users. Some of the models developed include the balanced scorecard by Kaplan and Norton (1996), the human capital monitor by Mayo (2001), and the organisational performance model by Mercer HR consulting.

Donkin (2005) argues that it is not measurement that is important to human capital management, but the motive for such measures as well as the value added that is important. Such propositions led to the narrative accounting information on human capital, instead of placing the emphasis on quantifying human capital in terms of hard numbers in the financial statements (Roslender, 1997). The arguments behind such a shift were that such measures should ultimately provide information on human capital that is useful for decision-making by both managers and investors (Baron, 2011). These authors thus recognise the importance of human capital information to the investors. The disclosure of human capital information to these investors is therefore important in making informed decisions.

2.3 CONCLUSION

The aim of this chapter was to discuss human capital as an intangible asset and how it has emerged as a key asset in the current business context. The chapter initially provided an overview of intangible assets so as to contextualise human capital as an intangible asset. Moving on to focus on human capital, the chapter explained how human capital has become one of the key internal resources in the value creation of an organisation, leading it to being considered a key source of sustainable competitive advantage. Such importance of human capital in the success

of an organisation has led to the need for human capital information by external users of corporate information.

The challenges inherent in measuring human capital as an asset were discussed. These challenges make it difficult to incorporate this asset into the financial statements of reporting organisations. Efforts were therefore made to disclose on the value creation ability of the asset, so as to assist the users of human capital information to make informed decisions about the reporting organisation.

Having covered the concept of human capital, its value creation abilities and the difficulties in human capital measurement, the next chapter discusses human capital information disclosure in corporate annual reports.

CHAPTER 3

HUMAN CAPITAL INFORMATION DISCLOSURE

3.0 INTRODUCTION

Chapter 2 focused on human capital as an intangible asset, showing how information emanating from this asset has become important due its value creation abilities. The current chapter focuses on human capital information disclosure in corporate annual reports. To contextualise the discussion, corporate annual reporting as a source of information is initially explored. The main purpose of this chapter is to provide insights on the relevance and adequacy of human capital information emanating from such reporting. This chapter therefore provides the basis for the theoretical chapter which addresses issues of information asymmetry problems. The need to resolve such information asymmetry problems leads to the discussion on the need for a harmonised system of human capital information disclosure.

This chapter therefore covers corporate reporting and the users of the corporate reports; information asymmetry in corporate annual reports; human capital information disclosure; and the harmonisation of such disclosure in reducing information asymmetry problems.

3.1 CORPORATE REPORTING

Corporate reporting includes all aspects of financial reporting as well as other non-financial means of communicating information that relates directly or indirectly to the information provided by the accounting system of an organisation (Adelowotan et al., 2013). Corporate information users therefore refer to various sources of information to inform their decisions about different organisations. Some of the sources mentioned in previous research include websites, statistical reports, speeches and announcements, media, corporate annual report (Adelowotan et al., 2013); financial press reports, magazines, newspapers, stockbroker advice

(Anderson & Epstein, 1995; Bartlett & Chandler, 1997); and holding interviews with company officials (Bence, Hapeshi & Hussey, 1995).

However, the corporate annual report is recognised as the most important source of corporate information frequently used by various users (Bence et al., 1995; Chatterjee, et al., 2010). This study focuses on corporate annual reports as the source of corporate information to external users.

3.2 CORPORATE ANNUAL REPORTS

The most essential role of corporate annual reports is to provide relevant, useful and reliable economic information to an organisation's various stakeholders (Binh, 2012). These stakeholders refer to the corporate annual report in order to make sound economic and investment decisions (Al-Ajmi, 2009; Chatterjee et al., 2010; Penrose, 2008). With the disclosure requirements of stock exchange listed organisations being more comprehensive than the requirements of unlisted organisations, the corporate annual reports of public listed organisations have become the major source of public information available to the users of corporate information.

In most countries, the disclosure requirements of the listed organisations derive mainly from the Companies Act, the International Financial Reporting Standards (IFRS) and the listing regulations specified by the Stock Exchange. These regulations provide the minimum mandatory information to be contained in the corporate annual reports (Cronje, 2008) and in most cases influence much of what is reported by the listed organisations. It can be concluded that most users of corporate information derive more of their information from what is published in the corporate annual reports of listed public organisations, as these reports are the only mandatory way in which organisations communicate with the external stakeholders.

Because the corporate annual report is referred to as a key source of information for sound decision-making, it is argued that it has transformed from being a document to fulfil statutory requirements into being a document used in decision-making **(**Jones, 2006). Lee (1994) argues that the corporate annual report also serves to

communicate corporate identity, which is also a non-accounting managerial purpose, and moves away from being an accounting and governance compliance document.

3.3 USERS OF CORPORATE ANNUAL REPORTS

The primary users of the corporate annual report as outlined by the International Accounting Standards Board (IASB) Conceptual Framework for Financial Reporting of 2010 are the existing and potential investors, lenders and other creditors. These primary users make use of the corporate annual reports in making decisions about the provision of resources to an organisation (IASB Framework, 2010). The management of the reporting organisation, regulators and members of the public are considered as secondary users, with the annual report not specifically directed to them (IASB, 2010). To understand these various users and their information requirements, the Framework for Preparation and Presentation of Financial Statements (IASB, 2009) has outlined these users and their information requirements as explained below.

1) Investors are the providers of capital and are concerned with the risk associated by an investment and also the return to be provided by their investments. This group of users needs information to help them determine their capital resource allocation, especially on the decisions on whether to invest or disinvest. Shareholders as part of the investors are also interested in information that enables them to determine the ability of the entity to pay dividends.

2) Employees and their representative groups are interested in information about the stability and profitability of their employers that enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities.

3) Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due.

4) Suppliers and other trade creditors are interested in information that enables them to determine whether debtors will be able to pay them when due.

5) Customers have an interest in information about the continual operations of an entity if they depend on it or have long term involvement with it.

6) Government and other agencies are interested in the allocation of resources and, therefore, the activities of entities and determination of taxation policies, and as a basis for national income and similar statistics.

7) Members of the public may obtain information on trends and recent developments in relation to the prosperity of the entity and the range of its activities.

It may be inferred from the different users listed above that investors are one of the major users of corporate information in as much as there are various users with diverse needs. The provision of sufficient information in the corporate annual reports will assist in fulfilling the needs of these investors and other users of corporate information. It becomes necessary for the preparers of corporate annual reports to have a good understanding of these users' diverse needs, such that their information provision meets the users' information demands.

Foreign investors, being part of the investors group, are also primary users of corporate annual reports. Foreign investors are those people who put money into an organisation outside of their home country. While their information requirements are similar to local investors' information requirements, these foreign investors are considered to be at a greater disadvantage regarding information than the local investors. Caves (1971) contends that, unlike local investors, they lack familiarity with the social, political and economic conditions in a foreign location. Scholars therefore acknowledge that information asymmetry is more pronounced among foreign investors, making their investment decisions more difficult (He, 2002; Leuz et al., 2010; Slangen & van Tulder, 2009). By providing adequate corporate information, especially in public sources like the corporate annual report, preparers

of corporate information might reduce the information disadvantage of these investors, enabling them to make fully informed decisions.

Previous research acknowledges the usefulness of accounting information in cross-border investment decision-making. A study by Rossi and Volpin (2004) reveals that the volume of cross-country mergers and acquisitions is significantly larger in countries with better accounting standards. Organisations with good accounting attributes are also found to be positively held by foreign investors (Kang & Stulz, 1997). Similarly, Black, Carnes, Jandik, and Henderson (2007) finds that foreign investors pay lower premiums for target organisations where accounting data are less value-relevant. Foreign investors therefore give more preference to markets and organisations with high quality information that enables them to assess investment opportunities at a lower cost (Portes & Rey, 2005). Corporate information thus becomes essential in reducing information asymmetries in investment decisions.

3.4 INFORMATION PROVISION IN CORPORATE ANNUAL REPORTS.

Corporate reporting is aimed at providing users with information about an entity's business and operations (Cronje & Moolman, 2013). While the corporate annual report is heavily dominated by financial information, corporate annual reporting is broader than just the financial statements. The reporting, besides financial information, also covers voluntary narrative information (Beattie, 2014; Cronjé, 2008). The main aim of this narrative information is for management to assess and communicate the financial and non-financial performance of the company, which helps in contextualising the financial statements (Saitua et. al., 2015). With the changes in the source of value creation in organisations, where most organisational value creation tends to be driven from the non-financial assets, narrative information from these non-financial assets has assumed greater importance over the past two decades (Beattie, 2014; Jones & Smith, 2014).

Focusing on investors as users of the corporate annual report, there are some arguments made that the current reporting system is failing to meet the investors'

information demands (KPMG, 2013). The traditional way of disclosing historical financial information is losing prominence as investors are becoming more concerned about forward-looking information, future risk and opportunities (Cañibano, Garcia-Ayuso & Sanchez, 2000; Francis & Schipper, 1999; IIRC, 2013; KPMG, 2013). Thus, investors are now interested in information that goes beyond pure financial information (IIRC, 2013), focusing more on the non-financial disclosures as regards investment decision-making. Several authors argue that a change must be brought about, so that the disclosures offer a better explanation of the situation and performance of the business (Hooks, Coy & Davey, 2002; Linsley & Shrives, 2006; Springer, 1992).

Researchers on intellectual capital have therefore been calling for greater disclosure of non-financial information by organisations (Huang et al, 2013; Lev, 2001; Samudhram et al., 2010). These researchers argue that the financial measures have diminished in relevance due to the changes in the sources of value creation in organisational performance, especially in sectors like the service sector which are highly characterised by intellectual capital (Amico, 2012; OECD, 2012). Users of corporate reports have been interested in obtaining the intangible information which is rarely found in corporate annual reports (Mention, 2011; Ousama, Fatima & Majdi, 2011).

Human capital information, being part of non-financial information, can also be argued to be lacking in these corporate annual reports. Regardless of such minimum disclosure of most non-financial information in these reports, the corporate annual report has also been considered the most useful written form of communication for disclosing human capital information externally (Beattie & Smith, 2010, Predin, 2007). Previous research on human capital and intellectual capital in general has also used these corporate annual reports as an important source of human capital information (Khan & Khan, 2010; Ragini, 2012; Sobhani, Zainuddin, Amran & Baten, 2011). An understanding of human capital information disclosure is therefore necessary in assessing the effects of such information on investment decision-making by foreign investors.

3.5. HUMAN CAPITAL INFORMATION DISCLOSURE

The need for human capital information by external users when making decisions has resulted in human capital information disclosure. Human capital information disclosure can be done at individual, organisational or societal level (Westphalen, 1999). At individual level, such disclosures are done for individual purposes and are related to how individual human capital investment can be translated into earnings. At organisational level, such disclosures are done to show the collective stock of human capital in an organisation and how such human capital translates into performance. Most disclosures on the stock of human capital at society level have been linked with the societal returns to investments in education, merely reflecting the societal investment level in formal education without really measuring the totality of stock in the society. This research focuses on organisational level human capital information disclosure.

Human capital information disclosure at organisational level can be viewed as the information an organisation discloses about its workforce's knowledge, capabilities and motivation (Rahman et al., 2016). It is thus a process by which information on the workforce excellence is identified and communicated to various stakeholders of an organisation, be it internal or external stakeholders (Khan & Khan, 2010). Such disclosures can also be understood as the organisation's reporting system that provides information about its people (Gamerschlag & Moeller, 2011). The logic behind such reporting is premised on the fact that human capital information is value-relevant in decision-making (Gamerschlag, 2013). As such, disclosing human capital information would influence the decision-making of investors by enabling these investors to evaluate organisations with more precision (Bruggen, Vergauwen, & Dao, 2009; Verguawen & van Alem, 2005). Such information could be disclosed in corporate annual reports, websites, speeches and announcements, media, and statistical reports (Hearly & Palepu, 2001).

The disclosure of human capital information is distinctive in that organisations are allowed to choose the kind of information that they want to disclose, and the manner in which such information can be disclosed. Such disclosures are not regulated by

law (Abeysekera, 2008; Mariappanadar & Kairouz, 2017). The difficulties encountered in measuring human capital's value contribution, as previously mentioned, makes it difficult to regulate the disclosure of such information, considering that its outcomes are influenced by many factors beyond human capital issues. Most organisations therefore disclose this information on a voluntary basis.

Due to the awareness of the value creating ability of human capital, where it is a significant player in the success of an organisation, many academics and practitioners around the world have given substantial attention to human capital information disclosure in the recent past (Abeysekera & Guthrie, 2004). In assessing the levels of human capital information disclosure in corporate annual reports, researchers have used disclosure frameworks containing related human capital indicators. As explained by Bukh, Nielsen, Gormsen, and Mouritsen. (2005), a reporting framework is a predefined list of the possible items that can be reported. Because researchers have not reached consensus on what human capital information can be disclosed in the annual corporate report, various indicators have been used, having been developed from literature (Lipunga, 2013).

Some of the indicators used by previous researchers are shown in Table 3.1 below. Samudhram et al. (2010), however, suggests that whatever approach is taken in disclosing human capital information, such disclosure should ultimately provide sufficient information to enable users to make informed decisions. Bhasin (2013) contends that an effective and adequate reporting framework is one that will enable users to understand and obtain accurate and reliable information about an organisation.

Table 3.1: Human resource disclosure indicator frameworks

Fontana and Macagnan (2013)	***Huang et. al (2013)***	***Micah et. al (2012)***	***Al Mamun (2009)***
1. Number of employees. 2. Progression in the number of employees in recent years. 3. Number of terminations. 4. New Hires. 5. Absence or lack of staff. 6. External rotation of staff. 7. Internal rotation of staff. 8. Employees scaled by seniority. 9. Employees scaled by job description. 10. Employees scaled by age. 11. Employees scaled by education. 12. Employees scaled by gender. 13. Employees scaled by region. 14. Description of training activities undertaken. 15. Training activities hours. 16. Training expenses. 17. Employees with access to training. 18. Hiring policy/recruitment. 19. Pay policy and system. 20. Career plan. 21. Incentives programme.	1. Directors' years of experience in business. 2. Directors' qualifications. 3. Directors' skills. 4. Directors' training programme. 5. Directors' education. 6. Directors' knowledge. 7. Directors' expertise. 8. Directors' competence. 9. Employee training programmes. 10. Succession plan. 11. Employees' skills 12. Work safety and health. 13. Employees' competence. 14. Employees' innovation/entre-preneurial spirit. 15. Employees' expertise. 16. Leadership qualities of employees. 17. Employees' knowledge. 18. Recruitment policy. 19. Leadership qualities of directors. 20. Employee loyalty. 21. Employee incentive scheme.	1. Separate HRA statement. 2. Total value of Human Resource (cost of HR maintenance). 3. Number of Employees. 4. Human resource policy. 5. Training and development. 6. Management succession plan. 7. Employment Report. 8. Employee's value creation. 9. Human Resource development fund. 10. Employees/ workers fund. 11. Employee categories. 12. Managerial remuneration. 13. Retirement benefits. 14. Performance Recognition. 15. Pension fund.	1. Separate HRA statement. 2. Total Value of Human resource. 3. Number of employees. 4. Human resource policy. 5. Training and development. 6. Management succession plan. 7. Employment report. 8. Employees' value addition. 9. Human resource development fund. 10. Employees/ workers' fund. 11. Employee categories. 12. Managerial remuneration. 13. Retirement benefits. 14. Performance Recognition. 15. Super-annuation fund. 16. Other employees benefit.

Table 3.1 continued… 22. Company benefits and social programmes. 23. Health and safety policy. 24. Information on collective agreements. 25. Measures of employee satisfaction.	22. Employees' motivation. 23.Employees' education 24. Employees' profitability. 25. Employee satisfaction. 26. Employee turnover. 27.Employees' IT literacy. 28. Post-training evaluation exercises. 29. Dependence on key employees.		

Source: Adopted from Lipunga, 2013; Huang, 2013

Using some of the disclosure indicators outlined in Table 3.1, research on the disclosure of human capital has been undertaken in different parts of the world. Husin, Ahmad and Sapingi (2013) investigated the extent of human capital reporting of the top 100 Malaysian listed companies and established that there was a lack of consistent and adequate human capital reporting systems. In their research on intellectual capital reporting (human capital included) by Indian organisations, Chander and Mehra (2011) concluded that the lack of a generally accepted intellectual capital reporting framework resulted in a disorganised and unsystematic reporting of these assets. There was, however, some improvement in the reporting of intangible assets.

In their research on the annual reports of 32 leading listed manufacturing and service companies in Bangladesh, Khan and Khan (2010) found that the extent of human capital reporting was increasing due to government regulations in Bangladesh. They also found out that banks report more on human capital than other companies. On the contrary, however, Lipunga (2013) found that in Malawi human

resource disclosure practices by commercial banks was limited, in as much as such information was an important consideration for decision-makers.

Wickramasinghe and Fonseka (2012) explored the measurement and reporting of human resource information by organisations in the manufacturing and service sectors in Sri Lanka. They discovered that insufficient resource allocation, lack of knowledge regarding human resource measurement and reporting, and the potential negative impact on an organization restricted the measurement and reporting of human capital.

Huang et al. (2013) established that in Malaysia where 100 annual reports were content analysed, the human capital information provided by organisations was limited and tends to focus on directors, who were seen as figureheads with little impact on the way companies are run or on creating value for the organisation. The study indicated that most organisations disclosed information on directors' experience, qualifications, training and skills. Information on employee turnover, compensation and satisfaction was least reported by these organisations. The researchers recommended that organisations should expand their view of human capital information disclosure to cover a wider range of employees. Gamerschlag (2013), in examining the value relevance of human capital information, found that human capital information was value relevant, especially information on qualifications and competencies.

Hamzah, Hassan, Mohamed, Ahmad and Saad (2013) undertook a study in Malaysia on human capital information disclosure in the annual reports of 100 of the largest companies listed on Bursa Malaysia. The study revealed that information pertaining to employee benefits, training and development as well as work-related knowledge was the most often disclosed. Intellectual capital studies by Yildiz, Meydan and Güner (2014) found that training and development and work-related knowledge were the most reported information in both private and public banks. De Silva, Stratford and Clark (2014) in their study on intellectual capital also found

that 55% of human capital information was being numerically disclosed in annual reports, focusing mainly on employee performance.

A study by Adelowotan et al. (2013) in South Africa on the significance of human capital disclosure by top South African companies revealed that in few cases disclosure is a function of the perceived level of significance of these items, but in many cases preparers do not provide adequate information on certain items even though these items are perceived to make a strong contribution to value creation. The authors furthermore concluded that organisations provided some information in response to local and international laws and regulations guiding corporate governance and reporting. The recommendations were that information on these human capital attributes should be fully disclosed in the corporate annual reports as these organisations may be evaluated by the users of corporate annual reports as having greater corporate value because they find these reports to be more useful for decision-making.

Cronje and Moolman (2013) in their research on intellectual measurement, recognition and reporting using 40 top South African listed organisations found that intellectual reporting still lacks prominence. The researchers recommended that a standardised and comparable approach when accounting and reporting on intellectual capital in corporate annual reports should be ensured.

The general conclusion from such research is that human capital information is minimally reported in corporate annual reports. Over and above low levels of reporting, human capital information has been reported in a fragmented and haphazard manner in as much as users of human capital information found such information useful in decision-making.

3.5.1 Reasons for limited disclosure of human capital information

Different reasons have been advanced for the low levels of human capital information disclosure. Some researchers attribute such limited disclosure to reporting systems (Guthrie & Petty, 2000; Tayles, Pike & Saudah, 2007; Verma &

Dewe, 2008). Other researchers attribute the limited disclosure of human capital information to the fear of giving away sensitive information (Bozzolan, Favotto & Ricceri, 2003; Flamholtz, 1999; Foong, Yorston & Gratton, 2003; Samudhram et al., 2010). Beattie and Smith (2010) also cite issues of costs associated with such disclosures.

Human capital information is considered strategic in gaining competitive advantage (Barney, 1991; Grimaldi et al., 2013). As such, competitors should not be able to imitate the organisations' unique resources as these competitors would then be in a position to potentially erode competitive advantage (Verma & Dewe, 2008). For this reason, organisations are likely to treat information about their human capital as confidential and tend not disclose public information on this capital unless they are obliged to do so.

Samudhram et al. (2010) argue that organisations do not disclose human capital based information because they are afraid of giving away vital information to labour, which labour would use to enhance its bargaining power. As such, disclosures would only be done if it is to the advantage of the business rather than to the general stakeholders. Beattie and Smith (2010) point to the cost of information provision as a force which also hinders human capital information disclosure. These authors argue that disclosing sensitive information to competitors is considered a serious burden, in addition to the cost of information provision.

Additionally, the challenges in relation to the reliability and validity of human capital measures also contributed to the minimal levels of human capital disclosure in corporate annual reports. Holland and Johanson (2003) contend that corporate information providers perceive indicators of human capital based information to be less reliable, and as such, providers of corporate information tend to focus on providing the information which they believe will be relevant to the users of such information in making informed decisions.

A related issue is the non-auditing of human capital information. Johnson, Pany and White (1983) argue that investors and the public in general consider audited information to be more credible than unaudited information. If non-financial performance measures are audited, investors' perceptions on the reliability of, and reliance on, this information might therefore increase. Investors' use of human capital information in corporate reports is dependent on their own perceptions of the reliability of the source of such information.

The above outlined reasons for the non-disclosure of human capital information give insights on asymmetric information related to human capital.

3.5.2 Motives for human capital information disclosure

Although there might be several reasons to justify the minimal disclosure of human capital information in corporate reports, such reasons can be upheld when there is need for such information and when it is beneficial to the disclosing organisations to do so (Samudharam et al., 2010). The major objective of corporate reporting is to provide useful and relevant information to users for them to make informed decisions. These users include both local and foreign investors. The need to satisfy these corporate information users can be located in corporate information theories, namely the stakeholder, the resource dependency and the agency theory.

The stakeholder theory suggests that all stakeholders have the right to be provided with information on how an organisation's activities impact on them, even if they choose not to use it (Deegan, 2002, Gunawan, 2015; Thijssens, Bollen & Hassink, 2015). As such, it becomes an obligation for the organisation to communicate all relevant information, including human capital related information.

The resource dependency theory, on the other hand, suggests that if an organisation is dependent on the externals for its survival and growth, then the organisation has the incentive to report all relevant information. Such information disclosure will enable the organisation to survive and grow, through the attraction of the resources

the organisation requires for operation (Malatesta & Smith, 2014; Pfeffer & Salancik, 1978).

The agency theory explains how asymmetric information between the principal and the agent leads to a high risk of inefficient allocation of capital (Christensen, Nikolaev & Wittenberg-Moerman, 2016; Diamond &Verrecchia, 1991 Steinle, Schiele, & Ernst, 2014). Because of such risks, the principal usually engages in private information seeking to uncover the agent's superior information. This comes at a cost, however, leading to an increased cost of capital for any investments to be made (Botasan & Plumlee, 2002). The importance of reporting corporate information therefore points to the need to reduce inefficient allocation of capital by the principal.

3.6 HARMONISATION OF HUMAN CAPITAL INFORMATION DISCLOSURE

With continuous calls having been made for the inclusion of non-financial information in corporate annual reports, there seems to be no reporting framework that has managed to fulfil that call (Milne & Gray, 2013). While efforts have been made to develop guidelines and disclosure frameworks in human capital information disclosure and IC reporting in general, there are no agreed guidelines and frameworks in human capital information disclosure (Chander & Mehra, 2011; Saitua, et al 2015;). The disclosure of human capital information by organisations has remained minimal and fragmented (Chander & Mehra, 2011; Saitua et al., 2015; Verma & Dewe, 2008). Such fragmented reporting might be perpetuating the information asymmetry problems experienced by foreign investors. Harmonisation of human capital information disclosure might be a solution in reducing these information asymmetry problems.

3.6.1 Harmonisation as a concept

Harmonisation can be viewed as a process for developing a set of standards, practices and frameworks for reporting that is homogeneous (Upadhyay, 2015). The

aim of such a process is to strengthen homogeneous reporting frameworks by increasing the compatibility of the reporting practices, although with some form of variation to allow for flexibility (Bradshaw & Miller, 2007). As such, different views and interests of different parties are accommodated in the process, allowing for the varied requirements of individual organisations and countries to be fulfilled as long as there is no logical conflict (Canibano & Mora, 2000).

The process of harmonisation is differentiated from standardisation on aspects of uniformity and rigidity. Standardisation implies uniformity in reporting across all organisations or countries (Choi, Frost & Meek, 1999; Nobes, 2014; Nobes & Parker, 2000), bringing some degree of rigidity into the reporting system where all organisations and countries involved in such reporting should conform to the given standards. However, Tas (1992) considers standardisation to be part of the harmonisation process rather than being a separate concept. Tay and Parker (1990) further argue that the two concepts may be difficult to distinguish as they may occur at the same time, resulting in complete harmonisation or uniformity. The differences between the two concepts are therefore not strictly followed, with the concepts usually used interchangeably in both literature and practice (Ali, 2005).

However, the need to accommodate different contexts and situational variables in different organisations and countries has seen harmonisation regarded as a preferred approach to corporate reporting rather than standardisation. Commenting on financial reporting in corporate reports, Upadhyay (2015) contends that a number of critics were against standardisation. These critics favour harmonisation of accounting standards arguing that harmonisation leaves space and scope for differences that arise due to different operating environments.

The operating environments affect corporate accounting and reporting systems where, for example, different cultures, political, legal, and taxation systems (Gray, 2014; Nobes & Parker, 2008) are in existence. Whilst culture as an external factor is not considered a direct influence on the reporting practices of organisations and their countries, culture studies by Hostede (1984) and Gray (1988) on the link

between reporting practices and culture indicates some linkage. A study by Salter and Niswander (1995) which tested Gray's (1988) theory, further confirmed the link between uncertainty avoidance and transparency in reporting practices. However, they did not find any relationships with the prediction related to secrecy, or power distance. Taking cognisance of these operating environment factors, harmonisation may be present but may be difficult to fully achieve.

De jure (formal) or de facto harmonisation may be achieved depending on the focus placed on harmonisation (Tay & Parker, 1990). De jure harmonisation is achieved when the rules and principles of the reporting system are harmonised. De facto harmonisation refers to the harmonisation of the actual reporting practice by the organisations (ibid). However, the enhancement of de jure harmonisation is necessary in achieving de facto harmonisation (Tas, 1992).

In corporate reporting, the concept of harmonisation of a reporting system has been predominantly discussed in the area of financial reporting (Ahmed & Ali, 2015; Sinha, Ghosh & Nandi, 2012). Such a practice followed naturally as the focus on corporate reporting was also more on financial information, with little attention being given to other sources of value creation. However, with the need to provide relevant and adequate information to corporate information users for them to make informed decisions, the provision of human capital information in a harmonised way might therefore increase the value relevance of such information in enhancing decision-making. As such, the benefits to be accrued from harmonised human capital reporting should naturally be based on the advantages to be derived from a harmonised corporate reporting system in general.

3.6.2 Benefits and challenges of harmonisation

The major benefit of harmonisation is to enhance comparability of information in the reporting system (Ali, 2005; Castilla-Polo & Ruiz-Rodríguez, 2017; Upadhyay, 2015). Such comparability increases the reliability of the information provided. Diverse standards reduce the credibility of information due to difficulties in

auditing and the verification of the information, which discourages investment and thereby impedes economic growth (Ali, 2005). Comparability is regarded as one of the main enhancing qualitative characteristics of accounting information (IASB, 2010), as it enables better understanding, lowering risks and enhancing efficient selection of investments (Ahmed & Ali, 2015; Ali, 2005). Harmonisation therefore improves risk analysis, resulting in a lower cost of capital.

Harmonisation also saves time and money (Blake, 1990) by reducing time and resources needed in consolidating the divergent information. Consistency in the reporting practises might also be achieved as the same style of reporting would have been adopted. Consistency also contributes to better understanding and predictability. Harmonised reporting therefore improves transparency, credibility, comparability and market efficiency as the information available to investors and the public will be improved (Ali, 2005; Islam, 2006; Zarb, 2006).

However, the major challenges in harmonisation would be the length of time and the resources that are needed to achieve such harmonisation (Nobes & Parker, 2004; Wyatt, 1997), considering that some form of consensus needs to be reached. New controls would also need to be developed to replace some of the existing controls. Cultural and contextual differences might also make it difficult to achieve harmonisation (Ali & Hwang, 2000; Hoarau, 1995;), leading organisations and countries to adhere to their own reporting systems as they also resist any new forms of reporting (Blake, 1990). Furthermore, Nobes and Parker (2004) argues that the lack of strong professional bodies might even make harmonisation difficult as these usually facilitate the reporting systems.

Given that such harmonisation challenges are recognised, the benefits to be accrued from such harmonisation might make it worthwhile to pursue harmonisation in corporate reporting practices.

3.6.3 Harmonised human capital information disclosure system

Borrowing from the benefits to be accrued from harmonisation in general, the adoption of a harmonised human capital information disclosure system might remove barriers on non-comparability in corporate reports. Variations in information provision reduce the usefulness of information by its users (Schaffhauser-Linzatti, 2004). The provision of harmonised human capital information can be argued to reduce variations in information provision, enabling effective signalling and screening in reducing information asymmetry.

Consistency in the disclosure of performance measures and indicators is important in enhancing comparability of information across organisations (Castilla-Polo & Ruiz-Rodríguez, 2017; IASB, 2010). With an unsystematic human capital information disclosure system, foreign investors likely require sufficient time to understand the reporting system so as to facilitate their investment decisions. Inconsistencies in such disclosures makes it difficult for information users to absorb, compare and analyse information (Amber, Barwise & Higson, 2001), resulting in poor decisions being made. Variations in reporting practices therefore call for harmonisation in disclosing human capital information if the information provision is to be useful to the users (Boedker, Mouritsen & Guthrie, 2008).

Homogeneous presentation of information eases the overall process of decision-making (Bradshaw & Miller, 2007; Márquez-Ramos, 2011), facilitating efficiency in capital markets by enhancing investors' ability to make informed decisions from a wide range of investment alternatives. Such a scenario also reduces information asymmetry (Baiman & Verrecchia, 1996) as information becomes easier to access and understand. Harmonisation therefore brings about comparability which enables better understanding, lowering risks and enhancing efficient selection of investment options (Ali, 2005).

While foreign investors might spend a lot of time, resources and effort to understand the corporate information that is presented, the consumption of such resources does not improve the future cash flows of these foreign investors. Instead, it increases

the cost of capital needed and ultimately, the required rate of return (Chen et al., 2014). This increased rate of return might discourage foreign investors interested in the reporting organisations, contributing to an inability to attract funding by the reporting organisations. The adoption of a harmonised human capital information disclosure system may therefore reduce the information cost of foreign investors, especially those foreign investors relying more heavily on organisation-specific analysis across countries. Reduction in information costs increases accessibility of the information, reducing information asymmetry as more signals can be obtained from the accessed information. Harmonisation therefore saves time and money (Blake, 1990) by reducing time and resources needed to consolidate the divergent information.

Literature on the convergence of accounting practices reveals that such convergence can lower the cost of acquiring and processing information by investors (Bradshaw, Bushee & Miller, 2004). Research on the adoption of a harmonised International Financial Reporting System (IFRS) has found a positive relationship between foreign investments and IFRS adoption (Chen, et al., 2014). It can also be argued that the harmonised reporting of human capital information by organisations may yield the same results, through the reduction of human capital information asymmetry.

3.6.4 Initiatives to harmonise human capital information disclosure

This section discusses some initiatives that have emerged in support of a harmonised reporting framework (where human capital information is included). These initiatives include the Global Reporting Initiative (GRI), the Integrated Reporting (IR) and the Smart Corporate Reporting (at global level); the MERITUM, Nordika, and IFAC guidelines (at multi-national level); and the Danish, German and Japanese guidelines (at national level). These initiatives are briefly outlined below.

3.6.4.1 Global Reporting Initiative

The GRI initiative has made effort to come up with a harmonised reporting framework. The initiative was formed in 1997 by the Coalition for Environmentally Responsible Economies in collaboration with the Tellus Institute (GRI, 2013). The main objective of the GRI is, "to enhance responsible decision-making by promoting international harmonization in reporting relevant and credible corporate economic, environmental, and social performance information" (Woods, 2003:60). One of its drives is to improve the quality and quantity of non-financial information in corporate annual reports (GRI, 2013), as specified in its latest fourth generation guidelines (G4) of 2013. The efforts of the GRI lie in providing a reporting framework that makes it easier for the stakeholders, such as investors, governments and other organizations, to understand a corporation's business activities better (Fonseca, McAllister & Fitzpatrick, 2014).

The GRI is therefore considered one of the more widely used guidelines for non-financial reporting (Gray, Adams & Owen, 2014), especially in the area of sustainability reporting (Bassi et al., 2015). The GRI framework provides some direction on how to report on environmental, economic and social indicators. It is under the social indicators that human capital issues are incorporated. The GRI identifies five areas in relation to human capital, namely employment, labour–management relations, health and safety, training and education; and diversity and opportunity (Pedrini, 2007). Table 3.2 provides information on the human capital issues considered in the GRI. Though the guidelines have received some criticism as being merely symbolic reporting (Milne & Gray, 2012), the GRI remains one of the reporting frameworks that has received some recognition in terms of non-financial information disclosure at the international level.

Table 3.2: GRI sustainability reporting guidelines on core labour issues

Employment	Total workforce by employment type, employment contract, and region. Total number and rate of employee turnover by age group, gender and region.
Labour/management relations	Percentage of employees covered by collective bargaining agreements Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
Occupational health and safety	Rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities by region. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members with serious diseases.
Training and education	Average hours of training per year per employee by employee category
Diversity and equal opportunities	Composition of governance bodies and breakdown of employees per category by gender, age group, minority group membership, and other indicators of diversity. Ratio of basic salary of men to women by employee category

Source: Adapted from América, A (2015)

3.6.4.2 Integrated reporting (IR)

The IR was developed by the IIRC (Eccles & Krzus, 2015; IIRC, 2013) as a new way to inform various stakeholders about an organisation. The IR framework is considered to be the next step in the development of globally harmonised corporate reporting (Monterio, 2015). The main purpose of the integrated report is to explain how the interaction of financial and non-financial capital in an organisation creates value over time (IIRC, 2013), allowing for better communication of the organisation's value creation process. The IR framework allows stakeholders to have a complete picture of the organisation, helping them to make better decisions (ibid). The information from such a report is meant to benefit all stakeholders including investors, employees, customers, suppliers and other stakeholders interested in the organisation's ability to create value over time (Busco, 2014). The framework is therefore important in reducing the information gap between corporate reporting and the users of corporate information.

The guidance provided by the framework is principles-based rather than prescriptive. The key objective of the principles laid out by the report is to enhance accountability and stewardship within the six capitals, namely financial, manufactured, intellectual, human, social and relationship, and natural (IIRC, 2013). With three of the capitals emanating from the intangible assets, Beattie and Smith (2013) argues that the framework is a holistic concept for refocusing intellectual capital disclosures.

Focusing on human capital as one of the intangible assets under consideration, Adelowotan et al (2013) argues that human capital has received much attention since it includes the employees' knowledge and competence which are some of the most value creating aspects of an organisation. The human capital is therefore defined by IIRC as, "the people's competencies, capabilities and experience, and their motivations to innovate" (2013: 12).

With the IR report being considered as the next corporate reporting norm (ibid), the IR framework is believed to bring change in the reporting practices of many organisations, with the hope that non-financial information like human capital will be systematically disclosed (Lennartsson, 2015; 2016). However, because the IR framework does not provide a prescription of the human capital issues to be disclosed, some scholars are doubtful if the IR framework will to contribute to greater disclosure of human capital information (Cheng et al., 2014; van Bommel, 2014).

Some of the principal human capital issues indicated as being of importance in articulating the role of human capital in value creation are shown in Table 3.3.

Table 3.3: Human capital vital in articulating human capital value creation

Inputs and activities relevant to an understanding of human capital	Outputs and outcomes associated with human capital
•employee numbers	• employee motivation and engagement (e.g. by reference to surveys)
• the composition of the workforce (e.g. analysis by gender, age, full-time or part-time, contingent labour)	• the stability of the workforce (e.g. voluntary and regrettable turnover rates)
• staff compensation	• retention rates after parental leave
•employee benefits entitlement	• internal hire rate
•recruitment costs	• accident rates
•training and development spend (including on health and safety)	• days lost to injury
•average hours training per employee category	• work-related fatalities
•numbers of courses taken	•industrial relations issues
•reward schemes to align employee behaviours with strategic goals	•revenue per headcount
	• any productivity gains made

Source: IR: Creating Value; The value of human capital reporting (p.17)

3.6.4.3 The smarter annual report

The smarter annual report is an initiative currently in progress in the corporate annual reporting sphere. It is an initiative supported by the Sustainability Accounting Standards Board (SASB) in the United States of America and the IIRC (Bassi, et al., 2015). The main aim of the report is to provide guidance on improving annual reporting, especially through the provision of better human capital information (Bassi et al., 2014). The report identifies better ways of showing how an organisation creates value and satisfies the needs of its different stakeholders.

Using a framework for human capital reporting, the report provides an explanation of the contribution of human capital to value creation. The framework explains how human resource broad outcomes of risk, capability and innovation are achieved through the management of six human capital categories, namely health and safety;

skills; leadership; alignment; engagement; and talent pipeline (ibid). Human capital information disclosures are therefore done within these six categories.

Bassi et al. (2015:74) give a summary of the human capital metrics that can be universally incorporated into the human capital report as explained below:

Health and safety: Injury rates, participation rates in employee wellness programmes, trends in employees' health risk measures.
Skills: Scores on questions about employee capabilities from customer or employee surveys, investment levels for training and development.
Leadership: An index of leadership quality based on employee survey questions about leadership behaviours.
Alignment: An index of questions that measure employees' alignment with the organisation's goals and values (based on the organisation's employee survey).
Engagement: An engagement index (based on the organisation's employee survey).
Talent pipeline: Percentage of key positions for which a qualified internal candidate has been identified, percentage of turnover in key positions that were filled by internal candidates during the previous year.

3.6.4.4 Meritum Guidelines (2002)

These guidelines were one of the outcomes of the 'Measuring Intangibles to Understanding and Improving Innovation Management' project funded by the European Union under the TSER (Targeted Socio-Economic Research) Programme. The project was a multi-country level project including researchers from Denmark, Finland, Norway, Sweden, Spain and France. The main aim of the guidelines is to provide the conceptual framework and describe the process to be followed by those organisations who want to manage and report their intangibles externally.

The guidelines assist in the preparation of a three-part intellectual capital report, covering the vision of the organisation, a summary of intangible resources and

activities, and the system of indicators. The report to be produced by the organisations is meant to communicate to the users the abilities, resources and activities of the organisation in relation to its value creation. The information provided should enable its users to evaluate if the company attains its strategic objectives in a proper way, through the application of the proposed indicators. These indicators should be applied to all three categories of intellectual capital – human, structural and relational.

3.6.4.5 Nordika Guidelines (2001)

These guidelines provide an outline and approaches to knowledge management and reporting. The guidelines were a product of collaboration by the Nordic Industrial Fund, representatives of the Governmental Task Forces and a Round Table drawn from business and professional associations in the Nordic countries. The key feature of these guidelines is that they explain how organisations can find key resources and utilise them in creating value.

3.6.4.6 IFAC Guidelines (1998)

These were the first guidelines on the production of an intellectual capital statement. The guidelines were an outcome of Study No. 7 that was commissioned by the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC) to discuss the measurement and management of intellectual capital. The guidelines were mainly produced to assist organisations in choosing the correct method of measurement and also helping these organisations to prepare their intellectual capital statement. The focus of the IFAC guidelines was on presenting what was already in existence with regard to intellectual capital. As such, no new rules or recommendations were offered. The idea was to maintain flexibility by allowing organisations to adopt best ways to measure and present knowledge-based information.

3.6.4.7. Danish Guidelines (DATI) (2000, 2003)

The Danish guidelines resulted from the collaboration of researchers from companies, public and industrial organizations and consultants who were coordinated by the Danish Ministry of Trade and Industry. The aim of the guidelines was to explain how organisations might prepare their IC statements and report on the performance and composition of their intangible knowledge resources. The intention was to enable organisations to focus on the knowledge management that leads to value creation when defining what should be measured and the indicators to be used.

The categories of indicators to be used were to embrace customers, employees, processes and technologies, with what was to be measured being a combination of resources and related activities. The guidelines were published in 2000, after the commencement of the work in 1998. In 2003 a new version of the guidelines was commissioned and published by the Danish Ministry of Science, Technology and Innovation.

3.6.4.8 German Guidelines (2004)

These guidelines were issued by the German Federal Ministry of Economics and Labour (FMEL) in 2004. The guidelines seek to help organisations evaluate and represent intangible corporate values in a structured manner (FMEL, 2004). Acknowledgement is therefore made in these guidelines of the increasing importance of knowledge and innovation in providing information on the performance of the organisation.

3.6.4.9 Japanese Guidelines (2005)

These are guidelines for the Disclosure of Intellectual Assets Based Management and were released by the Ministry of Economy, Trade and Industry (METI, 2005). The main aims of the guidelines are to assist organisations in preparing intellectual assets reports and help managers to develop a deeper understanding of the role that intellectual assets plays in organisational value creation.

At organisational level, several measurement and reporting frameworks on intellectual capital, and some on human capital, have also been developed, albeit without agreement having been reached on the best framework to adopt (Amico, 2012; Dumay, 2009; Milne & Gray, 2013). These measurement and reporting frameworks have been discussed previously in this research.

Summary of reporting guidelines and frameworks

Most of these outlined initiatives were, however, done in isolation, bringing in some diversity in the manner in which these initiatives are perceived and implemented (Boedker, et al., 2008). Although Fijalkowska (2008) argues that there are more similarities than variations in some of these guidelines, the author also acknowledges the fact that variations in information provision would exist as these guidelines are not prescriptive. If these reporting initiatives lead to variations in IC disclosures, fragmentation of human capital information disclosures is also implied.

The diversity of reporting guidelines and frameworks contributes to the fragmentation of information provision, which negatively affects the uptake of information by its users (Boedker et al., 2008; Fijalkowska, 2008). Variations in information provision reduce the understanding and interpretation of the information by its users, making it less useful (Schaffhauser-Linzatti, 2004). A study by the Institute of Chartered Accountants in England and Wales on non-financial reporting in capital markets concludes that inconsistencies in reporting make it difficult for information users to absorb, compare and analyse information (Amber et al., 2001). Such variations in reporting practices therefore call for harmonisation in reporting on non-financial information and human capital in particular, if the information provision is to be useful to the users (Boedker et al., 2008).

Commenting on how human resource information can be useful in strategic decision-making, Fitz-enz (2009) argues that the human resource professionals can learn from the accounting professionals. Financial information grew to be of more

importance because of the development of common financial accounting standards that were accepted across industries. Such common standards enabled the accountants to supply strategic information for decision-making, thereby promoting the relevance and demand for financial information. The harmonisation of human capital information disclosure might therefore be a strategic move towards the provision of strategic information for decision-making. Fragmentation in information provision creates information gaps, leading to information asymmetry problems (Healy & Palepu, 2001) that undermine effective decision-making.

3.7 CONCLUSION

The chapter discussed human capital information disclosure in corporate annual reports. Corporate annual reporting as a source of information for different users was explained, identifying groupings that form part of the users of corporate information. A general discussion on corporate annual reporting contextualised human capital information disclosure in these reports. Human capital information disclosure was then explored, bringing in empirical evidence from previous studies. Whilst efforts to increase and systematically disclose human capital information in corporate annual reports have been made, evidence from the literature suggests that such disclosure remains limited and fragmented, leading to human capital information asymmetry. Harmonisation of human capital information disclosure was therefore discussed as a possible solution to information asymmetry problems.

The next chapter explores information asymmetry theory as the theoretical lens for the study, highlighting how the harmonisation of human capital information disclosure might help in signalling and screening in order to reduce information asymmetry problems.

CHAPTER 4

THEORETICAL FRAMEWORK

4.0 INTRODUCTION

The previous chapter discussed human capital information disclosure in corporate annual reports. The purpose of this chapter is to discuss asymmetric information as the theoretical basis for the study. The chapter reviews the concept of information asymmetry, where two major information asymmetry problems, namely adverse selection and moral hazard problems, are outlined. The chapter also identifies possible solutions to these asymmetric information problems. As such, signalling and screening (self-selection included) will be discussed. Harmonisation of human capital information will then be further discussed as a facilitator of signalling and screening in reducing information asymmetry problems.

4.1 INFORMATION ASYMMETRY EXPLAINED

Information asymmetry is a situation when one party to the contract has more information than the other party (Akerlof, 1970; Biernaskie, Grafen & Perry, 2014; Connelly et al., 2011; Stiglitz, 1975; 2000; 2002). The term asymmetric information originated in information economics, with Akerlof's (1970) study on the market of used cars where he explained the "lemon" problem. However, Stiglitz (1975; 2000; 2002) did extensive research on the area. In as much as the term originated from information economics, the term over time has been applied more loosely in a broad number of fields to explain a situation in which one party is more informed than the other in a transaction situation (Certo, 2003; Spread, 2015).

The argument behind asymmetric information theory is that if buyers are not in a position to ascertain the quality of the products they are buying, they will pay a price exhibiting the quality of the average product in the market. Such a scenario discourages the sellers of high quality products from entering the market, causing a further reduction in the average quality and the price for the product. The likely outcome is that the sellers of low quality products will be rewarded. As explained

in the introductory chapter, the management of an organisation, being internal and involved in the operations of an organisation, knows more about the state of their organisation and the environment in which the organisation is operating than the foreign investors who may wish to invest in the organisation, or want to operate in the same environment. Such a situation can therefore be described as an asymmetric information state. This information state could promote a situation where foreign investors are persuaded to invest in poor performing organisations due to information deficiencies, thereby experiencing asymmetric information problems.

4.2 INFORMATION ASYMMETRY PROBLEMS

Asymmetric information has been argued to cause information problems (Akerlof, 1970; Connelly, 2011; Stiglitz, 2002). Thus, when not dealt with, informational asymmetry situations incite adverse selection and moral hazard problems. However, Spread (2015) argues that asymmetric information is not necessarily a concern, as in most cases the more informed party with the information necessary to conclude the transaction would readily provide it. For example, if organisations are looking for funding from foreign investors, they will readily provide any information that makes it possible for them to get the funding.

Spread (2015) argues, however, that asymmetric information problems arise when the informed party has information that will be detrimental to their interests (in the case of reporting organisations, the information that will determine whether foreign investors decide to invest in their organisation or not). In such cases, the informed party will try to retain such information for the transaction to be completed, in such a way as to further their interests at the expense of the less informed party. Such a situation results in the moral hazard problem (Stiglitz, 1985). The less informed party would enter into a contract, which they would not have entered into if the necessary information has been provided for, resulting in the adverse selection problem (Stiglitz, 1985). It can therefore be concluded that asymmetric information becomes a problem when it leads to moral hazard and adverse selection problems.

4.2.1 The Moral Hazard problem

Moral hazard is a problem which results from asymmetric information situations when the more informed party to a transaction does not pay for the consequences of their actions (Akerlof, 1970; Bas & Stone, 2014; Klein et al., 2016; Milgrom & Roberts, 1992). In the context of the study, organisations looking for foreign funding differ systematically in terms of their value creation potential. Potential performers and poor performers cannot be easily observed, but their capacity to perform better and bring better investment returns for investors will have significant implications for foreign investors looking for better investment opportunities. Therefore, because of a lack of enforceable contracts to deter organisations from misrepresentation of their capacity to perform, organisations looking for foreign investment may portray their organisations as good investment opportunities for foreign investors. Likewise, foreign investors may also default or delay on their funding promises to the organisations they would have shown interest in investing in.

For complementary reasons, opportunistic and manipulative organisations tend to self-select into such investment situations because they can take advantage of these investors by incorrectly claiming to bring in better investment returns to the investors. Because of insufficient information being available to foreign investors to assess the performance potential of these organisations, moral hazard may arise. Costs associated with the provision of information by organisations and availability of sufficient information before entering into the investment contract may also instigate moral hazard problems. Without resolving informational asymmetry situations, moral hazard becomes more attractive.

4.2.2 The Adverse Selection problem

Adverse selection occurs when one party to the contract has privately held information that affects the other party's payoff if the contact occurs (Akerlof, 1970; Bas & Stone, 2014; Klein et al., 2016). In line with Akerlof's classic example of used cars where sellers of used cars have better information about the value of

their cars than used car buyers. The price that buyers are willing to pay is based on their prior knowledge about this private information. The selling of such cars would be not attractive to the owners of high quality cars and would be attractive to the owners of low quality cars, resulting in the distribution of quality in the cars actually offered for sale being distorted. Such a scenario lowers the market price of these used cars, resulting in mutually beneficial transactions failing to be made. Thus, careful sellers may not sell their cars as long as the quality traits are unobservable to the buyers, resulting in the buyers' willingness to trade being hampered.

Borrowing the concept from this classic example of used cars, the current study argues that a similar problem arises between organisations and foreign investors in capital markets. The potential sellers become the management of organisations in a developing country that market their organisations to attract foreign funding, with the buyer being the foreign investor. Foreign investors have difficulty in separating credible from non-credible organisations in terms of their performance potential. Thus, the management of organisations, being at an information advantage about their organisations' current and future performance, have an advantage over the foreign investors in negotiating investment contacts. These organisations have insider organisational data that are known to them but unknown to foreign investors. Also, being insiders to the country and their organisation, the management of organisations can make economic, political and social judgments that can affect the performance of the organisations better than foreign investors (He, 2002). Furthermore, the management's own intentions in seeking foreign funding remain known to them. These factors can affect the management's interest in participating in capital markets and the likely effects of such participation for the foreign investors.

If all the management of organisations seeking foreign funding could accurately reflect the performance quality of their organisations and their genuine intentions for foreign fund-seeking, it could make it easy for foreign investors to identify better organisations for investments and screen out bad ones. However, due to lack of adequate and comparable information across organisations, this might not be

possible. Foreign investors therefore suffer from such adverse selection problems (Balakrishnan & Koza, 1993; López-Duarte & García-Canal, 2002; Villalonga & McGahan, 2005), due to these internal and external uncertainties in the host organisations (He, 2002). Unlike domestic investors, foreign investors experience the disadvantage of 'alien status' because they lack local knowledge of social, political and economic conditions (Caves, 1971). Scholars acknowledge that information asymmetry is more pronounced among foreign investors, making their investment decisions more difficult (Habib & Zurawicki, 2001; Leuz, et al., 2010; Slangen & van Tulder, 2009). The investment decision-making process by these investors is therefore difficult due to uncertainties. Miller (1992) argues that such uncertainties can arise from inadequate information about certain variables and the unpredictable business environment.

Faced with such uncertainties, foreign investors would tend to favour such organisations in locations that could minimise information cost (He, 2002), if they are to pursue such investments. The high cost of obtaining local information may compel foreign investors to be risk averse (Caves, 1971; Easley & O'Hara, 2004; Lizarazo, 2013). As such, strong assurances of information disclosure and efficient governance systems are necessary in attracting these investors. It can thus be concluded that low information costs are vital in influencing foreign investors' decisions to invest in an organisation.

In reducing the uncertainty experienced in making new investment decisions, foreign investors rely on both the publicly available information and privately held information (Kinoshita & Mody, 2001). Studies on the use of public information by investors indicated that public information does influence investors' investment decisions (Kinoshita & Mody, 2001; Mariappanadar & Kairouz, 2017; Ulgado, 1997), implying that public information which is less costly is useful in reducing information costs with foreign investors. However, private information (for example, about the functions of the labour market) was more critical in foreign decision-making (Dunning, 1998), of which this information is privately held, and as such it comes at a higher cost to access it.

Where information costs lead to risk-averse investment decisions by foreign investors, those organisation with lower information costs are therefore in a better position to attract foreign investment into their organisations. Higher disclosure levels of information by organisations can therefore substitute the privately held information which comes at a cost, enabling foreign investors to better identify viable investment opportunities in host locations (Abdioglu, Bamiatzi, Cavusgil, Khurshed & Stathopoulos, 2015). In a study in Italy, Mariotti and Piscitello (1995) established that information costs, instead of traditional costs, determined the ability of organisations to attract foreign investment.

The implication for reporting organisations might be that, if these organisations provide more of the privately held information, especially intangible assets like human capital, in the public domain (that is through corporate annual reports), such reporting might reduce information costs to be incurred by foreign investors, and ultimately attract foreign funding into their organisations. Prior literature suggests that a higher level of disclosure in an organisation or country attracts more investment (Bushee & Noe, 2000; Gompers & Metrick, 2001). The provision of relevant and adequate human capital information by the organisations might reduce information asymmetry problems with foreign investors and thereby raise the level of foreign investment attraction for the reporting organisations.

It is accepted that a higher quality of corporate information disclosure increases the efficiency of capital allocation decisions by reducing information asymmetry between investors and investees (Huang et al., 2013; Marquez- Ramos, 2011). The quality of corporate information disclosure by organisations in a specific country might therefore determine the level of asymmetric information between these organisations and foreign investors and ultimately the ability to influence investment decisions in their favour.

Whilst the corporate annual reporting system is one of the institutional infrastructures that can be used by host organisations to reduce information

asymmetry problems with foreign investors, the corporate annual reporting system has been criticised for its inability to grasp the value of strategic intangible resources (Guthrie, 2001; Guthrie & Petty, 2000; Zéghal & Maaloul, 2011). The non-disclosure of these strategic intangible assets by host organisations may contribute to asymmetric information problems between these organisations and foreign investors. It can therefore be argued that the corporate information disclosures by host organisations should be holistic and comprehensive enough to give foreign investors the information they look for when making investment decisions. The major objective of corporate reporting is to provide useful and relevant information to the users (foreign investors included) for them to make informed decisions (Binh, 2012).

The annual corporate report as the basic source of information for a range of stakeholders, including the investors (Beattie & Smith, 2010; Holland, 1998), should be the most efficient tool for communicating corporate information to the stakeholders (Guthrie et al., 2004). However, with the inadequate disclosure of human capital information in the annual corporate reports as previously alluded to, foreign investors might not obtain relevant and adequate information on human capital for them to make informed location decisions for their investments, thereby creating asymmetric information problems.

4.3. SOLUTIONS TO INFORMATION ASYMMETRY PROBLEMS

Signalling, screening and self-selection are ways of dealing with asymmetric information problems (Bergh et al., 2014; Spence, 1973; 2000; Stiglitz, 1975; 2002). Through signalling, the informed party willingly provides the information to the less informed party. Spence (2002) contends that one way to respond to adverse selection is signalling where the informed party provides some signals to the less informed party. Stiglitz (2002) propounds that if people could be relied on to tell the truth, then asymmetric information problems could be overcome. However, he acknowledges that people do not always tell the truth (Spread, 2015). For the less informed party to get the information they need from the informed party, they may need to elicit such information. Rothschild and Stiglitz (1976)

therefore emphasises the role of screening under situations of asymmetric information, so as to reduce asymmetric information problems. The screening process also involves self-selection, where through the provision of information by the more informed party, the informed party will reveal their suitability to be involved in a transaction by the less informed party. As such, while screening is done directly by the less informed party, the process of self-selection is indirect, as it happens naturally during signalling, leading to self-screening.

The following two sections explore these solutions to asymmetric information problems in order to establish whether the harmonisation of human capital information disclosure may facilitate signalling, screening and self–selection by the reporting organisations and foreign investors, to enhance foreign investments.

4.3.1 Signalling as a solution to information asymmetry problems

Signalling as a theory was initially explained by Spence (1973) in his seminal work on labour markets. His work focused on how potential employees communicate their credentials to hiring organisations so as to reduce the asymmetric information about the potential employee's qualities. The focus of the theory is on explaining how the more informed sender deliberately communicates positive information to the less informed receiver.

The theory has been widely used in a number of disciplines (Bird & Smith, 2005) including finance and economics (Spread, 2015) and management (Connelly et al., 2011). Signalling theory has also been used in understanding voluntary disclosure of human capital information in corporate reporting (Gray, Kouhy & Lavers, 1995; Guthrie et al, 2004; An et al., 2011). The major objective of signalling is to reduce information asymmetry between two parties (Bergh et al., 2014; Spence, 2002) with regard to a quality of interest that forms the basis of their decisions (Stiglitz, 2000; 2002).

Emanating from Akerlof's (1970) work, Spence's (1973) argument was that, given the asymmetric information problems involved in selling and buying products with

unobservable qualities, both the sellers of high quality products and the buyers of such a product should be motivated to come up with signals that act as differentiating mechanism to allow the separation of high from low quality products. In the context of the current study, the major concern for preparers of corporate information is to reveal the performance potential of an organisation in a way that will bridge the information gap with foreign investors. This enables these investors to make informed decisions with regard to capital allocations. The difficulties for foreign investors to observe and evaluate the potential of organisations based on its human capital base should incentivise the management to signal human capital information. At the same time uncertainty (Mouri, Sarkar & Frye, 2012; Sanders & Boivie, 2004) and information asymmetry (Heil & Robertson, 1991; Reuer, Tong & Wu, 2012) should motivate foreign investors to pay attention to the signals being sent.

While the reporting organisations will have both positive and negative information, negative reporting is usually avoided. Stiglitz (2002) argues that the informed party will rarely send negative information to the less informed party, with the view of reducing information asymmetry. However, unintentional signalling can happen in the signalling process (Krausert, 2016; Connelly et al., 2011) leading to the divulgence of information not intended to be communicated by the signaller. Such unintended information disclosures can, however, be a source of information for screening by the signal receiver. The major reason for arguing against human capital disclosure by organisations has been the fear of giving away sensitive and negative information, which could be used against the reporting organisation (Samudhram et. al., 2010). As such, organisations tend to disclose the minimally required information in an effort to reduce unintentional signals. Such disclosures, however, lead to low levels of human capital information disclosure in the corporate annual report, resulting in information asymmetry.

The main aim of sending signals in the signalling process however would be to draw the attention of the signal receiver, in an effort to influence the receiver's behaviour (Connelly et al., 2011). As such, for effective signalling to have taken

place, the signaller should benefit from the actions of the receiver, which the receiver would otherwise not have done, if it was not for the signal sent by the signaller. Signalling should therefore benefit both the signal sender and the receiver of the signal, as it reduces asymmetric information problems. For the sender to attract the attention of the receiver, the signal being used by the signaller should have signal strength. The major attributes of a strong signal are that it should be observable and credible enough to fulfil the intentions of signalling (Connelly et al., 2011; Certo, Covin, Daily & Dalton, 2001).

Signal observability can be described as the recognition or attention given to an emitted signal (Connelly et al., 2011). While various signals can be used, signal observability plays an important role in the signalling process (Certo, 2003; Ross, 1977). However, signal observability depends more on the signal strength. Park and Mezias (2005) argues that signals have different strengths. Signals with more strength are in a better position to communicate the intentions of the signaller. Weak signals, however, can lead to multiple meanings (Park & Mezias, 2005) resulting in signal distortions. To deal with signal distortions, and improve the accurate interpretation of the intended communication, multiple and repetitive signals have been advocated for as these increase signal frequency (Filatotche & Bishop, 2002; Janney & Folta, 2003). However, acknowledgement is made of the fact that the environment under which a signal is sent moderates the signal strength (Lester, Certo, Dalton, Dalton & Cannella, 2006; Park & Patel, 2015).

Although signal observability is important, it is not enough on its own to achieve effective signalling (Connelly et al., 2011). The signal also needs to be perceived as credible enough in the eyes of the signal receiver. The major criticism labelled against signalling as a means to deal with asymmetric information is on the fact that direct signals are usually used by signallers to hide behind potential weakness (Certo, 2003). These signals are said not to be credible, as they fuel moral hazard problems (Hughes, 1986). The possibility of falseness in signalling has been acknowledged where signals increase rather than decrease information asymmetry (Dawson, Watson, Carey, Boudreau & Pitt, 2016), in as much as scholars have

generally presented signalling and screening as solutions to information asymmetry.

However, Elitzur and Gavious (2003) maintained that signals reduce moral hazard problems for the receiver as signal receivers are not easily fooled by incredible signals. Credible signals being costly to imitate remain an effective way of reducing asymmetric information problems (Biernaskie et al., 2014; Zhang & Wiersema, 2009). The ability of a signal to separate low and high quality of a product in question therefore underpins its signal strength. A credible signal becomes that signal that creates a separating equilibrium, and such a signal correlates well with the quality in question (Connelly et al, 2011; Stiglitz, 1985).

4.3.1.1 Signalling human capital information in capital markets

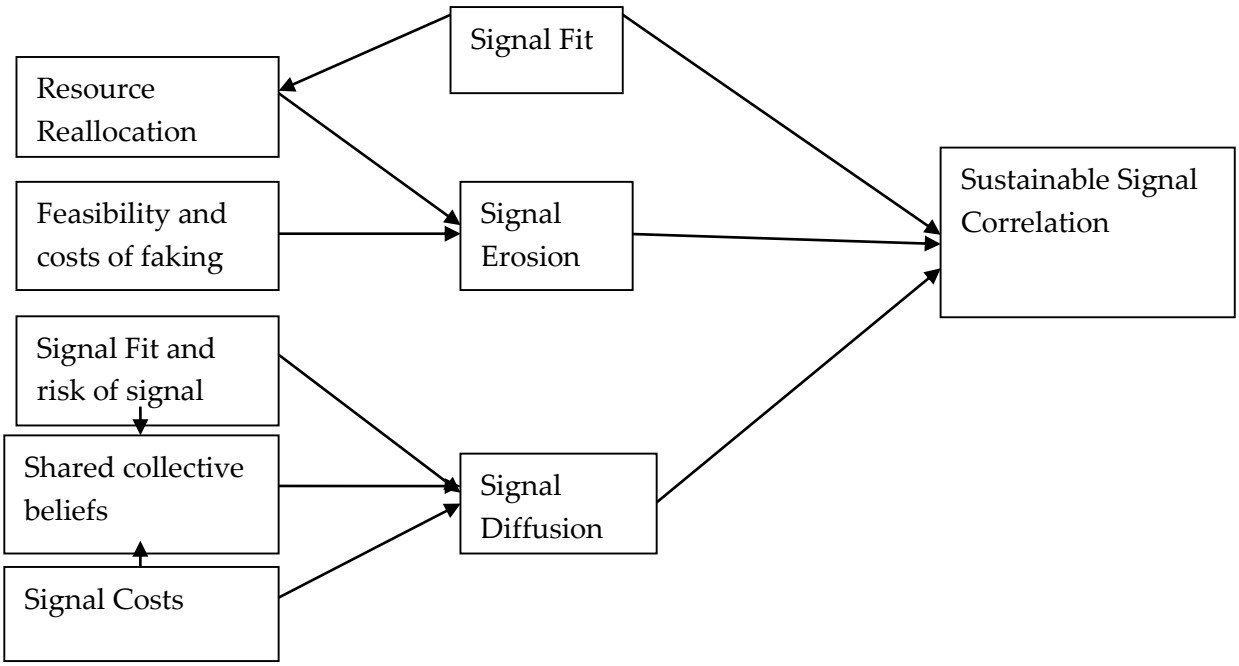
Human capital information is perceived to be value-relevant in making investment decisions (Dumay, 2016; Huang, et al., 2013; Lipunga, 2013). The provision of human capital information to foreign investors might help the investors to assess the profit generation potential of an organisation (Curado, Henriques, & Bontis, 2011); such that they can make capital allocation decisions (Rahman et al, 2016). The disclosure of human capital information might serve as signals to these investors (Lin, Huang, Du & Lin, 2012), thereby reducing information asymmetry problems.

While previous literature on signalling theory had focused on signalling characteristics such as signal strength, signal frequency, signal consistency, signal costs (Connelly et al., 2011) and costs of fake signals (Zhang & Wiersema, 2009), a recent study by Krausert (2016) specifically focusing on human resource related signals in the capital market further elaborates on the characteristics of effective signals. Drawing on some of the concepts from previous literature, Krausert (2016) examined signal characteristics in terms of signal fit, signal erosion and signal diffusion, and how the signal characteristics influence signal correlation with the quality in question.

In examining these signal characteristics, feasibility and cost of faking; and resource allocation were further elaborated upon as the antecedents of signal erosion, with signal fit and risk of faking, shared collective beliefs and signal costs being antecedents of signal diffusion. Signal fit as a signal characteristic however also influences resource allocation which in turn is an antecedent of signal erosion. The antecedents of signal characteristics therefore influence sustainable signal correlation though the mediation of signal characteristics (See Figure 4.1).

A combination of these signal characteristics; their antecedence and signal characteristics from previous literature (as previously elaborated on) forms the basis upon which the researcher would understand the extent to which harmonised human capital disclosures could be signalled in reducing information asymmetry problems.

Figure 4.1: Antecedents of sustainable signal correlation



Source: Krausert, 2016

Signal fit

As depicted by Figure 4.1, Krausert (2016) explains that signal fit influences sustainable signal correlation. Whilst Connelly et al. (2011) refers to the term signal

fit to mean signal correlation, Krausert (2016) describes signal fit as the degree to which the qualities reflected in the signal overlap with the qualities in question. Thus, signal correlation in the study context is the extent to which the signal is correlated with unobservable quality. Signals could therefore be classified as under fit, close fit or over fit. An under fit signal only reflects a part of the quality in question; an over fit signal reflects the quality in question and other qualities as well; and a close fit signal reflect all the qualities being sought and no other qualities (ibid).

The signal is therefore strong when it is either an over fit or a close fit signal. However, the author also contends that organisations can reallocate resources to an under fit signal in a way to boost its signal fit. As such, signal fit also influences resource reallocation where resources are channelled to the under fit signal in a way that will boost the signal to be a close fit signal. Given that the signal under fit has only some parts of information which reflect the quality in question, various under fitting signals might be combined to create a signal with a closer fit (ibid). Previous literature on signal distortions also suggests that multiple and repetitive signals may be sent to reduce signal distortion (Filatotche & Bishop, 2002; Janney & Folta, 2003) as such kind of signalling increases signal frequency.

With Krausert's study having indicated that no single human resource signal contains all the characteristics required for sustainable signal correlation, it might therefore imply that pieces of human resource information items constitute under fit signals. Bringing such information together through harmonised disclosures may facilitate the creation of signals with close fit. According to Connelly et al (2011), signal strength enhances the observability of the signal by signal receivers. With corporate information users combining different signals when assessing investment opportunities, and also taking into account the interface effects between them (Kuperman, 2003; Mouri et al., 2012), the harmonisation of human capital information signals might therefore assist these users in integrating the information for easier use. Integration increases the observability of information by the users. Thus, human capital information becomes more readily observable if it is easily

understood, where the information users do not have to take trouble in further processing the information for decision-making (Krausert, 2016). Harmonisation therefore brings about consistency, which contributes to better understanding. Another benefit of harmonisation is the easier access of information when making decisions (Ali, 2005; Islam, 2006, Zarb, 2006). Krausert (2016) contends that analysts in the capital markets put together various available human resource related signals themselves, the harmonisation of human capital information might reduce that burden by making human capital information easily accessible.

Signal erosion

Focusing on signal erosion as another characteristic that influences signal correlation (Krausert, 2016) describes signal erosion as the degree to which the correlation between the signal and quality in question declines over time as the signal is being used to make inferences about the quality in question. The more the signal is eroded, the more difficult it will be for the signal to correlate with the quality in question. Thus, the more the correlation declines the weaker the signal will be in communicating the quality in question, leading to less credible signals. Signal erosion is influenced by both the feasibility and cost of faking the signal, as well as the possibility of boosting signals characterised by signal under fit (Bangerter, Roulin & König, 2012; Spence, 1973).

Incredible signals are fuelled by signallers who use signals to hide behind their potential weaknesses (Certo, 2003). Such behaviours result in the credibility of signalled information always being questionable (Hughes, 1986). Thus, signal erosion comes as a result of fake signals where it is feasible for those with poor quality to imitate those with superior quality (Connelly et al., 2011; Krausert, 2016). However, signal receivers are not easily fooled by incredible signals. Credible signals, being costly to imitate, remain an effective way of reducing asymmetric information problems (Biernaskie et al., 2014; Zhang & Wiersema, 2009).

As discussed earlier in chapter 2, human capital as an asset is considered difficult to imitate (Banney, 1991; Bidwell, 2011; Campbell et al., 2014) and as such,

information emanating from this capital cannot easily be faked by different organisations. The feasibility and cost of faking human capital related signals can be considered higher, inhibiting signal erosion. The harmonisation of human capital information disclosure brings about comparability, further creating a separating equilibrium (Connelly et al, 2011; Stiglitz, 1985) which inhibits the creation of fake signals. Inconsistencies in information disclosure make it difficult for information users to absorb, compare and analyse information (Amber et al, 2001), resulting in signal distortions. Signal distortions increase the chances of emitting incredible signals that are easily eroded due to the feasibility of faking.

The ability of a harmonised human capital reporting system to bring about common ground for similar disclosure might increase signal credibility through the emission of multiple signals, as argued in previous literature that multiple and repetitive signal reduces signal distortions (Filatotche & Bishop, 2002; Janney & Folta, 2003). Harmonisation of human capital information disclosure might therefore reduce signal erosion by increasing the cost of faking and reducing the feasibility of faking. Whilst there is the possibility that harmonisation of human capital information disclosure may facilitate signal erosion by the boosting of under fit signals (which is done through collating information considered relevant), harmonisation of human capital information also creates an auditing platform where benchmarks are done to avoid fake signals.

Signal diffusion

Having examined signal fit and signal erosion as facilitating signal correlation, Krausert (2016) further argues that signal diffusion also influences signal correlation. Though signal fit and signal erosion directly influences signal correlation on their own, (ibid) further elaborates signal fit and risk of signal erosion, shared collective beliefs and signal cost; as antecedents of signal diffusion. Shared collective beliefs are affected by signal fit, risk of erosion and signal cost. It has also been argued in previous literature that the ability of the signal to be emitted, observed and attended to would depend on the shared collective beliefs

(Connelly et al., 2011). The more the shared beliefs are dominant, the more the signal is diffused, rendering it to be better observed.

With signal observability playing an important role in enhancing signal strength (ibid), signal diffusion becomes essential in achieving effective signalling. The logic behind signal diffusion is that the signallers must expect the signal receivers to look out for the signal and at the same time, the signal receivers must have the expectation that most organisations with the quality in question should make an effort to send out the signal. This calls for a systematic way of signalling that information if all organisations are to send such a signal. Furthermore, those organisations without the quality in question should not be in a position to send such signals. As such, the costs of sending the signal should also be inhibiting for those organisations without the quality in question (Zhang & Weiesema, 2009).

The need for all organisations with the quality in question to send the signals to enable signal diffusion calls for a harmonised way of sending such signals. Harmonisation enhances consistency and comparability amongst organisations (Ali, 2005, Upadhyay, 2015), which helps in having a better understanding of the signal send. Shared collective beliefs become important in influencing signal diffusion, which in turn affects signal correlation. Signal correlation with the quality in question would be feasible if all organisations with the quality in question could send the signal, whereas it is not feasible and cost effective for those organisations without the quality to do so.

Given the participatory nature of the process of harmonisation, where the parties involved would have to discuss and agree on the issues of harmonisation, such a process brings about shared collective beliefs amongst the parties. Signal diffusion is more likely to be successful in cases where information disclosure is harmonised. If human capital information disclosures are harmonised, the likelihood that both the users and providers of human capital information will share the same understanding will be higher, unlike in situations where there is fragmented disclosure. Furthermore, harmonisation enables comparability (Ali, 2005;

Upadhyay, 2015) which increases shared collective beliefs. As the bringing together of information improves signal diffusion (Krausert, 2016), the harmonisation of human capital information disclosure may assist in enhancing signal correlation through influencing signal diffusion. If effective signaling is to take place, the diffusion of a signal across all organisations with the quality in question becomes a prerequisite for signal correlation.

As explained by Krausert (2016), previous studies have indicated that users of corporate information make use of the same evaluation criteria across all organisations in a specific industry (Aghion & Stein, 2008). It was also shown in some studies that investors and analysts take the perceptions of other investors and analysts into account (Nicolai, Schulz & Thomas, 2010), with these information users also taking into account managers' perceptions about what constitutes best management practice in a specific area (Schijven & Hitt, 2012; zu Knyphausen-Aufseß, Mirow & Schweizer, 2011). Some research further revealed that managers also attend and respond to the views and expectations of analysts and investors (Benner & Ranganathan, 2012; Graham, Harvey & Rajgopal, 2005). With such revelations, it can be argued that information across these users and providers of information should be understood in the same manner.

Harmonisation of human capital information may bring about consistency and comparisons, which enables signal diffusion across different groups interested in human capital information. Harmonised human capital information disclosures have the potential to influence the rate at which collective beliefs are shared across different users and providers of information. Krausert (2016) contends that shared collective beliefs are important in achieving signal diffusion. However, the author further elaborates that the willingness of the signaller to emit a signal, which in turn creates a shared collective belief, is also dependent on the costs of emitting the signal. Thus, the greater the cost of sending the signal, the more inhibiting it will be for the signaller of quality products to send the signal. This is in agreement with Spence (1973) who initially argues that the greater the costs of emitting the signal,

the less attractive the overall cost structure of the signal will be from the perspective of the organisation.

With human capital information being considered of strategic importance due to its ability to bring about competitive advantage (Barney & Wright, 1998; Lado & Wilson, 1994), signalling human capital information can also be viewed as costly to the signalling organisations, as these organisations might communicate their competitive advantages. Signal diffusion might therefore be affected due to resistance in divulging this information which is considered sensitive information. Literature has also acknowledged fear of sending sensitive and competitive information as one of the reasons behind minimum human capital information disclosure (Samudhram et al, 2010). However, harmonisation of information disclosure creates a platform where all organisations will be expected to disclose their information. Such a scenario creates a fair competing ground as every organisation with the quality in question would disclose its own position. The non-disclosure of information by organisations without the desired quality may also signal their lesser competitiveness, compared to the disclosing organisations. Such a situation creates a self- screening mechanism between those organisations with the quality in question and those without. Considering also that human capital is difficult to imitate, the benefits of disclosing human capital information can be considered to be more than the costs associated with it (Wyatt & Frick, 2010).

Although Krausert (2016) focuses mainly on intentional human capital signals, the author is also in support of Connelly et al. (2011) who argues that unintentional signals could be emitted during the signal process. However, whilst Connelly et al. (2011) argues that such unintentional signals might be used to infer the quality in question, Krausert (2016) is of the opinion that unintentional signals would only be useful if they are diffused. Thus, they are not considered to be part of the shared collective beliefs, rendering them less diffused and observable. The need for signal diffusion to attain a sustainable signal correlation is further emphasised. With harmonisation of human capital information having the ability to collate unintentional signals from different organisations as they systematically disclose

their human capital, harmonising human capital information might therefore enhance the usefulness of unintentional signals by signal receivers.

Effective human capital information signalling

Having elaborated on signal characteristics that enable sustainable human capital signal correlations, the disclosure of human capital information with such signal characteristics would therefore result in effective human capital information signalling. If the human capital information being disclosed by organisations fulfils such signal characteristics, the information would be in a position to signal important information to foreign investors. The disclosure of such information would be observable and credible to these foreign investors in making informed decisions.

Some of the previous studies on the influence of human capital information on investors' decisions suggest that human capital information signals important information. Levie and Gimmon (2008) are of the opinion that education degrees as part of the human capital information are an effective signal to investors. Previs, Bricker, Robinson and Young (1994) established that financial analysts make extensive use of non-financial information in their recommendations to investors. Part of such information is the quality of management of an organisation. Arvidsson's (2003) study on knowledge-intensive organisations in Nordic countries indicates that some human capital information is considered in investment decisions in as much as more focus is put on research and development and customers. Liu, Li, Hesterly and Cannella (2012) suggest that top management team characteristics are a major influence on the performance of initial public offering (IPO). Similarly, Faroog and Neilsen (2014) argues that information disclosure related to employees as well as strategic statements is considered very important by analysts when they give investment recommendations to the investors.

Commenting on the effect of human capital information on risk reduction, a recent study by Mariappanadar and Kairouz (2017) reveals that human capital information reduces the risks associated with the stocks; and also uncertainty and risks in

investments. Wyatt and Frick (2010) contends that in as much as human capital is list disclosed, it is considered an important factor in reducing investment risks. Information on employee turnover is also considered vital in understanding risk as argued by Olander, Hurmelinna-Laukkanen and Heilmann (2015), that the departure of key employees had negative consequences on knowledge leakage, posing risks to the competitiveness of the organisation.

Research focusing on the evaluation of organisations in the capital market has shown that the capital market also pays attention to some human capital related issues. Factors such as trendy management practices (Nicolai et al., 2010); an organisation's hiring of management consultants (Bergh & Gibson, 2011); organisation's business strategy (Benner & Ranganathan, 2012); and research and development investments (Gentry & Shen, 2013; Lev, 2011) were found to be important signals in the valuation of organisations.

It is evident from these previous studies that various human capital information items communicate some important information to the investment community. These human capital information items act as relevant signals in making informed investment decisions. However, taking into consideration that each of the abovementioned studies reveals different human capital items which are considered important in decision-making, each human capital information item might not be strong enough to transmit observable and credible signals that correlate well with the quality to be communicated in regard to the organisation in question. As suggested by Krausert (2016), the collating of such information would improve signal fit and enhance signal diffusion. Having argued that harmonisation of human capital information disclosures influences signal fit, signal erosion and signal diffusion in enhancing sustainable signal correlation, the harmonisation of human capital information disclosures might therefore facilitate signalling in reducing information asymmetry problems.

Information disclosure and transparency practices, either voluntary or regulative, have been consistently understood as solutions to information asymmetry (Core,

2001). The provision of human capital information might serve to reduce information asymmetry problems with the uninformed parties (Healy & Palepu, 2001; Huang et al, 2013). For organisations with high levels of human capital disclosure, investors can be relatively confident that any business opportunity will bring better returns, which would then increase the attractiveness of that organisation. Barry and Brown (1986) notes that when there is information asymmetry, investors bear the risks in forecasting future returns from their investments.

Organisations with higher levels of human capital disclosure might reduce the information risks, and hence they also have lower cost of capital than organisations with inadequate disclosure and high information risk (Easley & O'hara, 2004; Orlitzky & Benjamin, 2001; Sengupta, 1998). Foreign investors are likely to be attracted to low risk organisations, as reflected by their transparent levels. The harmonisation of human capital information disclosure therefore increases the accessibility of information as organisations benchmark and improves their quality of disclosure. Adequate disclosure of human capital information by organisations might communicate the needed information by investors, reducing information problems. Huang et al (2013) argues that adequate provision of relevant human capital information is important as it signals the organisation's potential to create value. As such it also increases the ability of those reporting organisations to attract funding nationally and internationally.

The disclosure of human capital information by organisations into the public domain may also provide information about the host location in general. Such information may signal important information to those foreign investors looking for investment opportunities in the same host location, and not necessarily in the specific disclosing organisations. While corporate reporting is perceived to target mostly participants on the stock market, all deficient users can actually benefit from corporate annual reporting, as this is an easily accessible source for public and free information.

4.3.2 Screening as a solution to information asymmetry

Screening as a theory has been pioneered by Stiglitz (1975) as another way of dealing with asymmetric information problems. Screening has been defined by Stiglitz (2002) as a process of eliciting relevant, vital or critical information that may be withheld or distorted by the more informed party. In this way, the less informed party can induce the other party to reveal their information. With the acknowledgement that people do not always tell the truth, the less informed party has to sift the information provided by the other party so as to draw conclusions about the behaviour and motives of the informed party (Stiglitz, 2002). Unintentional signals, being communicated without the control of the signaller, are also considered vital in deducing information from the more informed party.

Riley (2001) argues that foreign investors may respond to adverse selection externally through screening. Foreign investors, being more information deficient than reporting organisations in host locations, should therefore screen the signalled human capital information by the reporting organisations. Organisations competing for foreign funding will always portray their organisations as the best to offer a good investment opportunity. It is the role of the foreign investors to be cautious in selecting the best investment for them to ensure a good return on their investment. Spread (2015) argues that situations dictate the interest and actions, and as such he argues that inference can therefore be drawn from the actions, in a way to understand the situation.

Whilst the uninformed party can take some initiatives to deduce information from the informed party, most research on information asymmetry contends that the initial move is usually made by the informed party. Signalling is usually done first, with screening becoming a subset of the outcomes when the informed party moves first (Stiglitz, 1975, Spence, 1973). Screening can therefore be seen as a feedback of the signals sent by the informed party. Stiglitz and Weiss (1992) further argue that signalling and screening usually produce counterintuitive results. However, some researchers acknowledge some situations in which the uninformed party might take the first step by providing contracts that make an effort to separate more

desirable opportunities from less desirable opportunities (Riley, 1979; Rothschild & Stiglitz, 1976; Stiglitz, 1975). Such situations may, however, lead to both negative and positive outcomes, while in the case where the informed moves first there is always a balance of outcomes (Stiglitz & Weiss, 1992).

Because of the information problems which might be experienced by foreign investors as organisations are in a bid to advance their own specific interests (Milgrom & Roberts, 1992), foreign investors can use the signalled human capital information to do their own screening. Such screening will separate the credible signals from the false signals, resulting in the reduction of the adverse selection and moral hazard problems (Stiglitz, 1975). Even if information asymmetry cannot be fully avoided, the presence of human capital information signals might help in preventing attractive opportunities from falling through due to information asymmetry problems (Milgron & Roberts, 1982), whilst also avoiding getting into unattractive contracts.

With screening coming in mainly as a response to the signals, the effects of harmonisation on signalling therefore extend to the screening process. Effective signalling results in effective screening. Taking into consideration signal fit, signal erosion and signal diffusion as the major antecedents of sustainable signal correlation (Krausert, 2016), the enhancement of these signal characteristics through harmonised human capital information disclosure may facilitate screening by the foreign investors.

With the advantage of comparability to be brought by harmonisation, it becomes easier for foreign investors to compare and separate good from bad investment opportunities. Harmonisation of human capital information disclosure by organisations may therefore assist in separating weak and strong signals, thereby creating a screening point for different organisations with different capabilities. Harmonisation of information also reduces signal faking by making it possible that all organisations are valuated with the same criteria. The use of harmonised human capital information disclosure increases signal diffusion, enabling the uninformed

investors to have the same understanding with the more informed disclosing organisations.

Information users take into account managers' views on the quality of management of an organisation (Schijven & Hitt, 2012; zu Knyphausen-Aufseß et al., 2011), with managers also considering the views and expectations of investors (Benner & Ranganathan, 2012; Graham et al., 2005). In such situations, disparities in information provision reduce the understanding and interpretation of the information by its users, making it less useful (Schaffhauser-Linzatti, 2004). The harmonisation of human capital information disclosure may thus put both the information providers and users in the same perspective, thereby reducing information asymmetries.

4.3.2.1 Self selection

Self-selection has been argued to be part of the screening process (Spread, 2011). Through signalling by the organisations in a host location, these organisations may be self-selecting themselves as good or bad investment destinations. Thus, through communicating their human capital information to the potential foreign investors, organisations in a host location may reveal their suitability as favourable opportunities for investment or not. The main attribute which makes self- selection a screening process is that the disclosing organisations are not themselves the selecting agency as they do not consciously self-select themselves, but the information they signal or do not signal can out-select them from the list of potential investment opportunities. Thus, whether the organisations in question meet the disclosure requirements of the foreign investors or not will determine their suitability for foreign investment attraction.

A harmonised reporting framework may therefore act as a contract. Those organisations that do not meet the disclosure requirements might be seen as not suitable for investment. The non-disclosure of human capital items on the harmonised disclosure framework might therefore convey the non-suitability of the organisations in question. Such a situation creates a self-screening mechanism

between those organisations with the quality in question and those without. The harmonisation of human capital information disclosure may facilitate self-selection in reducing information asymmetry.

The disclosure of human capital information in corporate annual reports may thus assist foreign investors to categorise and sort the skills and attributes that they would be looking for in a specific investment environment. The understanding of human capital information in different organisations will help foreign investors to make informed investment decisions. Screening can be used to reduce information asymmetry problems. Zacharakis and Meyer (2000) found that the experience and management skills were among the most important selection criteria in investment decisions. This implies that some human capital information may be used in the investment screening process.

4.4 HARMONISATION AND FOREIGN INVESTMENT DECISION-MAKING

The argument that reduced information barriers facilitate investment decisions has received both theoretical and empirical support (Chen, Ding & Xu, 2014). Because information affects the selection of investment opportunities, the quality and quantity of that information becomes crucial for investment decision-making. Organisations can therefore influence investors' decision-making by varying the detail and quality of information available to these investors, which can be done through corporate disclosure practices (ibid). Harmonisation of human capital information disclosure is one of the disclosure practices that can enhance both quality and quantity of corporate information disclosure for effective decision-making.

The most important role of corporate annual reports is to provide relevant, useful and reliable economic information to an organisation's various stakeholders (Binh, 2012), such that they make sound economic and investment decisions (Al-Aljmi, 2009; Chatterjee et al., 2010; Penrose, 2008). Commenting on the characteristics of information that is useful to decision-making, Cronje (2008) mentions reliability,

relevance and comparability as some of the key characteristics of useful information. In support of these characteristics of decision usefulness information, the Meritum Report (2002) advocates for intellectual capital measurement indicators to fulfil the characteristics of being useful. Usefulness is therefore perceived through the relevance, comparability and reliability of the information in decision-making (Cronje, 2008; MERITUM, 2002).

Given that harmonised reporting brings in the advantages of comparability (Ali, 2005; Upadhyay, 2015), transparency and credibility (Ali, 2005; Islam 2006, Zarb, 2006), the harmonised disclosure of human capital information by organisations may reduce information asymmetry problems with foreign investors. Variations in information provision reduce the usefulness of information by its users (Schaffhauser-Linzatti, 2004). With Krausert (2016) having contended that the bringing together of different human capital signals enhances signal diffusion, harmonisation also enhances the relevancy of the disclosed information in decision-making by easing the overall process of decision-making (Bradshaw & Miller, 2007). Harmonisation of human capital information therefore increases the usefulness of human capital information in aiding decision-making. Huang et al. (2013) contends that adverse selection exists when there is asymmetric information between the host organisations and investors about the organisation's value and potential. As such, enhanced signalling and screening capacity through harmonised disclosure of relevant human capital information may increase the decision usefulness of human capital information disclosure.

4.5 LITERATURE GAP

While calls for increased disclosure of human capital information have been made by many researchers (Adelowotan et al., 2013; De Silva, Stratford & Clark, 2014; Huang et al., 2013; Lev, 2001; Lipunga, 2013; Samudhram et al., 2010; Yildiz et al., 2014), there is a dearth of research on the need for harmonisation of human capital disclosure in corporate annual reports. Although the increased disclosure of human capital information might assist in signalling and screening to reduce information problems, it is the fragmentation of human capital information

disclosure which may perpetuate asymmetric information problems. Many disclosure guidelines on human capital information disclosure have been provided for without reaching consensus on the best framework to be adopted for harmonised disclosures (Amico, 2012; Milne & Gray, 2013). Harmonisation of human capital information disclosure might therefore assist in signalling and screening to reduce information asymmetry problems.

In as much as harmonisation of reporting frameworks has been researched in corporate information disclosure, the focus has been on the area of financial reporting, with minimum attention being given to non-financial information disclosure. This study specifically focuses on the harmonisation of human capital information disclosure and how such disclosure in corporate annual reports can facilitate the reduction of information asymmetry problems. The reduction of information asymmetry problems may thus facilitate sound decision-making by foreign investors.

4.6 CONCLUSION

The chapter covered the theoretical framework of the study. Information asymmetry has been explained showing how human capital information asymmetry situations might lead to adverse selection and moral hazard information asymmetry problems. Signalling of human capital information, screening and self-selection using human capital information were examined as primary solutions to information asymmetry problems. However, the study further proposes the harmonisation of human capital information disclosure as an effective solution to information asymmetry problems. Thus, harmonisation of such information disclosure is proposed to facilitate signalling and screening in reducing information asymmetry problems with foreign investors. Such reduction in information asymmetry problems is likely to enhance decision-making by foreign investors, as also indicated by the theoretical framework.

The next chapter covers the methodology which was employed in the research.

CHAPTER 5

RESEARCH METHODOLOGY

5.0 INTRODUCTION

The chapter discusses the steps undertaken to investigate the elements of the thesis, by providing the process for gathering data and probing the evidence (Allison, 1969; Gioia, Corley & Hamilton, 2012). In order to gain insights into how harmonised disclosures of human capital information may facilitate investment decision-making by foreign investors, the process through which data and new insights were generated (Bansal & Corley, 2011; Chenail, 1995; Gioia et al., 2012) should be clearly communicated.

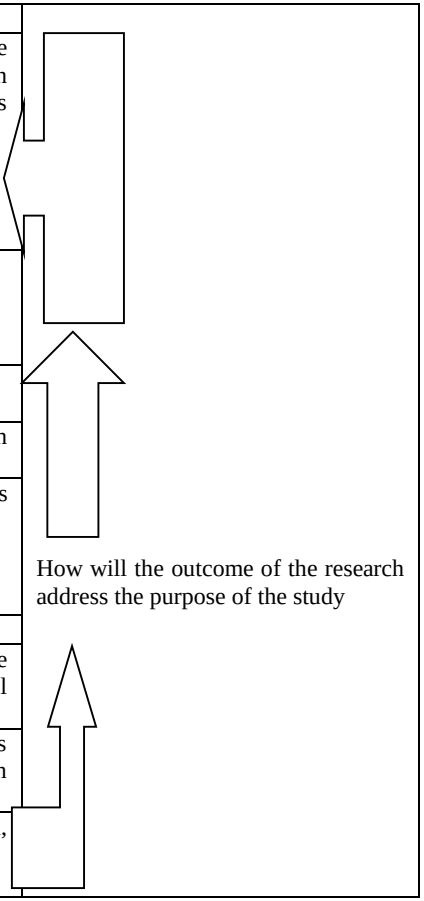
This chapter discusses the research philosophy, research design, context of the study, sampling strategy, data collection process, data analysis process, limitations, validity and reliability, as well as ethical considerations. These principal issues are laid out to articulate the methodology used in achieving the research purpose. However, to demonstrate the interconnectivity of these methodological concepts, an outline of the enquiry process is initially provided.

5.1 OUTLINE OF THE ENQUIRY PROCESS

The enquiry process gives an overview plan that connects all the relevant methodological issues, linking the philosophical assumptions to the outcomes (Denscombe, 2010b). In order to enhance methodological clarity and proper alignment of the various aspects of the methodology, the current study made use of the methodological structure by Denscombe (2010b). This structure aligns the main study components, from the purpose statement of the study to the expected outcome (see Table 5.1).

Table 5.1: The enquiry process

Aspect	Guiding question	Remarks
Purpose of the study	What does the research want to achieve?	Develop a theoretical model which proposes how the harmonisation of organisational human capital information disclosures can reduce information asymmetry problems with foreign investors when making investment decisions.
Research Philosophy	What are the underlying assumptions in this research?	Interpretivism
Research design	Which approach best addressed the purpose of the research?	Basic interpretive qualitative design.
Data collection process	Who/what was included in the study?	14 corporate annual reports of ZSE listed organisations, with a total of 35 participants.
	How was data collected?	Document sources, semi-structured interviews, observations and disclosure checklist indicator.
Analysis	How was the data analysed?	Analysed inductively using ATLAS.ti package
Evaluation	What confidence can we have in the findings?	Use of the study protocol and maximum variation in source and participant selection as well as methodological transparency and rigour.
Ethics	How were respondents' rights protected?	Protection of confidentiality and anonymity. The study was cleared by the University of the Witwatersrand Human Research Ethics Committee (Non-medical).
Outcomes	What are the end- products of the study?	Development of a theoretical model and making theoretical, methodological, empirical and practical contributions.



Source: Adapted from Denscombe (2010b, p. 111)

The purpose of the research having been outlined in chapter one, with the outcomes to be discussed in chapter ten, the current chapter focuses on the remaining components, starting with the research philosophy.

5.2. RESEARCH PHILOSOPHY

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used (Denzin & Lincoln, 2002). The philosophy shapes how the problem and research questions are formulated and how the research seeks information to answer the research questions (Creswell, 2014). The research philosophy is based on assumptions that underpin the research strategy and methods used. The four assumptions that underpin this study are ontology, epistemology, axiology and methodology (Burrell & Morgan, 1979; Creswell, 2014; Hussey & Hussey, 1997). An awareness of these philosophical assumptions that underpin the study helps situate the research in a careful and informed manner (Cunliffe, 2010; Guba & Lincoln, 1994; Vos, Strydom, Fouche & Delport, 2012). It is the consistency among these philosophical assumptions that determines the soundness of the study evidence (Guba & Lincoln, 1994; Loh, 2013; Shenton, 2004), and as such the reliability of the research outcomes is embedded in these assumptions.

Ontology

Ontology relates to the nature of reality and its characteristics, which can be objective or subjective (Cunliffe, 2010; Guba & Lincoln, 1994). The ontological assumption of this current research is that reality is socially constructed by the research participants, and as such, there are multiple realities. When researchers conduct qualitative research, they are embracing the idea of multiple realities. The aim of the researcher is to report on these multiple realities. The influence of harmonised human capital information disclosure on investment decisions may be viewed differently by foreign investors, and even by the providers of such information. The perceptions and views of these users and providers of organisational level human capital information may even change over time. It is against this background that the study was inclined towards subjectivist ontology.

Epistemology

Epistemology refers to what is regarded as knowledge and how knowledge claims are justified in the specific field of study (Creswell, 2014; Cunliffe, 2010). This study was guided by the interpretative paradigm. Interpretivism uses qualitative methods whose analysis is interpretive, subjective, impressionistic and diagnostic (Creswell, 2014; Denscombe, 2010a). With the epistemological assumption, conducting a qualitative study means that researchers try to get as close as possible to the participants being studied. Therefore, subjective evidence is gathered based on individual views. Knowledge is known through the subjective experiences of people. The paradigm places the ideas and reasoning of participants at the core of the study and also respects participants' thinking and views.

The study explored how harmonised organisational level human capital information can influence the investment decisions of foreign investors, using multiple views of the participants (Gephart, 2004; Guba & Lincoln, 1994; Morgan & Smircich, 1980). Furthermore, participants had an opportunity to express their views in a way that accurately represented their experiences (Creswell, 2014; Denscombe, 2010a; Guba & Lincoln, 1994). In this regard, subjective meanings were regarded as acceptable knowledge in this study (Saunders, Lewis & Thornhill, 2009).

Because the current research strives to understand the phenomenon under study from the participants' own perceptions and experiences, the interpretivism paradigm became the most relevant perspective from which reality in this research could be understood. Thus, how harmonised human capital information disclosures might facilitate investment decisions could only be understood by allowing the foreign investors themselves, and the providers of such information, to give their own views from their experiences. The philosophy is particularly appropriate for addressing the "how" question (Pratt, 2009; Yin, 2014) which is critical to a better understanding of the issues under study.

Axiology

Axiology can be understood as the role of values in the study (Guba & Lincoln, 1994; Saunders et al., 2009). The axiological assumptions of this study are that the researcher brought some values to the study, and as such, the researcher was part of what was being studied. It was difficult to separate the researcher from the phenomenon under study. Therefore, the researcher's values are expected to influence the study in a subjective manner (Maxwell, 2004). Effort was, however, made to minimise bias by trying to understand the phenomenon under study from the participants' opinions and experiences.

Methodology

The study also made important methodological assumptions that complemented the other philosophical assumptions that inform the study. Methodological assumptions are concerned with the processes of data collection and analysis to generate knowledge (Cunliffe, 2010). Such methodological assumptions are influenced by the paradigm selected. The interpretivism paradigm uses qualitative methods, and the study was therefore characterised as qualitative and inductive, where the theory emerged from the data. Denzin and Lincoln (2002) defines qualitative research as an approach to research, where the researcher studies things in their natural setting, attempting to interpret a phenomenon from the perceptions of the people under study.

The decision by the researcher to use the qualitative approach was influenced by the selected research paradigm. Deshpande (1983) contends that the nature of a paradigm helps in ascertaining the types of problems and methods to be used. Burrell and Morgan (1979) share a similar view on the influence a paradigm has on methods to be used where they claim that the paradigm governs the research strategies and methods to be used. The research questions driving the research, the research design to be used and the contribution to be made also influenced the choice of the qualitative approach as these are shaped by the selected paradigm (Edmondson & McManus, 2007). The purpose of this research was to understand, from the perspective of the participants, how organisational level human capital

information disclosures facilitated investment decisions by foreign investors. The qualitative approach was deemed appropriate for this research because of the approach's ability to address issues of explanations and descriptions, where the 'how' and 'why' questions were addressed (Bluhm, Harman, Lee & Mitchel, 2011; Lee, 1999).

The study was also shaped by the researcher's experience in collecting and analysing the data where some of the research questions changed during the execution of the study to improve the type of questions needed to understand the research problem. The data collection strategy planned before the study was modified to accompany the new questions. Data were inductively analysed, and in accordance with the process suggested by Burrell & Morgan (1979), the emerging theoretical framework was used to understand how harmonised human capital information disclosures facilitate the investment decisions of foreign investors.

The qualitative approach also helped in gaining an understanding of the experiences of the participants from their own perspective, with the researcher understanding these participants in their own contextual setting. The study was context-bound, targeting Zimbabwe Stock Exchange (ZSE) listed organisations and foreign investors investing in the service sector of a developing country (Section 5.4 describes the context in detail). The outcomes of such a research led to subjective results which will be context-specific. Context-specific results are not easily generalised from a sample to whole population. This generalisation to the population is not; however, the focal issue in qualitative research as the focus is not on generalisation to population but to the theoretical propositions of the research.

5.3 RESEARCH DESIGN

The study employed the basic interpretive qualitative research design. This is a qualitative research design in which several elements are mixed and matched in accordance with the requirements of the study (Elliot & Timulak, 2005; Thorne, 2016). It is a research design which brings out most, if not all the characteristics of a qualitative research (Merriam, 2002). In line with Barker, Pistrang and Elliott

(2002), the researcher avoided the use of specific design names as none of the commonly used traditional designs were wholly appropriate to the researcher's needs. Instead, common methodological practices from the traditional qualitative designs were borrowed in developing an individual mix of methods that were deemed appropriate for the study.

Some research practices from the commonly used qualitative design variation which includes the interpretive phenomenological studies (Pietkiewicz & Smith, 2014; Smith, Jarman & Osborne, 1999); grounded theory (Strauss & Corbin, 1997); empirical phenomenology (Giorgi, 1975); and the case study (Yin, 2009) were therefore utilised in this study. In general, qualitative investigations advocate for the use of multiple designs, perspectives and methods in understanding and resolving human problems (Denzin & Lincoln, 1994). The basic interpretive approach to qualitative research has therefore been adopted as being the most ideal in understanding the topic under investigation.

The main aim of an interpretive qualitative study is to understand reality from the perspectives of the people in relation to that specific phenomenon (Holloway, 1997; Larkin, Watts & Clifton, 2006; Pietkiewicz & Smith, 2014; Smith et al., 1999). The basic interpretive qualitative design is therefore used when a researcher is interested in understanding how participants make meaning of a phenomenon (Merriam, 2002). The researcher made an effort to understand how harmonised disclosures of human capital information influenced investment decisions, from the participants' perspectives. In such a case, the role of the researcher was recognised through the interpretive activity where the researcher was considered as the primary instrument for data collection and data analysis (Elliot & Timulak, 2005; Pietkiewicz & Smith, 2014). Such a study also enables the phenomenon to be understood in its specific context (Madill, Jordan & Shirley, 2000), giving a deep analysis of the phenomenon under study and examining participants in their exclusive context.

Qualitative research designs are mainly concerned with how human beings create meaning of the world through the events that they experience. As such, the quality

of experience rather than the casual relationships is central to qualitative research (Baxter & Jack, 2008; Denscombe, 2010a; Pietkiewicz & Smith, 2014).

In understanding how harmonised disclosure of organisational human capital may facilitate investment decisions by foreign investors, the experiences of the foreign investors themselves as the users of human capital information and the management involved in human capital disclosure (representing the disclosing organisations) was necessary. The need to understand phenomena from the people's own views of the phenomena under study made the basic interpretive qualitative design the most suitable design for this study.

An interpretive qualitative approach sought to clarify and obtain a better understanding of the nature of the issues under study. As such, the study had an added advantage of producing new insights into the study problem (Creswell, 2014; Denscombe, 2010a). The approach therefore revealed opinions and inner perceptions and allowed for the triangulation of sources, methodologies and data. The study focused on understanding how human capital information disclosed by organisations may help in investment decision-making by foreign investors. The perceptions of managers in communicating such information, the reasons for such disclosures and how they view the importance of such information by foreign investors were sought. The perceptions of the foreign investors with regard to what information they use and how they use the disclosed human capital information were also explored. Document analysis of corporate annual reports was initially done to understand the disclosures being made by organisations. A discussion on triangulation is provided in the data collection process section.

Interpretive qualitative studies have been criticised for lacking scientific rigour, and generating subjective and non-generalisable findings (Badenhorst, 2010; Denscombe, 2010a; Gioia et al., 2012; Tobin & Bergley, 2004). However, the aim of qualitative studies is not to represent samples but to generalise from the study to theory rather than to the population (Smith, Harre & Van Langenhove, 1995).

Qualitative designs lead to analytical generalisation instead of statistical generalisation (Gibbert, Ruigrok, & Wicki, 2008; Yin, 2009).

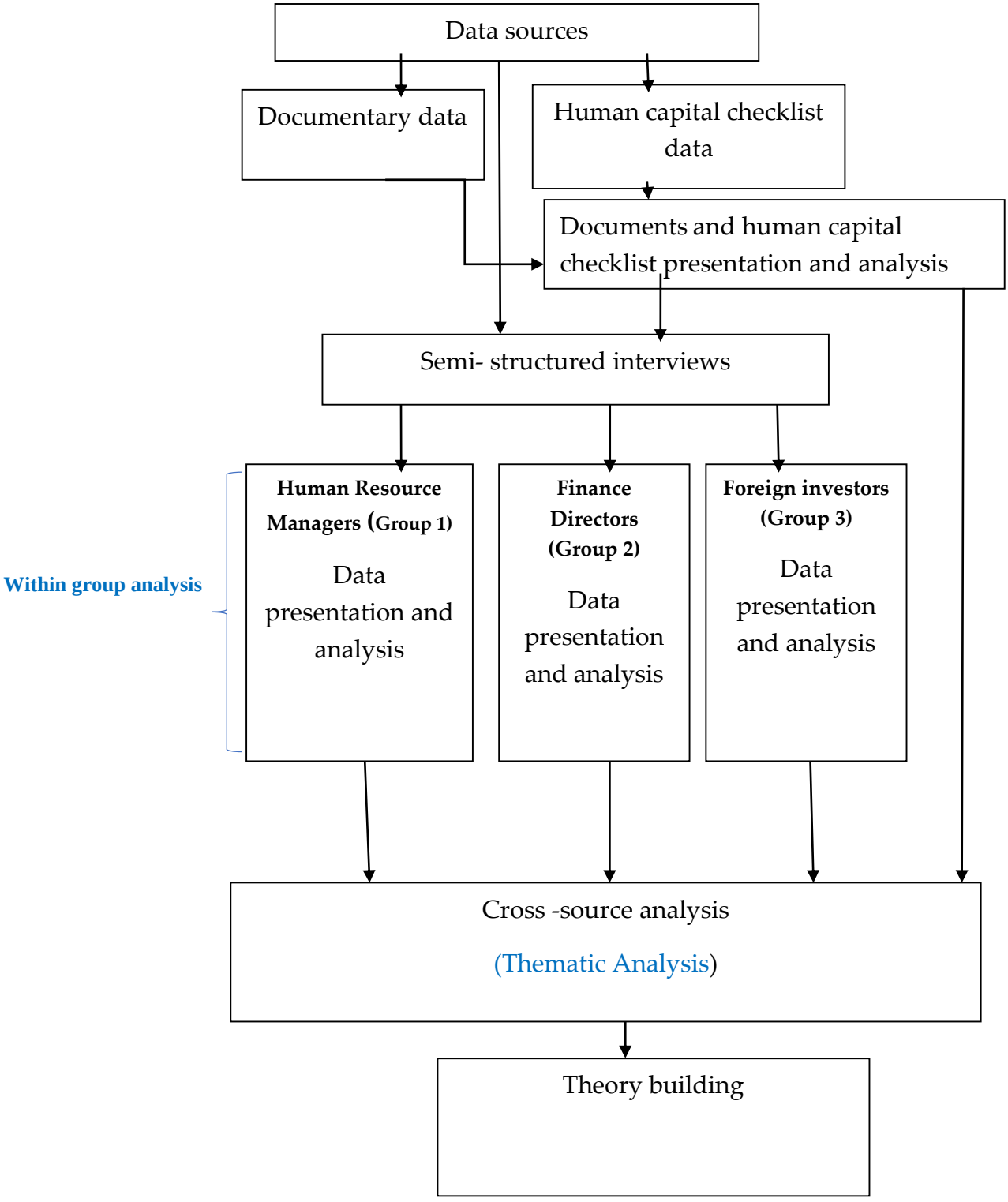
Lack of rigour may be due to non-adherence to systematic procedures (Rule & John, 2011; Yin, 2014) that create gaps which counteract the credibility of the study process (Gibbert et al., 2008). By making use of a study protocol; showing how the participants were selected; demonstrating validity and reliability of the study; and triangulating of data types and sources (Birks & Mills, 2011; Gibbert et al., 2008; Yin, 2014), the issue of rigour with this basic interpretive qualitative design was addressed. The adoption of a systematic inductive data analysis process also added rigour (Gioia et al., 2012; Pratt, 2009; Thomas, 2006).

The study made use of the above techniques as recommended in the literature. These recommendations are shown in the relevant sections of this chapter. Furthermore, the use of multiple samples provided a basis for comparison, broadened the study evidence (Hofer & Bygrave, 1992; Yin, 2014), enriched theory building (Eisenhardt, 1989; Myres, 2009) and added rigour to the study (Rule & John, 2011; Yin, 2014).

Qualitative research designs have also been criticised for the production of large amounts of data, consuming a lot of time and producing large documents (Yin, 2014), which increases the burden on the researcher in data analysis. To mitigate this criticism, the researcher used the ATLAS.ti, data analysis software so as to reduce the burden.

Notwithstanding these criticisms of qualitative studies, the use of multiple sources of evidence and multiple samples has been advocated for by proponents of qualitative research (Cunliffe, 2010; Morgan & Smirch, 1980; Yin, 2014). The basic interpretive qualitative design thus proved to be a robust design, rendering it an appropriate design for this research. Figure 5.1 presents the data sources, presentation and analysis steps followed within this design.

Figure 5.1: Data sources, presentation and analysis steps



5.4 CONTEXTUAL SETTING OF THE STUDY

This section discusses the setting within which the study was carried out. The context of developing countries and Zimbabwe as the study site are described below.

5.4.1 Developing country

The study was undertaken in the context of a developing country, targeting the Zimbabwe Stock Exchange (ZSE) listed organisations and foreign investors investing in the service sector of Zimbabwe. Developing countries are those countries with a relatively low standard of living, underdeveloped industrial base and moderate to low human development index (HDI). HDI is a comparative measure of poverty, literacy, education and life expectancy. The World Bank classifies countries in terms of their Gross National Income (GNI), and considers countries with per capita income of less than US$12,275 as developing countries (Kuepper, 2016). However, the organisation also divides these developing countries into numerous income classes, ranging from low income to upper middle-income countries.

The major characteristics of developing countries are that they lack strong infrastructure, industrialisation and sophisticated technology, but are in the process of building up those capabilities (TEFO, 2009). These countries have lower per capita income, high levels of poverty, few systematically enforceable contracts and less efficient capital markets (World Bank, 2013). The majority of African countries, if not all, fall into this category, with most Asian countries, Latin America and the Middle East countries and a few European countries also found in this category of developing countries (Huang et al., 2013).

As a result of such characteristics, these countries are more net investees than investors, resulting in these countries depending more on foreign funding as they lack domestic savings (Tembe & Xu, 2012). They are therefore more information providers than users with regard to investment decision-making. Investment decisions into such countries are considered difficult to make (Huang et al, 2013),

due to limited systematically enforceable contracts and less efficient markets. In terms of business practices, they tend to learn and adopt best management practices from developed countries.As such, most of their practices tend to lag behind those of developed countries. Furthermore, cultural values in developing countries strongly influence their business, accounting and reporting practices. Several studies on these countries have found such cultures to be more secretive and less transparent (for example, Gray, 1996; Gray & Vint, 1995; Hofstede 1980). High information asymmetries are therefore expected to be experienced in such countries as a result of these cultural orientations.

Of note is the fact that while these developing countries were more reliant on the extractive industries (due to them being still developing), the shift to the new economy characterised by knowledge and intangible assets has also witnessed certain trends where these countries move into the service sector (UNCTAD, 2015). Thus, regardless of them being developing countries, a number of developing countries have emerged as services-oriented economies, especially African countries. Africa's services sector is predicted to bring economic promise, with the service sector estimated to contribute to almost half of the continent's output. From 2009 to 2012, service growth in Africa was double the rate of growth of the average world service growth (ibid).

Intangible assets and human capital in particular play a significant role in influencing value creation in service oriented business. The researcher therefore explored the issue of harmonisation of human capital information disclosure and how it might influence foreign investment decisions, taking into account these contextual characteristics. The study was undertaken specifically in Zimbabwe, a developing country that shares all of the above characteristics.

5.4.2 Zimbabwe as the study site

Zimbabwe as a country has made progress in attracting foreign investment (Muradzikwa, 2003; Sichei & Kinyondo, 2012; New Zimbabwean, 2016). The efforts of the country are explicitly intended to improve the operating environment

in order to make the country more attractive to foreign investment. Because the country has limited access to international capital borrowings due to its debt levels (AFDB, 2013), Zimbabwe relies strongly on foreign investments for the resources it needs for poverty alleviation (Imoudu, 2012) and economic development.

With the economic changes experienced by most African countries in the transition to services provision, Zimbabwe has the potential to attract foreign investment into the service sector. There has been continued growth in Zimbabwe's service sector, with the sector leading in terms of its contribution to the gross domestic product (GDP) and employment (World Bank, 2016). The service sector contributed 60 percent of GDP, grew at an average rate of 8.5 percent per year from 2010 to 2014, 4.3 percent in 2015. It has been projected to grow by over 3 percent in 2016 (ibid).

Finance, insurance and hotels are amongst the sub-sectors that experienced strong growth in 2015, with telecommunications also expected to continue making important contributions to overall growth as its customer base continues to expand. This has also been influenced by the mobile phone penetration rate which rose to 93 percent and internet access which reached 47 percent of the population in 2015. The growth in these sectors has been led by knowledge intensive sub-sectors that employ skilled workers, with slow growth even experienced in sectors that tend to employ less skilled workers (ibid).

Compared to the other sectors, the service sector generally has a higher requirement of human capital and the labour force employed in services is usually highly skilled, especially in the banking, insurance, consultancy and IT services (Absar, Amran & Nejati, 2014). Scholars consider human capital as a more significant factor especially to the service-based sector than any other sector of a country (Wickramasinghe & Fonseka, 2012), the reason being that the execution of strategy in a service business is greatly dependent on human capital and employees (Cuganesan, 2006).

The salient features which distinguish the service sector from the other sectors with respect to foreign investments are that the service sector is usually more restrictive than other sectors (World Bank, 2005). The services need to be more responsive to culture and language differences, and service operations lack the technological specifications and legal protection commonly available to goods (Chase et al, 2003). These features make information asymmetry and transactional cost more pronounced in services, making it more difficult for foreign investors to make investment decisions in relation to services (Ramasamy &Yeung, 2010; Yin, Ye & Xu, 2014).

Whilst efforts are being made to improve on ease of doing business, cost of doing business and clarification on a range of policies in order to increase the attractiveness of the investment environment (New Zimbabwean, 2016), Zimbabwe has consistently scored poorly on the World Bank's Doing Business Indicators (AFDB, 2013; IFC, 2014). The country has also been rated as one of the most corrupt countries in the world by Transparency International (Langa, 2014.) In such an environment, corporate disclosure transparency might be crucial in retaining investor confidence, as lack of transparency exacerbates the investment environment by creating information asymmetry. Zimbabwe is one of the developing countries that had adopted the International Accounting Standards (IAS) as its national accounting standards, although corporate reporting practices in Zimbabwe remain relatively less researched. There is a dearth of research in the Zimbabwean context, especially in the area of intellectual capital. It is within this context that the study was undertaken.

5.5 SAMPLING STRATEGY

This section discusses the unit of analysis, organisations involved and participant selection processes. The discussion is aimed at enhancing the credibility of the study conclusions and of the rigour of the process.

5.5.1 Unit of analysis

The unit of analysis is the object about which generalisations are made based on the analysis. It is an important aspect of any qualitative research design, and is determined by an interest in explaining or exploring a specific phenomenon. A well-specified unit of analysis is necessary in order to select a viable theory (Birks & Mills, 2011; Rule & John, 2011) given that it minimises the possibility of drawing conclusions on one unit of analysis based on the analysis of another (Durrheim, 2012; Rule & John, 2011; Yin, 2014).

The study embraced a multi-level approach to exploring the influence of organisational level human capital information disclosure on investment decisions. Individuals involved and affected by such organisational human capital disclosure as well as the corporate annual reports of disclosing organisations were targeted as units of observation. Thus, the perceptions on human capital information disclosure and how the disclosed information helps in investment decision-making were traced to individuals. The individuals involved in disclosing organisational human capital information and users of such information were therefore the data sources. This was because the perceptions of disclosure on how the human capital information influenced investment decisions influenced the nature and extent of the human capital information disclosure. On the part of the users of such information, their perceptions also influenced the relevance and use of such information in making investment decisions.

The nature and extent of organisational human capital information disclosure was considered as an organisational level construct, as such human capital information disclosures in the corporate annual reports of disclosing organisations were the unit of analysis, with the corporate annual reports being the sources of data. The unit of analysis that should be used in corporate annual reports has been the subject of continuous debate in the literature (Dumay & Cai, 2015; Guthrie et al, 2004). The debate is centred on the use of words, sentences, paragraphs, pages or themes (Beattie & Thomson, 2007; Cinquini, Passetti, Tenucci & Frey, 2012; Guthrie et al., 2004; Husin, Hooper & Olesen, 2012) although there was no convincing

evidence to justify preference for any of these units of analysis (Williams, 1999). This study therefore uses words, sentences and paragraphs as units of analysis in understanding and extracting themes on human capital information disclosure.

In summary, the study gathered data from Human Resource Managers and Finance Directors as individuals involved in the disclosure of human capital in organisations. Data were also gathered from foreign investors as users of human capital information in making investment decisions. Corporate annual reports of 2014 were initially used to identify factual information on the nature and extent of human capital disclosure by the organisations. The human capital disclosure checklist used to do document analysis of corporate annual reports was used to infer the kind of human capital information that investors considered important in their investment decisions. The use of multiple samples and sources of information added to the analytical rigour and triangulation of data sources (Birks & Mills, 2011). Such rigour and triangulation of data is important in enhancing the validity and reliability of study results.

5.5.2 Selection of participants for the study

The researcher used purposive sampling in establishing the research participants. Purposive sampling is considered the most common sampling strategy in qualitative research (Creswell, 2009; Remenyi, 2013). It is also referred to as the most important kind of non-probability sampling (Guest, Bunce, & Johnson, 2006; Welman & Kruger, 1999). The participants were therefore selected based on the purpose of the research and as well as the researcher's judgement (Babbie, 1995; Greig & Taylor, 1999; Schwandt, 1997).

5.5.2.1 Selection of participating organisations

The researcher focused on organisations listed on the Zimbabwe Stock Exchange (ZSE). Zimbabwe as a country is making efforts to encourage enhanced corporate reporting as reflected in various legislation and corporate governance initiatives. Four sub-sectors in the service sector, namely the financial, insurance, tourism and telecommunications industries were used. The service sector and the sub-sectors

were purposively selected because of the relevance and importance of human capital within this sector. Scholars consider human resources as a more significant factor especially to the service-based sector than any other sector of a country (Absar, et.al, 2014; Wickramasinghe & Fonseka, 2012). Taking into consideration the effects of different industrial variables in understanding human capital disclosure (Guthrie et al., 2004), the use of reports coming from the same sector made it possible to develop a reliable instrument to be used in doing document analysis. The sector and subsequently the sub-sectors, from which the participating organisations came, were therefore ideal in understanding the phenomenon under study.

In selecting the organisations from the sub-sectors, the researcher focused on the ZSE listed organisations, as these were considered to be disclosing more comprehensive information to the public when compared to private organisations in the same sub-sectors. The research study is based on 14 organisations, which were also considered to be large organisations by market capitalisation and the number of employees. Large organisations appear more likely to voluntarily disclose human capital because they are more visible and have more resources available to adopt new initiatives (Abeysekera & Guthrie, 2004).

Moreover, larger listed organisations on average have more international exposure and are likely to possess more human capital information. They are also generally more transparent, taking into consideration the greater number of analysts watching their performance. Because of their nature as public listed organisations, they are subject to more media exposure and have better developed internal management systems than smaller companies (Ax & Marton, 2008). Such organisations have better resources at their disposal to initiate innovation in disclosure practices with a view to improving their market performance ratings. Because of their need to maintain a good reputation for funding purposes, such organisations are assumed to deliberate extensively on the human resource related disclosures to be included in the corporate annual report (Abeysekera & Guthrie, 2004). Previous studies on

human capital disclosure also used such criteria (Abeysekera, 2013; Adelowotan, et. al., 2013; Huang et. al, 2013).

Corporate annual reports of the year ending 2014 were sourced through the organisations' websites and were the most current available reports at the time of data collection. The selecting criteria for the organisations was to focus on those organisations which were disclosing some human capital information, and it emerged that all the organisations under consideration were disclosing some information on their human capital. The researcher therefore decided to use all fourteen organisations as the number was also manageable (see Table 5.2). The use of fourteen organisations in understanding human capital disclosure was in line with other studies which were done in this area. For example, Guthrie and Petty (2000) used a sample of 20 organisations, Brennan (2001) used a sample of 11 organisations, April et al., (2003) used 20, Holmen (2011) used 16 organisations, with Santos and Venancio (2013), De Silva et al. (2014), Razak, Mohammad & Tobiagi (2016) using 14, 10 and 12 organisations respectively**.** The information found in the corporate annual reports as documentary sources provided critical background data that informed the interviews and analysis.

Table 5.2: Participating organisations

Sector	**Sub sector**	**No. of ZSE listed organisations by 2014**	**No. of organisations whose corporate reports were used for content analysis**	**No. of organisations which participated in interviews**
Service	Financial-banks	6	6	4
Service	Insurance	5	5	4
Service	Tourism	2	2	2
Service	Telecommunications	1	1	1
Total	**4**	**14**	**14**	**11**

5.5.2.2 Selection of participating individuals

A total of thirty-five participants were purposively drawn from the participating sub-sectors of the service sector to participate in interviews. The participants comprised the Human Resource Managers and Finance Directors of the participating organisations and foreign investors in the selected service sectors.

Human Resource Managers were integral to the study as they internally provide the human capital information to be considered for external reporting. Their input into the internal human capital reporting influences the ultimate information to be reported for external purposes. As such, their perceptions and opinions with regard to the usefulness of human capital information in communicating important information to external users were necessary.

Finance Directors, who have the ultimate responsibility of compiling the external report, were considered important in giving their opinion on the relevance and importance of human capital information disclosure. External disclosure is done taking into consideration the importance of the information for it to warrant external disclosure, especially if it is not mandatory reporting. This sub-sample therefore provided insights on how human capital information was viewed by managers involved in the disclosure of such information. The perception of corporate information disclosure might be viewed differently by various departments in the organisation, especially the diverse opinions on the importance placed on financial and non-financial information. The perception of the external disclosers of human capital information and those of the internal disclosures may be different.The sourcing of information from these two different samples enriched the study by providing contrasting views. The participants gave a broader range of information about human capital information disclosure and its influence on investment decisions.

These two groups were purposively selected to represent the preparers of human capital information. Approval for the participation of the two representatives of the organisations was sought from the relevant gatekeepers. A total of eleven

organisations agreed to participate in interviews, with ten members from each of the two samples participating, as two of the participating organisations made only one participant each available. One provided the Finance Director whilst the other provided the Human Resource Manager, making a total of twenty participants, with each sample grouping comprising ten participants (see Table 5.3). Of the remaining three organisations which did not participate, two of the organisations declined to participate, citing issues of sensitivity associated with the information to be discussed. One organisation declined to participate without giving any reasons.

Foreign investors who used the reports of these organisations also provided data from the perspective of the users of human capital information. While most previous researchers on human capital disclosure focused on fund managers and investment analysts to represent the investment community, the current research focused on foreign investors. Because foreign investors are said to be at a greater information disadvantage when compared to local investors (Habib & Zurawicki, 2001; Leuz et al., 2010; Slangen & van Tulder, 2009), the researcher wanted to understand their own experiences in using human capital information in making investment decisions.

A list of names and contact details of foreign investors in the service sector was obtained from the Zimbabwe Investment Authority (ZIA). Additional names were obtained though the Central African Stock Exchanges Handbook of 2015. However, some of the contacts were not reachable. The researcher had to use snowballing technique where referrals were made by other participants. The participating organisations provided some contacts of the foreign investors in their organisations. While Bailey (1996) cautions that the use of snowballing and referrals can isolate the researcher from some potential participants, the researcher found the technique useful as some of the investors were not residing in the country. The researcher was informed of the time when these investors were coming into the country for shareholder meetings and utilised such opportunities to conduct interviews with some of the investors. Two of the participants were contacted through Skype as they were not physically available for interviewing. Three

interviews were done in South Africa where some of the participants resided. The researcher made sure that the referred participants conformed to the requirements of the phenomenon at hand. A total of fifteen individual foreign investors participated in the study.

The total number of participants for the study was thirty-five participants (see Table 5.3). Ultimately individuals who had some experience relating to the phenomenon to be studied were selected (Kruger, 1988).

Table 5.3: Participating individuals

Sub sector	**Human Resource Managers (Group 1)**	**Finance Directors (Group 2)**	**Foreign Investors (Group 3)**	**Total Participants**
Financial-Banks	3	4	5	**12**
Financial- Insurance	4	3	3	**10**
Tourism	2	2	5	**9**
Telecommunications	1	1	2	**4**
Total	**10**	**10**	**15**	**35**

In most qualitative research designs, the number of participants to be used in the research is determined by data saturation (Bowen, 2008; Strauss and Corbin, 1998), as there are no rules that determine sample size (Guest et al., 2006; Patton, 2000). The researcher focused on obtaining a sample which was broad enough and at the same time did in-depth interviewing so as to ensure that all key aspects of the phenomenon under study were captured. Consideration was given to the depth of analysis for each sample group, the richness of the data, how the researcher wanted to compare and contrast sample groups and the restrictions under which the researcher was working. Taking into account these considerations, and the fact that the researcher was focusing more on the outcome of group samples rather than single individuals, thirty-five participants in groupings of ten Human Resource Managers, ten Finance Directors (making twenty participants from the preparers

group) and fifteen foreign investors were considered adequate for the study to reach data saturation. The focus was on obtaining a detailed account of a group's experience rather than individual experiences. In accordance with Boyd (2001), two to ten research participants are sufficient to reach saturation for a homogeneous group. Creswell (2009) recommends ten interviews for phenomenological studies. Taking into consideration these samples for a homogeneous group, the researcher used a sub-sample of ten per each sample group of preparers groups, while a sub sample of fifteen was used for the users of human capital information. The total sample size of thirty-five was aligned with the views of Bertaux (1981) who advocates for a minimum of fifteen participants for a qualitative research.

The use of multiple samples helped in building a more representative picture of how harmonised human capital information facilitated investment decision-making by foreign investors. The use of multiple sources aided in analytical rigour and triangulation of sources of data (Birks & Mills, 2011; Gibbert et al., 2008; Guest et al., 2006), which was essential in enhancing validity and reliability.

5.6 DATA COLLECTION PROCESS

As defined in the earlier sections of the thesis, the study focuses on organisational human capital disclosure as a phenomenon, and how the harmonisation of human capital information disclosure could reduce asymmetric information problems in a way to facilitate investment decision-making by foreign investors. More specifically, the study focuses on how organisational human capital disclosure, especially when disclosed in a harmonised way, can help in signalling, screening and self-selection as ways to reduce asymmetric information problems which might be experienced by foreign investors.

The questions "what?", "why?" and "how?" are essential questions asked by social science researchers. Descriptive research attempts to answer the question "what?" while explanatory research attempts to answer the questions "why?" and "how?" Thus, what is being disclosed in corporate annual reports and what the users want disclosed, has been described so as to understand if there are any discrepancies

between the information which is wanted by users and the information being reported by providers of such information. The why and how questions were then inferred to get explanations on why certain human capital information was being reported and how such information could help in reducing information asymmetry problems, thereby facilitating foreign investment decisions in a developing country.

The study triangulated data collection techniques and analysis procedures. It also triangulated data sources though multiple samples. Triangulation is increasingly advocated for within intellectual capital research (Castilla-Polo & Ruiz-Rodríguez, 2017; Dumay, 2016; Giacosa, Ferraris & Bresciani, 2017) and generally in business and management research (Guest et al., 2006; Margolis & Molinsky, 2008). Accordingly, semi-structured interviews, documentary analysis, human capital disclosure checklist index and 'memoing' were used to gather the relevant data. The researcher made use of telephone and emailing systems to contact possible participants and interview arrangements were made with the individual members who had agreed to participate. Corporate annual reports were retrieved from the websites of the participating organisations.

5.6.1 Documentary data collection

Documentary analysis of corporate reports was used to gather information prior to interviews with the preparers of corporate annual reports. Documents are a source of data in their own right (Denscombe, 2010a; Gioia et al., 2012). They are an alternative to questionnaires, interviews or observation. The documentary sources were written sources collected from the participating organisations. The use of the corporate annual reports as a source of data was decided by the researcher because organisations produce these reports on a regular basis and the reports are also a presentation of the historical account of the concerns of the organisation (Abeysekera, 2013). Corporate annual reports were also used because they present the management's thoughts and views in a thorough and solid manner (Niemark, 1995). On the other hand, corporate annual reports are also considered the preferred method of communicating with stakeholders which are relevant to the organisation rather than targeting every general person. Literature on corporate reporting also

considers the capital providers (which are the focus of this study) to be the primary users of such reports (Neu, Wersema & Pedwell, 1998; Zeghal & Ahmad, 1999), with Patten (1992) contending that stakeholders depend on these corporate reports as sources of both financial and non-financial information.

Document analysis was performed on corporate annual reports of year ending 2014. Documentary content analysis of annual reports is an established method of understanding disclosure levels of non-financial information in corporate reports Low, Samkin & Li, 2015; Mondal & Ghosh, 2013; Newson & Deagan, 2002; Wang, Sharma & Davey, 2016). The corporate annual reports of the participating organisations were analysed to obtain an overall view of the status quo for human capital disclosure by these organisations, and were a useful source of information as organisations usually signal what is important in these documents (Abeysekera, 2013, Guthrie et al., 2004). The corporate annual reports were analysed to obtain an understanding of the type of information they report on human capital.

The corporate annual reports were useful documents in the study as they provided other details to corroborate information from interviews. These documentary sources augmented interview data and provided critical background data that informed the analysis of interviews. Extant literature proposes the use of both content analysis of corporate annual reports and interviews as a way to offer robust sources of empirical data, whilst offsetting the weaknesses of content analysis of annual reports as a data source (Guthrie & Abeysekera, 2006; Bellora & Guenter, 2013; Giacosa et al., 2017). The use of complementary research methods also increases the relevance and reliability of the results (Castilla-Polo & Ruiz-Rodríguez, 2017; Dumay, 2016; Guthrie & Abeysekera, 2006).

Documentary sources were advantageous because they were retrieved repeatedly when the need arose and they were unobtrusive as they were not created for the current study. Furthermore, these documents were readily available from the websites of the participating organisations. The main disadvantage with these documents was that the documents might not reflect the objective reality of the

organisation, since some organisations may use them as "image laundering documents rather than for compliance with relevant corporate reporting standards and laws" (Abeysekera, 2008:19). In as much as there is such a limitation, the corporate annual report remains a major medium for communicating information to stakeholders, as they are produced regularly, widely distributed and read (Campbell, 2004).

5.6.2 Human capital information disclosure checklist

The human capital information disclosure checklist which was used to gather information in the corporate annual reports was also sent to the foreign investors prior to the interviews (see Appendix A). Whilst content analysis on the disclosed human capital information was done to assess the information disclosed by the information providers, the same disclosure checklist was also sent to foreign investors. This form of data gathering technique was used to infer from the human capital information, the preferences of foreign investors and what they considered important in making investment decisions.

The checklist used had thirty-eight human capital items, which the researcher perceived to be a long list to be covered during the interviews, and the human capital disclosure checklist was thus sent prior the interviews. This was done to enable the foreign investors to thoroughly and freely engage with the list in making their responses. After obtaining consent to participation by foreign investors, the checklist was sent and the information obtained was used to inform some of the interview questions which were then asked in interviews. A comparison of the human capital information provided and human capital information preferred was then done to establish whether there were any discrepancies between information provision and information requirements.

5.6.2.1 Decision on the human capital information disclosure checklist used

In deciding on the human capital checklist items to be used in the content analysis of corporate annual reports and sourcing information from foreign investors,

relevant literature with respect to disclosure studies was reviewed. The researcher made use of the checklist which contained thirty-eight items that the researcher modified from several lists that had been developed by previous studies. Some of the previous lists which were considered include that of Huang et al (2013), which was developed from literature, where Guthrie and Petty (2000)'s framework was modified with more items being added to the initial list. Additional items were obtained from intellectual research inclusive of Fontana and Macagnan (2013)***;*** Micah, Ofurum & Ihendinihu (2012); Firer and William, 2003; Liebowitz and Suen, 2000; and Claessen (2005), making the list authoritative as it covers a wide spectrum of intellectual capital literature (Huang et al., 2013). Furthermore, the researcher asked two PhD colleagues to compile their own possible lists from the literature, which were then compared and some items adopted to form a comprehensive and relevant list. The researcher therefore regards the list to be authoritative.

In previous studies, different human capital disclosure checklist items were used. For example; a list of 29 (Huang et al, 2013); 25 (Fontana & Macagnan, 2013); and 15 (Micah et. al., 2012) were explained under the literature review section. In a study by Vergauwen et al., (2007), 33 checklist items were used. Beattie and Thomson (2007) developed a total of 128 checklist items identified as three IC categories of which 54 checklist items were identified under the human capital category. Bontis (2003) identified 11 human capital checklist items such as employee expertise, employee know-how, employee knowledge, employee productivity, employee skill, employee value, expert networks and expert teams. The studies by Guthrie and Petty (2000); Brennan (2001) and April et al. (2003) referred to human capital as employee competence and used five checklist items indicated as know-how, education, employees, work-related knowledge and work-related competencies. The use of a 38-item checklist was therefore in accordance with previous research.

5.6.3 Semi-structured interviews

Semi-structured one-on-one interviews were used as the main data collection technique to gather relevant data. Qualitative interviews in the form of semi-structured or unstructured interviews are predominantly used in most qualitative research (Elliott & Timulak, 2005; Remenyi, 2013). Semi-structured interviews are often considered the most effective way of gathering data in interpretive qualitative designs (Walsham, 2006). The researcher used open-ended and flexible guides (see Appendices B and C) that allowed participants to develop ideas and speak freely on issues raised by the researcher (Gephart, 2004; Seidman, 2005; Yin, 2009). The interviews therefore had the advantage of allowing the researcher and the participant to engage in a dialogue that provided in-depth data. The interview guides that were used with semi-structured interviews ensured that important issues were consistently covered across all interviews. The interview guides also facilitated the natural flow of conversation, and at the same time ensured that key questions were covered. A funnel approach was used in the type of questions asked where the researcher started by asking broad questions and then brought the conversation to specific questions pertaining to human capital disclosure and its influence on investment decisions. This approach had been selected as it assists the research participants to be more at ease at the start of the questions, preparing them for specific questions to be asked concerning the research.

The interview questions were guided by the research questions. Insights on the questions were also derived from constructs underpinning organisational human capital disclosure, as presented in the preceding chapter. These include motives for human capital disclosure, reasons for not disclosing human capital information, and challenges in human capital disclosure. Questions on harmonisation covered issues of fragmentation in human capital disclosure which were recurring in previous literature. To locate the study in its theoretical context, questions relating to information asymmetry and solutions to information asymmetry were also asked. This was in line with Eisenhardt's (1989) model which indicates that the researcher can start with the research questions and *a priori* expectations based on the extant literature. However, the questions were refined during interviews in order to capture

the issues that the researcher had not anticipated at the time of developing the instrument (Creswell, 2009; Gioia et al., 2012, Remenyi, 2013). The questions asked did not take any sequence as the questions were posed in response to the natural flow of conversation. This meant that the questions asked and the duration for each interview varied from one participant to the other. Interviews took between forty-five minutes and an hour.

While most participants were interviewed face-to-face (Guest et al., 2006; Seidman, 2005), two interviews were done through Skype. All thirty-five interviews were audio-recorded with the consent of the participants on the basis of assurance from the researcher that the data were for academic purposes only. A period of three to five days between the interviews was allowed for initial analysis and to obtain meaning from the data provided by the participants (Birks & Mills, 2011; Rule & John, 2011) before moving to the next interview. This gave the researcher an opportunity to reflect on the issues under investigation, emerging arguments and directions suggested by the data (Birks & Mills, 2011; Bradley, Curry & Devers, 2007; Yin, 2009). Interviews were carried over a period of eight months. This period of time was necessary as some of the investors were difficult to access.

Data collection interviewing continued until the topic was saturated, that is when the interviewees were no longer providing any new insights on the topic. The collection of interview data from both the preparers and users of the information was done concurrently during the same period. This was to ensure that any issues raised from the other side which needed further attention could be factored in during data collection. Questions were continuously refined during the data collection process.

The interviews generated bulky data, averaging fifteen to twenty pages per interview. To ensure that the researcher was not overwhelmed by the data, data were managed systematically through relevant steps taken before, during and after the interviews. Following recommendations by Smith (2004) that it is necessary to audio-record interviews, the interviews were recorded using digital media. The

audio recorder was checked before interviews and spare batteries were available. This was done following the caution by Easton, McConnish and Greenbey (2000) that equipment failure might be experienced. Permission to use the audio recorder was first obtained from the interviewees following which the participant was asked to sign an "Audio Recording Consent Form" as part of the participant consent form (see Appendix E).

5.6.4 Memoing

Memoing was also used in this study. Memoing is an essential part of the data collection process and an important data source in qualitative research (Groenewald, 2004; Miles & Huberman, 1994; Remenyi, 2013). This is because the method does not rely on what the participants are claiming to do or think (Denscombe, 2010a). The method relies on field notes which are recorded through observations, what the researcher heard, experienced and thought in the process of collecting data. Theoretical notes (where the researcher derived meaning from thoughts and experience), observational notes (where the researcher used all the senses to understand what was happening), and analytical memos (which were a summary of end-of-day review process) were used as field notes. This method helped the researcher to avoid being overtaken by events while concentrating all efforts on data collection. The memos were dated to allow the researcher to correlate them with the data. The researcher was able to reflect on participants' non-verbal behaviour, which assisted in developing a story of the experiences of the participants.

While interviews provided the participants' perceptions of the disclosure of human capital in formation and its influence on investment decision-making, contextual issues and non-verbal communication were captured in the field diary (Birks & Mills, 2011; Denscombe, 2010a; Miles & Huberman, 1984). This provided a context for the study which is an essential aspect of a qualitative design (Blaxter, Hughes & Tight, 2009; Lofland & Lofland, 1999; Rule & John, 2011). Field notes are also considered a good data storage method in qualitative research; as such the field notes were important in retaining the gathered data, as the researcher might

have forgotten some of the important insights after data collection. Because field notes involve the interpreting of data, they are considered part of the data analysis rather than data collection (Morgan, 1997), and made the data analysis process easier as they were readily provided by the time the researcher commenced with data analysis. Field notes were also retained as part of an audit trail (Yin, 2009).

5.7 DATA ANALYSIS PROCESS

Data analysis is a continuous process that begins before fieldwork and is carried through to the writing stage (Bradley et al., 2007; Miles & Huberman, 1994). Coffey and Atkinson (1996:9) view analysis as "the systematic procedure of identifying essential features and relationships". Data analysis therefore involved the process of transforming raw data through interpretation so as to obtain usable information (Creswell, 2009; Groenewald, 2004). The researcher goes through a process of exploring the data and recombining the evidence in a way to produce findings which are empirically grounded (Yin, 2014). Analysis can therefore be regarded as similar to data interpretation (Strauss, 1987). New data that were gathered during the study process were integrated in order to develop a logical theoretical model on how the harmonised disclosure of human capital information can facilitate investment decisions by reducing information asymmetry problems encountered by investors investing in a developing country.

Analysis of corporate annual reports and the human capital disclosure checklist from the foreign investors was done first to inform the semi-structured interviews and provide some insights into some of the research questions. Data analysis from these sources was done and presented first, and then followed by interviews.

5.7.1 Analysis of corporate annual reports

Content analysis of corporate annual reports has been used to understand human capital disclosure in corporate annual reports. Although various methods like interviews, case studies, questionnaires and focus groups have also been used to understand intangible assets disclosure (Guthrie, Petty, Ferrier & Wells, 1999;

Miller, et al., 1999), the most popular method is content analysis where the content of the report is analysed (Dumay & Cai, 2015; Husin et al., 2012; Wang et al., 2016). Content analysis is a research technique for making replicable and valid inferences from data according to their context (Krippendorf, 2013; 2004). Other researchers describe the method as a technique of data collection which involves codifying the text or content of a piece of writing into various groups or categories, depending on selected criteria (Milne & Adler, 1999), as well as a research method for capturing and categorising empirical data (Gray, Kouhy & Lavers, 1995).

Content analysis has become a popular method of analysis to explore the area of IC disclosure (Abeysekera, 2008; Guthrie, Petty, Yongvanich & Ricceri, 2004) The technique has been effectively used in previous studies conducted on voluntary disclosure in human capital disclosure studies, accounting studies and social and environmental studies (Abeysekera & Guthrie, 2005; Guthrie & Petty, 2000; Newson & Deegan, 2002; Olsson, 2001; Subbarao & Zeghal, 1997). This research method was therefore the ideal method to use to understand the disclosure of human capital information in corporate annual reports (Cronjé, 2008).

An assumption made in this study was that the frequency of disclosure by several organisations for a specific item is related to the importance of that item. The use of frequency of disclosure seems to be a regular assumption in the literature (Deegan & Rankin, 1996; Gray et al., 1995; Guthrie et al., 2004; Unerman, 2000). Given that producing annual reports is costly and that there are competing demands for space in the reports, the focus on certain disclosures should reflect the relative importance of specific items (Wilmshurst & Frost, 2000).

5.7.1.2 Validity and reliability in content analysis

To enhance validity and reliability in content analysis, the researcher re-examined the contents of the corporate annual reports after a time interval. The re-examination of the reports after the initial assessment was done to increase objectivity in the recording and analysis of the information from these reports. The re-assessment was also done to enhance consistency on the items which were found

to be disclosed in these reports. The researcher requested a colleague who was conversant with content analysis to conduct an independent analysis of the reports so that the disclosed human capital issues found were cross-checked. The use of two independent people to assess the disclosed items in the reports helped in enhancing reliability of the items assessed. The disclosed human capital items from both people were then cross-checked and agreed upon to compile a single list. Data accuracy was attained, since the study used the pre-defined content analysis structures already used in the literature (Abeysekera & Guthrie, 2004; Guthrie & Petty, 2000). The data fulfils "construct validity" (Singleton & Straits, 2009) as it made use of empirical data that support concepts grounded from previous studies.

5.7.2 Analysis of feedback from the human capital checklist

Responses from the human capital checklist were analysed by understanding the frequency of responses for each checklist item. These were then presented in a tabular form, with some description given on the data presented. Findings from content analysis and the disclosure checklist sent to foreign investors are presented and cross-examined in chapter 6.

5.7.3 Analysis of semi- structured interviews

While there is no rigid structure to follow in analysing data in qualitative studies, effective strategies should be employed to improve the quality of data analysis. To enhance the quality of data analysis, the researcher relied on theoretical propositions, multiple sample descriptions, rival explanations, dual interpretation and working the data from the ground (Creswell, 2009; Margolis & Molinsky, 2008; Maxwell, 2010; Yin, 2014). Following the broadly accepted five stages in analysing qualitative data (Denscombe, 2010a), the process though which data was analysed is explained below.

5.7.3.1 Data preparation

To enable easy handling of data before analysis, data were organised (Denscombe, 2010a). The first step was to file all the hard copy documents obtained during the

data collection process. The informed consent agreements and any additional information obtained during the data collection were filed. Transcription of the interviews was done by a professional transcriber (Myres, 2009; Rule & John, 2011) and transcripts were re-checked for accuracy (Bradley et al., 2007) before sending them to participants for member checking. Hard copies of draft transcriptions of interviews were presented to the participants for validation and then filed. The confirmed transcripts with comments from the participants were also filed on receipt. This process of review and validation potentially enhanced construct validity (Gibbert et al., 2008; Groenewald, 2004; Yin, 2009).

Other data storage mechanisms included the audio recordings which were done during the interviews. Soft copies of the corporate annual reports of 2014 were downloaded from the websites of the participating organisations and saved. Field notes compiled during the data collection process were safely retained in the field diary. Data were backed up using multiple external hard drives with backup copies being used during the analysis to protect the original data from unintentional damage and corruption (Badenhorst, 2010; Denscombe, 2010a). All soft copy data were saved on a password protected personal computer, with electronic mail exchanges on the research project being maintained on the internet as a backup in the event of any data losses.

5.7.3.2 Familiarising with data

As the data was now organised, the researcher read through individual transcripts in each group several times to become thoroughly familiar with the data. The audio recordings of each interview were listened to a few times. The transcript data were cross-referenced with the field notes as the researcher moved from transcript to transcript, with the aim of contextualising the data. Subsequent readings of each transcript were then done to decipher meaning in the data, such that the researcher was positioned to start coding data. The re-visiting of the transcripts several times was done to help the researcher immerse herself in the data, and recall the interview atmosphere and the context in which the interviews were conducted (Groenewald, 2004; Pietkiewicz & Smith, 2014). As data collection continued alongside data

analysis, familiarisation of new data was done simultaneously when the old data was in the analysis process.

5.7.3.3 Data Interpretation: Coding, categorisation and theme building process

Data were analysed using an inductive approach (Creswell, 2009; Denscombe, 2010a; Elo & Kyngas, 2007; Thomas, 2006), following the general guidelines of most qualitative designs, that theories should be derived from the data (Lankin et.al; 2006; Pietkiewicz & Smith, 2014). The inductive process used in this design provided a set of systematic yet flexible guidelines for data analysis which the researcher adapted and used in accordance with her own research objectives. The inductive approach was thus used to construct patterns in the data themselves. The process entailed identifying patterns and conceptualising events (Gioia et al., 2012; Langley, 1999). The relevant data processing and analysis steps are discussed below.

Step 1: Coding the material

Coding is the process of attaching labels to segments of data in order to organise the data, and at the same time to easily retrieve that data at a later stage (Bradley et al., 2007; Charmaz, 2006; Silver & Lewins, 2014). The coding process is therefore an integral part of data analysis because it is used to link bits of data to an idea that relates to the analysis (Denscombe, 2010a). Choices made during the coding process influence the preceding analytical process, explanations and conclusions drawn from the study (Guest et al., 2006; Rule & John, 2011). To maintain familiarity with the data during the analysis, transcripts were read several times during the initial and focused coding (Birks & Mills, 2011; Charmaz, 2006; Saldana, 2009). The researcher used the ATLAS.ti software package, Version 7, computer assisted data analysis software (CAQDAS) to assist in data analysis. The main advantage in using this software package was its ability to manage large volumes of data, as it can easily consolidate large volumes of data and keep track of all notes, codes, and memos in all fields that require close analysis of the primary data (Gibbs, 2007; Groenewald, 2004). The package is considered a powerful workbench for qualitative analysis that offers a variety of analytical tools (Friese,

2014; 2013) which are necessary to improve analytical rigour. The package is also regarded as relatively easy to utilise (Barry, 1998).

Initial coding was done inductively for each line in the first transcript (Charmaz, 2006; Glaser & Strauss, 1967; Langley, 1999; Smith & Osborn, 2003). Other transcripts which followed were then analysed using existing codes, with new codes assigned to issues that did not fit into existing codes. As advised by Miles and Huberman (1994), coding of the previous set of field notes was done before the next interview or data collection process. This enhanced the robustness of data and quality of the analysis (Birks & Mills, 2011; Miles & Huberman, 1994). The codes remain grounded in data and were kept close to the terms they represented (Miles & Huberman, 1994). The coding process continued until no new codes could be generated from the data, which indicated data saturation. Codes were revisited several times to merge those codes which showed some duplication of ideas. Such a process enabled the researcher to identify codes which could be brought together, which helped in the next step of categorising these codes. A total of 100 codes was adopted in this study following guidelines by Creswell (2014), Litchman (2006) and Saldana (2009) who recommend between 80 to 100 codes.

Step 2: Identification of categories

Categorisation is the process of grouping together similar codes (Denscombe, 2010a; Cresswell, 2014). It is a means by which various components of data that reflect similar ideas are placed together under the same heading. Initial categories were identified by using constructs drawn from the literature. As the iteration between data collection and analysis continued, more categories emerged from the transcripts which followed later, and the process continued until all codes were placed in categories. Within sample analysis was based on a total of nineteen family codes or categories into which codes sharing similar attributes were grouped. This was in line with literature which recommends fifteen to twenty categories (Denscombe, 2010a; Saldana, 2009). The contents of each category were refined by working within the data before comparing them with each other (Saldana, 2009) during the within sample analysis, following which individual sample themes were

developed (Attride-Stirling, 2001; Fereday & Muir Cochrane, 2006; Gioia et al., 2012). Categories therefore represented a higher level of generalisation, where a number of more specified lower codes were covered.

Step 3: Identification of themes

Themes are recurrent unifying concepts or statements about a subject of enquiry (Bradley et al., 2007; Ryan & Bernard, 2003). Themes identification is a higher step in data analysis. This is the stage in which the researcher identifies relationships amongst the categories of data, creating some data pattern awareness (Denscombe, 2010a) and categories and concepts are linked to make sense of the data being analysed. Themes were initially abstracted from the categories, where a careful analysis of the data patterns was done (Gioia et al., 2012; Ryan & Bernard, 2003). However, to be more distinctive and to allow these themes to be broad enough to represent ideas in the identified categories (Attride-Stirling, 2001), the themes were further refined.

Whilst there is no consensus on the number of themes to focus on (ibid), the need to adequately handle and utilise the data helped to inform the decision on the number of themes. A total of eight themes grounded in the raw data were developed in this study, following recommendations of five to seven themes (Creswell, 2014; Litchman, 2006; Saldana, 2009) and at most fifteen (Attride-Stirling, 2001). Attride-Stirling (2001:392) observes that, "…more than 15 may be too high to handle and less than 4 may be too few to do justice to the data". These themes were the basis of cross-sample analysis and new theoretical insights (Charmaz, 2006; Gioia et al., 2012; Pratt, 2009), which led to the development of general conclusions from the data to theoretical propositions, where explanations of findings were done.

It should be noted, however, that these steps are part of an iterative process where each step was visited more than once as the codes, categories and themes were developed and refined. Qualitative data analysis is by nature a constant, iterative process (Miles & Huberman, 1994) with data collection, reduction and presentation also closely interlinked.

5.7.4 Memo writing: analytical memos

As explained in the data collection section, memoing is an important part of the data collection and analysis process as it prompts data analysis. Memoing helps the researcher to shed light on issues and explanations that assist in the analysis (Birks & Mills, 2011). Doing memo writing increases the level of abstraction of the analytical ideas. It is also important in clarifying emerging ideas, establishing possible connections between dimensions, and giving pointers to the directions to pursue (Birks & Mills, 2011; Charmaz, 2006). As the analysis was done with the assistance of computer software, memos were written using ATLAS.ti package throughout the coding and data analysis processes.

5.8 PRESENTATION OF DATA

Presenting qualitative evidence can be an overwhelming task for researchers (Miles & Huberman, 1994; Yin, 2014). There is no standardised template for presenting qualitative research (Pratt, 2009), rendering analysis and interpretation difficult (Chenail, 1995; Langley, 1999). It was therefore necessary to have a strategy for presenting a good, clear and coherent analysis. The presentation stage is the stage where themes which were derived from the data are transformed into a narrative and discursive account so as to explicitly illustrate these themes (Smith & Osborn, 2003). While data analysis and the presentation or write-up stages are presented as two distinct processes, such a distinction is not complete as the analysis will be expanded during the write-up stage (ibid).

5.8.1 Document analysis and the human capital disclosure checklist

Findings from the document analysis of corporate annual reports and human capital disclosure checklists sent to foreign investors are presented in graphic, tabular and descriptive forms. The findings from these two sources were then used as a basis to inform some of the questions which were asked on human capital disclosure during the interviews. The findings were further used to corroborate interview data in cross sample analysis.

5.8.2 Semi-structured interviews

The findings are presented using a sequenced structure where each group sample is singly presented first and followed by the cross-sample analysis (Miles & Huberman, 1994; Rule & John, 2011) in order to remain close to the theory development framework (Eisenhardt, 1989). This sequenced structure was chosen because of the significance of individual homogeneous sample group in illuminating the study issues (Smith, 2004; Ponterotto, 2006; Rule & John, 2011), adding analytical rigour and demonstrating the evidentiary basis for findings and conclusions (Gioia et al., 2012). The within sample is based on the presentation of participant-centric terms and categories while the cross-sample analysis is organised according to the themes that emerged from the data coding process (Birks & Mills, 2011; Charmaz, 2006).

Both presentations summarise the study evidence using tables that helped to configure data into sensible visual aids. The presentation strategy is briefly discussed, starting with individual (within) samples and ending with the cross-sample analysis.

5.8.2.1 Within-sample presentation and analysis

Each homogeneous sample is presented and analysed separately in Chapters 7, 8 and 9. This allowed for a better appreciation of the issues emerging from each sample group's perceptions and opinions on human capital disclosure. The voices of the participants were given prominence in the discovery of themes and the building of a theoretical model (Dooley, 2002; Eisenhardt, 1989; Gioia et al., 2012; Larkin, et. al, 2006; Pratt, 2009) as giving participants voice is at the heart of qualitative studies.

Based on the analysis of the data generated from the participants, the results are presented using categories. This was done following recommendations from literature where 15 to 20 categories are recommended (Denscombe, 2010a; Saldana, 2009). In addition, patterns in the data were carefully analysed following

which themes were generated (Attride-Stirling, 2001; Gioia et al., 2012). Excerpts from the raw data are used to support the themes in order to ensure that the interpretation remains grounded in the data (Fereday & Muir-Cochrane, 2006; Smith & Osborn, 2003). The emerging themes from the individual sample evidence informed the overall themes in the cross-sample analysis.

5.8.2.2 Cross-sample presentation and analysis

All three sample groups were synthesised using themes with a view to establishing similarities and contradictory findings, as will be shown in Chapter 10. The cross-sample analysis allowed for creative thinking given the possible differences and similarities across samples (Dooley, 2002; Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and the development of theory due to the extension of research from one sample to the next (Dooley, 2002). This process of seeking rival explanations aided in analytical rigour. An analysis of divergence and convergence of the themes from within sample analysis helped in the identification of convergent and divergent themes that informed the overall themes used in the cross-sample analysis. A thematic analysis was thus adopted (Rule & John, 2011; Thomas, 2006). As documents and the human capital disclosure checklist were used to corroborate interview data, findings from these data sources are also referred to during the analysis so as to support evidence from the interview data.

5.9 GENERALISATION OF DATA/ THEORY BUILDING PROCESS

A theory is a set of ideas that attempts to explain something (Hofstee, 2009; Miles & Huberman, 1994; Rule & John, 2011). These ideas are generally modifiable propositions that explain, predict and interpret events or phenomena of interest (Bradley et al., 2007; Corley & Gioia, 2011). After themes were identified and refined, the researcher went on to look for generalisations so as to reach at a proposed theoretical model of how harmonised human capital disclosure can reduce information asymmetry problems experienced by foreign investors. Creswell (2014) argues that in data analysis, theory can be the end point. It is the result of an inductive process where high levels of abstraction are made from the data and broad themes (Carlile & Christensen, 2004; Creswell, 2014, Strauss, 1987). At lower

levels of data analysis, descriptions of data were done so as to achieve higher level interpretations of data to arrive at a generalised theoretical conclusion.

The descriptive account was followed by a higher level discussion, where the identified themes were related to existing literature, with reflections on the research questions being done as well. An essential feature of the theory development process is the comparison of the enfolding literature with the extant literature (Eisenhardt, 1989; Madzivire, 2011). The generalised set of ideas was then put into a theoretical model which showed the relationship between the themes underlying harmonised human capital information disclosure and how such disclosure facilitated investment decision-making by foreign investors. The focus was on the common themes that continued to emerge as such themes were essential in the development of new theoretical insights. The information which the study obtained, the new information that emerged from the study, and that information which was not conforming to the existing literature formed the basis for theory development.

Contradictory and similar views were considered in order to increase confidence in the study evidence. While similar literature served to confirm similarities in concepts, the conflicting literature deepened insights into the emergent theory (Eisenhardt & Graebner, 2007; Madzivire, 2011). More emphasis was given to emerging and promising concepts that did not seem to have adequate theoretical back-up in the existing literature (Gioia et al., 2012). As such the researcher had to engage in iterative processes between data, existing body of literature and existing theories (Birks & Mills, 2011; Charmaz, 2006).

5.10 LIMITATIONS

Limitations in this study included limitations of the basic interpretive research design, limitations related to the research procedures and conduct, and related to the researcher. Interpretive qualitative studies are criticised on numerous grounds (Mills & Birks, 2014). They are criticised for lacking reliability, validity and generalisability of results (Denscombe, 2010a; Giorgi, 2010). Data quality and rigour in qualitative research continue to be debated, as qualitative researchers

argue that the quality and rigour in qualitative research should not be measured against quantitative measures of quality and rigour (Marshal & Rossman, 1995). However, some of the concerns were addressed through strategies used at the design and analysis stages.

It is important to note that the aim of interpretive qualitative studies is not to represent samples but to generalise from the study to theory rather than the population. Qualitative designs lead to analytical generalisation instead of statistical generalisation (Gibbert et al., 2008; Yin, 2014), thereby rendering any concerns on the grounds of generalisation invalid.

Qualitative studies are also criticised for lacking rigour. However, triangulation and the use of multiple samples has helped to address this limitation (Creswell, 2014; Yin, 2014). Field memos and the audit trail added rigour to the study. Maintaining an audit trail is an essential part of credible qualitative research (Birks & Mills, 2011). The transparency of data collection steps (Chenail, 1995; Gioia et al., 2012; Pratt, 2009) as discussed throughout this chapter improved the validity and reliability of the study. Furthermore, the use of an inductive data analysis where themes were grounded from the data added analytical rigour (Charmaz, 2006; Denscombe, 2010a; Rule & John, 2011; Smith, 2014; Smith & Osborn, 2003).

The other limitation of an interpretive qualitative design is bias and subjectivity introduced by the researcher and participants (Maxwell, 2004). While this argument on the issue of bias and subjectivity may be valid, it was not possible to completely eliminate bias in a qualitative research. Furthermore, it is widely acknowledged that in qualitative research the researcher is the research instrument (ibid). The researcher minimised the bias by remaining receptive to contrary findings and trying to understand the phenomenon from the participants' viewpoint (Groenewald, 2004). By documenting field notes and use of analytical memos, the researcher tried to remain as close to the data as possible to reduce researcher bias.

However, in as much as the researcher attempted to reduce the above limitations associated with the study, the study was conducted from the researcher's point of view. Although this limitation is present in almost every study, the researcher's influence in the study is acknowledged. Transparency in the conceptualisation and assumptions of the study was maintained, with the research also subjected to quality measures to ensure that the study findings remained credible.

5.11 ENSURING QUALITY OF THE RESEARCH

Quality and rigour have always been issues of concern in qualitative research (Mills & Birks, 2014) as qualitative research designs have been attacked based on these issues. There are divisions in research methodology literature on what quality measures should be adhered to in qualitative research. Some researchers, especially those who are in favour of positivism, argue that qualitative research should undergo the same quality tests with the quantitative research where quality test measures of validity (construct, internal and external validity) and reliability should be met (Black, 1999; Dooley, 1995, Yin, 1994).

Other researchers, especially non-positivists, are of the opinion that qualitative research is different from quantitative research. Using quantitative measures to measure quality in qualitative research would be inappropriate and unsatisfactory (Marshal & Rossman, 1995; Miles & Huberman, 1994). These researchers therefore prefer quality in qualitative research to be measured in terms of trustworthiness (Denzin, 1994; Lincoln & Guba, 1985; Marshall & Rossman, 1995), where credibility, transferability, dependability and confirmability are components used to reflect such trustworthiness (Denzin, 1994; Marshall & Rossman, 1995; Remenyi, Williams, Money & Swartz, 1998).

Qualitative validity focuses on accuracy of findings. Qualitative reliability ensures that the approach taken by the researcher is consistent across different researchers and research projects of a similar nature (Gibbs, 2007). Some researchers consider validity to mean trustworthiness, authenticity and credibility (Cresswell & Miller, 2000, Maxwell, 2013).Others contend that credibility, transferability, dependability

and confirmability are comparable to internal validity, external validity, reliability and objectivity (Maier, 2002). These views suggest that although different constructs are used depending on the philosophical stance of different researchers, they arrive at the same quality measurements.

With the scientific approach of the study leaning more towards the non-positivist side, the use of measures from that side may appear to indicate some bias and avoid the use of other quality measures. The use of both measures could also have led to repetition of issues within the study as the measures seem to arrive at the same quality measurements. The researcher therefore used quality measures inclining more to the positivist side to avoid criticism of qualitative designs being seen as unresponsive to methodological rigour. Quality measures from the non-positivist side were also kept in mind so as to enhance the quality of research outcomes. The researcher therefore adopted several strategies from the literature. Issues of sensitivity to context; commitment and rigour; transparency and coherence, as well as impact and importance (Yardley, 2000) have been considered during the research process.

Pereira (2012) contends that if a study is to be accepted as valid, the study should ensure that rigour and appropriate procedures have been followed. Yin (2009) argues that the quality of research can be maximized if the following design tests are met: reliability, construct validity, external validity and internal validity. As these tests are commonly used to establish the quality of any empirical social research (ibid), these tests were also found to be relevant in establishing quality in the study (see Table 5.4). The tests are briefly explained below.

5.11.1 Reliability

Reliability demonstrates that operations of a study such as data collection procedures can be repeated with the same results being obtained (Schmitt & Klimoski, 1991). The main aim of reliability considerations is to minimise biases and errors in the study (Yin, 1994). To improve on reliability, the researcher made use of multiple sources of data, where data source and collection methods

triangulation were corroborated to attain reliability. The use of a study protocol, the recording and transcription of interviews were also done for future reference purposes. The use of secondary data also enhanced reliability as the data have been collected without research bias to the present study.

5.11.2 Construct validity

Construct validity concerns how well the measures employed fit the theories for which a test is designed (Scandura & Williams, 2000). As such, researchers must test for measurement flows in a way to meet this quality criterion. The researcher made use of prior theories so as to ensure that the data collected aligned with the concepts being researched. A small group of experts reviewed the interview guide to ensure that all constructs were adequately addressed. Transcripts were sent to participants for member checking. Some participants in the study reviewed the draft report of the findings. Multiple sources of evidence were used and this allowed for data triangulation which enhanced construct validity.

5.11.3 External validity

External validity refers to generalisation across times, settings and individuals (Cook & Campbell, 1976, Sackett & Larson, 1990). External validity therefore relies upon establishing a true representation of relationships between two constructs and establishing that the relationship is generalisable to different populations, measures and circumstances. While qualitative research of a focused nature such as this research may have limited generalisability of results, the researcher made use of multiple samples to mitigate such limitations.

The inclusion of multiple sources of data (Human Resource Managers, Finance Directors and foreign investors) was done to increase external validity by increasing generalisation to more stakeholders. Having participating organisations coming from different sectors of the service sector also enhanced external validity. The use of documents, checklist and field notes in a triangulation form improved the generalisability of interview data. However, external validity of this study was considered low given the focused nature of the study. Considering also that

generalisation as a term is used in a limited way in qualitative research (Maxwell, 2013), as descriptions and themes are developed for a particular context, the intention of the study was not to generalise findings to individuals or places outside those under the study framework.

5.11.4 Internal validity

Internal validity refers to the extent to which the findings are not explained by rival factors (Schmit & Klimoski, 1991). This validity also ensures that the data analysis process is uniform throughout. To achieve internal validity, the researcher did within sample analysis and then cross-sample analysis, where pattern matching, explanation building and rival explanations were undertaken. Some of the research participants reviewed the draft research report to make sure that the study report accurately reflected their views. The interview structure was replicated with each interview. Triangulation of interviews with corporate annual reports, human capital information index and field notes further supported internal validity of the research (Golafshani, 2003).

Overall, data was collected from both primary and secondary sources and then triangulated. Voss, Tsikriktsis & Frohlich (2002) suggests that triangulation through the use of various data collection methods can strengthen the validity of data. Scandura and Williams (2002) contends that it appears no one research strategy can adequately fulfil all the various aspects of validity. Researchers therefore have to adopt different strategies to maximize on all kinds of validity. The researcher used various strategies that could enhance different forms of validity and reliability (see Table 5.4 for the summary). In as much as generalisability is a weakness in qualitative research, as previously alluded to, the depth of investigations, sample size which was proposed for data saturation, multiple samples, various organisations and multiple data sources used enabled the researcher to generate more insights and extensive data. These strategies helped in addressing the shortcomings associated with qualitative research designs.

Table 5.4: Design tests- summary on validity and reliability

Tests	Tactic	Phase of research in which tactic was employed
Construct validity	▪ Triangulation of data sources ▪ Proper definition of the key concepts and identifying operational measures ▪ Group of expects reviewed the data collection instruments	Data collection and analysis stages
Internal validity	▪ Pattern matching ▪ Explanation building ▪ Addressing rival explanations	Data analysis
External validity	▪ Use replication logic given the multiple sub-sectors and samples used	Research design and data collection
Reliability	▪ Using study protocol ▪ Developing an audit trial ▪ Use of verbatim accounts ▪ Transcript member checking ▪ Use of data source triangulation	Data collection and analysis stages

Source: Adapted from Yin (2009, p. 41)

5.12 ETHICAL CONSIDERATIONS

By adhering to the principles of good ethical conduct as defined by the University of the Witwatersrand Human Research Ethics Committee (Non-Medical), the research participants were protected from harm throughout the research process. The Research Ethics Committee's approval was granted for the study and the Ethics Clearance Certificate to this effect is given (see Appendix F).

The principle of voluntary participation based on informed consent was applied as recommended by Denscombe (2010a). The participants' responses and identities were protected by the use of pseudonyms. Participants' names were changed in order to disguise the organisation's identity. The participating organisations' pseudonym codes are prefixed by the industry they come from and then differentiated by numbers, for example BNK1, INS1, TR1 and TLC. Participants' pseudonym codes are prefixed by the organisation's given pseudonym, and

followed by the abbreviations of the respondent's functional title, for example BNK1 HR, or INS1 FD.

The study purpose and how the information was to be used were explained to the participants who were also assured of anonymity and confidentiality. Steps to protect respondents were explained in the participant's information sheet (see Appendix D). This enabled participants to give informed consent about participating in the interview and having the interview audio-recorded. The participants were also asked to sign the formal consent form (see Appendix E).

5.13 CONCLUSION

The study explores the subject of how the harmonisation of organisational human capital information disclosure could be used to facilitate investment decision-making by foreign investors into a developing country. A qualitative methodological approach was ideal because of the explanatory nature of the study (Creswell, 2014). This chapter discusses the research methodology employed in understanding the study.

The study is a basic interpretive qualitative study and is influenced by the interpretivism paradigm. The methods used were document analysis, use of disclosure checklist of items and semi-structured interviews. The procedures for the document analysis and semi-structured interview methods were highlighted, with data analysis techniques described. The study limitations of the empirical investigation were explained.

The next chapter, which is the first chapter of part II, presents findings from the document analysis of corporate annual reports and the human capital disclosure checklist sent to foreign investors.

PART II

WITHIN- DATA SOURCE ANALYSIS

This part consists of four chapters focusing on different data sources. However data from documentary analysis and human capital disclosure checklist are both presented in Chapter 6 to allow for a comparative analysis of evidence from these two data sources. Chapters 7 to 9 present and analyse interview data from different sample groups using the theoretical framework of information asymmetry, research questions and categories grounded in the data. Each sample group analysis contains the research evidence concentrating on the verbatim quotes from the interviews and a brief analysis which gives an interpretation of the participants' words.

The presentation and analysis of the findings in each sample group starts by giving background information and a general overview of the research area, with the main findings presented in line with the research questions. A summary of the emerging themes is given at the end of each sample group presentation.

CHAPTER 6

FINDINGS FROM DOCUMENT ANALYSIS AND HUMAN CAPITAL DISCLOSURE CHECKLIST

6.0 INTRODUCTION

This chapter presents the findings from the documentary content analysis and human capital disclosure checklist. The combination of content analysis and disclosure checklist leverages the establishment of the asymmetric information between the preparers and users of corporate annual reports. Doing this, helped in establishing the information paucity in human capital information disclosure in corporate annual reports. As such it was necessary to combine the data from these two sources so as to support the comparative analysis of the findings from these two sources of data, which was subsequently corroborated with the interviews.

Data from documentary content analysis will be presented first and then the response from the disclosure checklist. The main aim of the chapter is to respond to one of the research questions set out in Chapter 1, namely ***"Are there disparities between human capital information provision and information requirements in corporate annual reports?*** This is primarily due to the fact that the main purpose of this research question was to understand if there was any human capital related asymmetric information between foreign investors and disclosing organisations. As such, the kind of human capital information which was being disclosed by preparers of corporate annual reports was examined and compared with the kind of human capital information that foreign investors considered important in investment decision-making.

6.1 FINDINGS FROM THE CORPORATE ANNUAL REPORTS

Data from the corporate annual reports collected through documentary content analysis focused on human capital information voluntarily disclosed by the selected organisations and is presented in this section. Overall, it has been established that human capital information is minimally reflected in the corporate annual reports.

The findings reveal that when the information was disclosed it varied considerably across reporting organisations. Table 6.1 below presents the different types of corporate reports used for content analysis. These were produced by organisations falling under the purposively selected sub-sectors.

Table 6.1: Reports used for content analysis

No.	Organisation	Year Ended	Sector	Type of report
1	ABC Holdings Limited	31 December, 2014	Financial-Banks	Annual Report
2	African Sun Limited	30 September, 2014	Tourism	Annual Report
3	Barclays Bank of Zimbabwe Limited	31 December, 2014	Financial-Banks	Annual Report
4	CBZ Holdings Limited	31 December, 2014	Financial-Banks	Annual Report
5	Econet Wireless Zimbabwe Limited	28 February 2014	Telecoms	Integrated Annual Report
6	FBC Holdings Limited	31 December, 2014	Financial-Banks	Annual Report
7	Fidelity Life Assurance of Zimbabwe Limited	31 December, 2014	Financial-Insurance	Annual Report
8	First Mutual Holdings Limited	31 December, 2014	Financial-Insurance	Annual Report
9	Nicoz Diamond Insurance Limited	31 December, 2014	Financial-Insurance	Annual Report
10	NMBZ Holdings Limited	31 December, 2014	Financial-Banks	Annual Report
11	Old Mutual Plc	31 December, 2014	Financial-Insurance, banking.	Annual Report & Accounts
12	Rainbow Tourism Group Limited	31 December, 2014	Tourism	Annual Report
13	ZB Financial Holdings Limited	31 December, 2014	Financial-Banks	Annual Report
14	ZIMRE Holdings Limited	31 December, 2014	Financial-Insurance	Annual Report

Table 6.1 indicates that the organisations prepare annual reports for their corporate reporting except for Econet Wireless Zimbabwe Limited, which prepares an integrated annual report. Old Mutual Plc, however, views their report as a combination of annual report and accounts, as indicated in the table. While there is

a move towards integrated reporting in corporate reporting, most of the organisations under study are still preparing the traditional annual corporate report. Integrated reporting is being encouraged with the expectation that organisations would report more information on other indicators of organisational performance, besides focusing much on financial reporting alone.

The move by Econet Wireless Zimbabwe Limited to integrated reporting can be seen as a move to improved reporting. Econet Wireless Zimbabwe Limited's integrated report (2014:2) reads:

> *Our commitment to value creation for our stakeholders, innovation and sustainability leadership made this publication the natural evolution in communication with stakeholders. This marks our third year of integrated reporting covering social responsibility investment, environmental issues and ethical reporting.*

According to Econet Wireless Zimbabwe Limited (2014:2), the integrated report incorporates more futuristic information as revealed below in their report extract:

> *An integrated report includes certain 'forward-looking statements'. These forward-looking statements are necessarily about the future and therefore incorporate degrees of uncertainty.*

Overall, the documentary content analysis from various organisations above shows that most organisations have not yet embraced the new integrated reporting system as their reports are still going by the name annual report.

6.1.1 Human capital information disclosures

Figure 6.1 provides a graphical overview of the kind of human capital information being disclosed by the organisations under study. Figure 6.1 shows that human capital information disclosure is generally different amongst human capital information items. Human capital information on some items is disclosed by most organisations. These include information on board movement, board members' names, board member's work experience, board members' qualifications and information on training and development. Information on remuneration policy, board composition, company culture, directors' remuneration, names of top

executive management and comments on the abilities of the board is fairly disclosed.

However, there is no disclosure which could be found on information pertaining to the Chief Executive Officer's (CEO) salary, personal experience of top executive management and dependency on key employees. The bulk of human capital information is minimally disclosed as indicated in Figure 6:1. Such human capital information includes diversity management, employee benefits, employee commitment/loyalty, employee skills, employment relations, employee productivity, international exposure of management, staff costs, staff turnover, succession planning, top executive management's qualifications, and teamwork.

These findings suggest that in as much as there is some common understanding on few human capital information items disclosed by several organisations, most of the organisations do not share the same understanding of the importance of several human capital information items that are minimally disclosed.

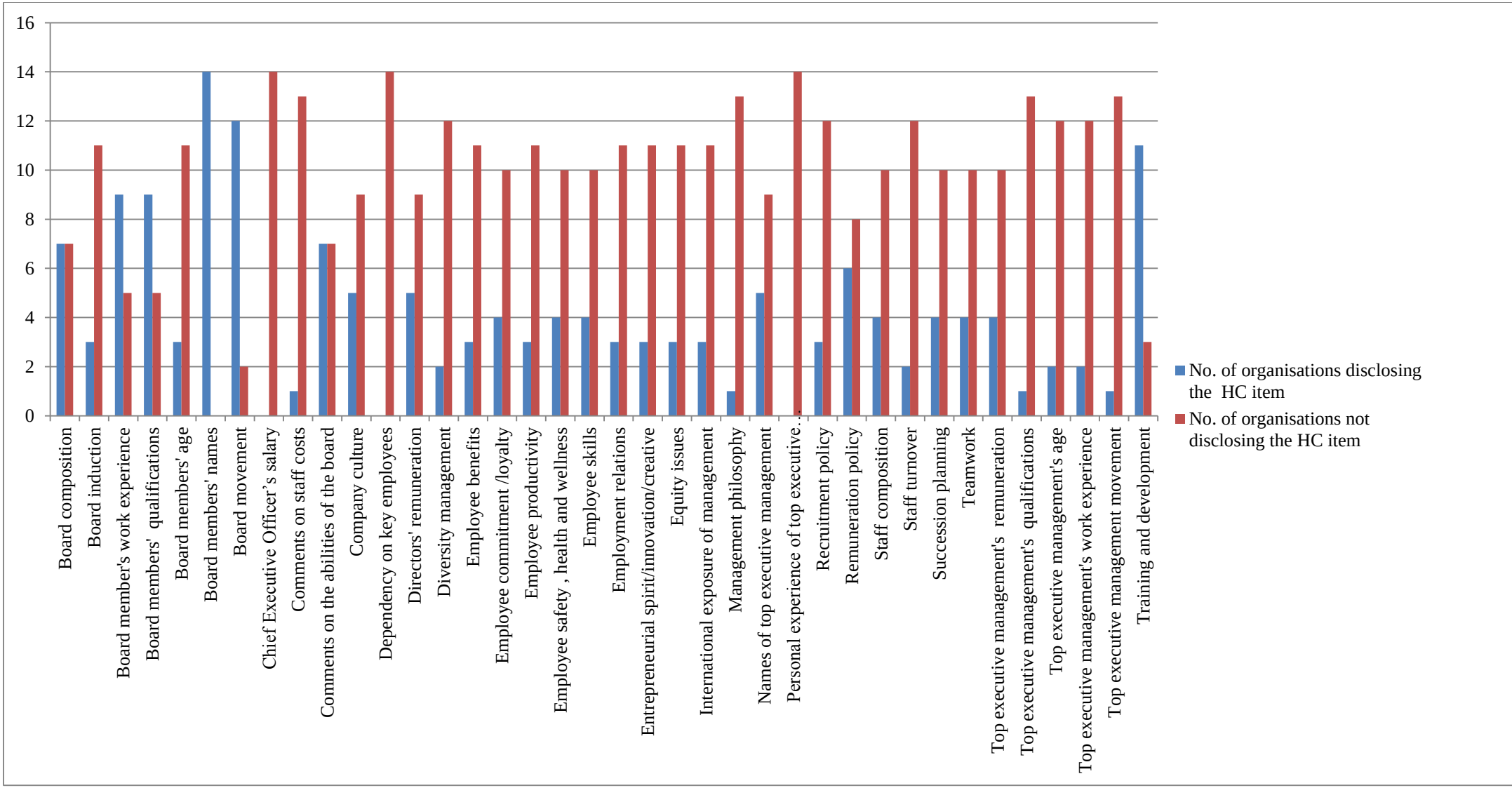


Figure 6.1: Human capital disclosure by organisations

6.1.1.1 Most disclosed human capital items

This section of documentary content analysis presents the most disclosed human capital information from the preceding figure. Table 6. 2 shows that out of the five most disclosed human capital information items, board members' names is the human capital item with the highest disclosure where every participating organisation is disclosing this item. While twelve of the organisations combine the names, qualification and experiences of the board members, two of the organisations provide board members' names only.

Table 6.2: Most disclosed human capital information

Human capital information item	**No. of organisations disclosing the item**
Board members' names	14
Board movement	12
Board members' work experience	9
Board members' qualifications	9
Training and development	11

Some of the disclosures on this human capital information have been presented as:

> *Board of Directors*
> *Mr. T. N. Mundawarara, Independent Non-Executive Director (Chairman)*
> *Mr. A. M. T. Mutsonziwa, Independent Non-Executive Director*
> *Mr. J.A. Mushore,* Group Chief Executive Officer*
> *Mr. B. P. Washaya, Acting Group Chief Executive Officer*
> *Mr. B. W. Madzivire, Independent* (*NMBZ Holdings Limited, 2014:13)*
>
> *L. Tamayi, Chairman*
> *R. Mazula, Non-Executive Director*
> *Dr. G. C. Mataka, Vice Chairman*
> *H. Mapara, Non-Executive Director*
> *S. B. Chapereka, Managing Director*
> *S. Tembo, Non-Executive Director (Resigned 30 June 2014)*
> *Dr. H Chikova, Non-Executive Director*
> *P. S. Madzonga, Non-Executive Director (Resigned 30 June 2014)*
> *T. Nyika, Non-Executive Director*
> *M. Nguwi, Non-Executive Director (Appointed 28 November 2014)*
> *G. Mushoma, Executive Director* (*Fidelity Life Assurance of Zimbabwe, 2014:2).*

Board movement comes second in terms of the highest disclosures, where only two of the 14 organisations under study were found not to be disclosing this human

capital information item. Some of the disclosures on this human capital information item are:

> *There was one Board Change in 2014 wherein Professor Hope Cynthia Sadza retired from the Board of Barclays Bank of Zimbabwe Limited on the 26th of November 2014... (Barclays Bank of Zimbabwe Limited, 2014:6).*

> *The main Board changes during 2014 have been in executive roles: Ingrid Johnson succeeded Philip Broadley as Group Finance Director and Paul Hanratty joined as Chief Operating Officer. Reuel Khoza will be retiring as a non-executive director at our AGM in May 2015 (Old Mutual Plc, 2014:4).*

> *Mr S. Cranswick resigned on 17 November 2014. Ms T. Ndebele, Messrs H. Nkala and G. Manyere were appointed to the board on 24 November 2014 (African Sun Limited, 2014:25)*

> *There were a number of changes to the Board composition during 2014. Mr Luxon Zembe retired as Board Chairman on 10 February 2014... Mr Richard Victor Wilde was appointed as Board Chairman on 20 February 2014 (CBZ Holdings Limited, 2014:44).*

> *There were no changes to the Board during 2014 (Zimre Holdings Limited, 2014:11).*

The third most disclosed human capital item is <u>training and development</u>, with 11 organisations disclosing something on this item. Some of the disclosures are articulated as follows:

> *As our clients are at the centre of everything we do, we believe it is only through adequate staff development that we will be able to render the kind of quality service and performance our clients deserve...appropriate external training and professional development opportunities and internal training is also provided which is relevant to the business of the Group (CBZ Holdings Limited, 2014: 9).*

> *Forty-seven training programs were conducted and the business achieved an average of 8.87 training days per staff member per annum. The organisation continues to invest in staff development through in-house and external programs. Our staff members have attended some of the prestigious telecommunications industry conferences such as the World Telecommunications Congress in Barcelona, Spain and African Communications Conference in Cape Town, South Africa (Econet Wireless Zimbabwe, 2014:37).*

> *Our business is our people and hence can only be future sustainable if we*

are continuously investing in our people (African Sun Limited, 2014:16).

The Group will continue to invest in staff training and supporting staff members seeking relevant academic qualifications (First Mutual Holdings Limited, 2014:4).

Service training was conducted during the year under review (Rainbow Tourism Group Limited, 2014:21).

As part of talent development, a total of 1 315 attendances were recorded out of 108 training courses held by the Group; 13 courses were attended outside the Group (ZB Financial Holdings Limited, 2014:1).

Board members' qualifications and work experience are also among the human capital information items disclosed mostly, with 9 organisations disclosing each of these human capital items. Some of the disclosures on qualifications in these reports read:

Brad received an MBA from The Wharton School (University of Pennsylvania) in 1998 and a BA in History with Honours from Brown University in 1993, where he graduated magna cum laude and was elected a member of Phi Beta Kappa (ABC Holdings Limited, 2014:32).

Thembiwe holds a Masters in Business Administration (MBA), Bachelor of Laws and Bachelor of Law degrees from the University of Zimbabwe. She is also a holder of Advanced Corporate Law and Securities Law, Advanced Programme in Value-Added Tax and Post-graduate Certificate in Advanced Taxation, all from UNISA (Nicoz Diamond Insurance Limited, 2014:13).

She holds a Bachelor of Accounting Degree from the University of Zimbabwe, Masters in Business Administration from the University of South Africa and is currently studying for a Doctorate in Business Administration with the National University of Science and Technology (NUST) (Rainbow Tourism Group Limited, 2014:8).

Kris Chirairo holds an MBA from the University of Zimbabwe. He is a registered Public Accountant and is a fellow member of both the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators (Econet Wireless Zimbabwe Limited, 2014:22).

Some of the disclosures on board members' work experience in these reports read:

Never is a Chartered Accountant with over 12 years banking experience. He commenced his career with BDO Zimbabwe where he trained for his articles and subsequently held senior financial management roles across a variety of institutions in Zimbabwe, including the Reserve Bank of

Zimbabwe, First Corporation and the People's Own Savings Bank (CBZ Holdings Limited, 2014:50).

Edwin holds a Bachelor of Accountancy degree and is a Public Sector Financial Management practitioner with 29 years' experience in Public Sector Accounting (Zimre Holdings Limited, 2014:3).

Craig Fitzgerald has worked in a number of senior positions in leading quoted and unquoted companies. He has been involved in setting up Econet businesses in other parts of the world (Econet Wireless Zimbabwe Limited, 2014:22).

He has vast experience at senior management level including years of serving in the position of Group Finance Manager and Group Accountant for Rainbow Tourism Group (Rainbow Tourism Group, 2014:10).

Most of the information disclosed under the most reported human capital information is related to board members' information. The higher disclosures on human capital information related to board members might be attributed to the influence of corporate governance, where efforts have been made to ensure that information pertaining to the board of directors is disclosed more. Thus, most of these organisations under study comply with good corporate governance principles guided mainly by the South African King III Report on Governance, and the national code of governance which has been developed in Zimbabwe. Some of the reports read:

The Group is committed to maintaining the highest standards of Corporate Governance and is guided by the Principles of Corporate Governance in Zimbabwe as laid out in the Manual of Best Practice and also the code of practice as set out in the King Reports (Zimre Holdings Limited, 2014:6).

The Directors confirm that during the 2014 financial period the Group has in all material respects voluntarily applied the 2009 King Code of Governance Principles (King III) and complied with other mandatory corporate governance provisions in Zimbabwe which include the Reserve Bank of Zimbabwe Corporate Governance Guidelines and the Banking Act (Chapter 24:20.) (CBZ Holdings Limited, 2014:42).

NMBZ Holdings Limited adheres to international best practice with regard to corporate governance. In particular, the group emulates corporate governance principles set out in the Combined Code of the United Kingdom, the King III Report of South Africa and the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guidelines (NMBZ Holdings Limited, 2014:12).

> *Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed (FBC Holdings Limited, 2014:11).*

Training and development has also been disclosed by most of the organisations. This may be attributed to the fact that these organisations rely more on human capital for their operations and sustainability. Some of the organisations noted that the people represent the business, as such; it is through people that organisational performance will be enhanced. Investing in their training and development will therefore increase their capacity to deliver the desired performance. Overall, the disclosures of these human capital items by most of the organisations signify that such human capital items communicate important information to users of the information. The perception of the importance of these human capital items appears to be shared across several organisations.

6.1.1.2 Moderately disclosed human capital information items

The study found that some of the human capital information is moderately disclosed by these organisations, as shown in Table 6.3. Board composition and comments on the abilities of the board as human capital items rank on top, followed by remuneration policy, then directors' salaries, names of the top executive management and company culture. Information on the board seems to continuously dominate the human capital information disclosed, as also indicated in the most disclosed human capital information. This may be due to the guidelines and good corporate governance principles influencing the level of disclosure in that area. It further suggests that guidelines on corporate governance principles are harnessing a common understanding of the disclosed information amongst the disclosing organisations.

Names of top management are moderately disclosed. It is, however, important to note that while a full profile is given to the board members, most of the organisations only provide names of their top management team, with the full profile given only of those management executives on the board. Reward policy and directors' information are also fairly disclosed. This might be attributed to good

practice and corporate governance principles, as issues of directors' remuneration have been points of discussion on corporate governance debates. Information on company culture seems to focus more on how the organisations strive to remain competitive through the utilisation of their people to achieve better performance. Thus, such information might therefore be communicated to show the importance of people in the success of the organisations.

Table 6.3: Moderately disclosed human capital information

Human capital information item	No. of organisations disclosing the item
Board composition	7
Comments on the abilities of the board	7
Company culture	5
Director's remuneration	5
Names of top executive management	5
Remuneration policy	6

Some of the information on the board composition is disclosed as follows:

> *The Board of Directors comprises five executive directors and nine non-executive directors (FBC Holdings Limited, 2014:11).*
>
> *The Board comprises seven non-executive directors and two executive Directors (Fidelity Life Assurance of Zimbabwe Limited, 2014:6).*
>
> *The Board is comprised of ten members, made up of three executive directors and seven non-executive directors (Econet Wireless Zimbabwe Limited, 2014:27).*
>
> *The Board has a unitary board structure, which at 10 March 2015 comprised seven non-executives and one executive director, drawn from a broad spectrum of the business community. Of the seven Non-Executive Directors, four are independent. Of the eight Directors, three are female while five are male (Nicoz Diamond Insurance Limited, 2014:9).*

Human capital information commenting on the abilities of the board is presented in the reports as follows:

> *The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors (FBC Holdings Limited, 2014:11).*

The Board enjoys a strong mix of skills and experience. The combined and varied knowledge, experience and skills of the Board members provide a balance of competence that is required and add value to the function of the Board and its direction to the Group (Zimre Holdings Limited, 2014:6).

Collectively, the directors possess a wide array of skills, knowledge and experience, and bring independent judgment to board deliberations and decisions, with no one individual or group having unfettered powers of decision-making (Nicoz Diamond Insurance Limited, 2014:9).

Information on remuneration policy is articulated as follows:

The Group's Human Resources and Remuneration Philosophy and Policy espouses the set of values, behaviours, practices and expectations that the Group holds for its employees in order to make the Group an Employer of Choice...Employees are recognised and rewarded on the basis of their individual contribution and team work, in promoting and growing the Group's business as measured in terms of accomplishments of set goals and objectives (CBZ Holdings Limited, 2014:34).

The remuneration policy is designed to reward performance and retain highly skilled individuals. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package (NMBZ Holdings Limited, 2014:14).

Continuously benchmarking our reward proposition so as to remain competitive (Econet Wireless Zimbabwe Limited, 2014:36).

In accordance with the espoused remuneration policy, information on the directors' remuneration has also been fairly disclosed as follows:

The committee will consider the Directors' Remuneration Policy annually, to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. The Directors' Remuneration Policy must be put before shareholders for approval at least every three years (Old Mutual Plc, 2014:98).

Non-executive directors receive fees for their services as directors on the company Board and Board committees, on the basis of a fixed quarterly retainer fee and a sitting fee. Directors' fees are recommended by the Remuneration committee taking into consideration market data, considered by the Board, and proposed to the shareholders for approval at each AGM (Nicoz Diamond Insurance Limited, 2014:11).

Shareholders will be asked to approve payment of directors' fees of $69.042 for the year ended 2014 (Rainbow Tourism Group, 2014:27).

All remuneration paid to non-executive directors is approved by special

resolution of the shareholders, at the AGM (Fidelity Life Assurance of Zimbabwe Limited, 2014:6).

Details of the directors' remuneration are contained in note 25.1 to the Financial Statements (Barclays Bank of Zimbabwe Limited, 2014:6).

Human capital information on company culture reads:

We have created a great workplace for our employees throughout the Group and continue to cultivate a positive work culture in order to consistently provide an excellent service to our customers (CBZ Holdings Limited, 2014:34).

Our focus is on the future of our businesses, and this demands a results-based culture which will be achieved through the transformation process resulting in the creation of a people culture which will help us Go Beyond (First Mutual Holdings Limited, 2014:4).

The Group's 'I'm fresh' service culture has since been ingrained into the Best Operating Practices (BOPs) across the Group (Rainbow Tourism Group Limited, 2014:21).

Due to the constant and rapid change in the telecommunications industry, a high performance innovation-led culture is critical to ensure the creation of new commercial opportunities... We aim high in embedding a high performing and winning culture across all levels within the organisation (Econet Wireless Zimbabwe Limited, 2014:14).

6.1.1.3 The minimally disclosed human capital items

Most of the human capital information found in the corporate reports can be considered minimally disclosed. Table 6.4 shows the human capital information items which are minimally disclosed and the number of organisations disclosing each item.

Table 6.4: Minimally disclosed human capital information items

Human capital information items	No. of organisations disclosing the item
Board induction	3
Board members' age	3
Comments on staff costs	1
Diversity management	2
Employee benefits	3
Employee commitment/loyalty	4
Employee productivity	3
Employee safety, health and wellness	4
Employee skills	4
Employment relations	3
Entrepreneurial spirit/innovation/creative	3
Equity issues	3
International exposure of management	3
Management philosophy	1
Recruitment policy	2
Staff composition	4
Staff turnover	2
Succession planning	4
Teamwork	4
Top executive management's remuneration	4
Top executive management's qualifications	1
Top executive management's age	2
Top executive management's work experience	2
Top executive management movement	1

Table 6.4 shows that 24 human capital information items out of the 38 used in the disclosure checklist are classified under the minimally disclosed human capital information items. This might therefore mean that most of the human capital information is not disclosed by the organisations under study. Taking into consideration that most of the human capital information is voluntarily disclosed by these organisations, and is not mandatorily required by law, those items not subject to law enforcement might be contributing to minimal levels of disclosure on human capital information items by these organisations.

Of note is that most of the minimally disclosed information is in relation to the

management and employees who are involved in the operations of the organisations on a daily basis. Whilst information on board induction and board members' age has also been minimally disclosed, efforts to externally disclose most information in relation to the board have been done. However, as shown by the majority of human capital information items considered to be minimally disclosed (Table 6.4) it appears that minimal effort has also been placed on ensuring that more information is also disclosed on the management and employees who are involved with the daily operations. It might also imply, however, that such information is communicated internally, as these groups are involved in the operations of the organisation, or the information might be communicated through other means and not the corporate report.

However, the corporate report has been viewed as the most utilised document to communicate with the stakeholders, where information considered important and relevant to the users is disclosed in these reports. The minimum disclosure of such human capital information might therefore imply that the disclosing organisations do not consider such human capital information important and relevant to the external users. There are differing opinions on whether the information is important or not as shown by different organisations disclosing different human capital information items. Some of the extracts of the disclosure done on some human capital information items are presented below.

Board induction:

> *On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and markets within which it operates. The Company Secretary ensures that directors receive accurate, timely and clear information (Nicoz Diamond Insurance Limited, 2014:9).*
>
> *At Company level, each new Board member is required to complete a structured induction programme, which involves a commitment to spend additional time on familiarising themselves with the Group during their first year (Old Mutual Plc, 2014:80).*
>
> *The Group Legal Corporate Secretary oversees the induction of new directors (CBZ Holdings Limited, 2014:48).*

Board members' age:

Richard Victor Wilde (Age 69) (CBZ Holdings Limited, 2014:50).

Danuta Gray (56) (Old Mutual Plc, 2014:70).

Doreen Khama was born in Botswana in 1949 (ABC Holdings Limited, 2014:32).

Comments on staff costs:

During the period under review staff costs have increased due to growth oriented initiatives of the organisation as well as funding for pension fund enhancement (Econet Wireless Zimbabwe Limited, 2014:37).

Diversity Management*:*

The Group understands the importance of diversity and with regard to gender diversity recognises the importance of women having representation at key decision making points... Currently there is a diverse mix of ethnicity, gender and experience on the Board, including two women and one foreign national (CBZ Holdings Limited, 2014:46).

The changes to the Board during 2014 mean that we remain comfortably ahead of our Diversity target of three female members by the end of 2015... We also now have 27% female membership of the Group Executive Committee, with the appointments of Ingrid Johnson and Gail Klintworth during the year (Old Mutual Plc, 2014:80).

Employee Benefits:

Defined contributions plans: The contributions are recognised as an expense in the income statement as incurred... Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably (ABC Holdings Limited, 2014:52).

A number of members of management staff with share options took up their entitlements/exercised their options totalling 260,000 shares. The total number of share options granted to the management share option scheme in 2014 was 580,000 (Barclays Bank of Zimbabwe Limited, 2014:6).

Under the share option scheme, all permanent employees of the company are awarded share options based on their grade in the organisation, their individual performance in the year and the years served in the organisation (Nicoz Diamond Insurance Limited, 2014:11).

Employee commitment/loyalty:

> *The success of the Group lies in nurturing a highly capable, innovative, motivated, committed, empowered and accountable workforce (CBZ Holdings Limited, 2014:34).*
>
> *Employee commitment to the Group has further improved as reflected by the level of employee engagement which in 2014 surpassed the levels which were recorded in the last 3 years (FBC Holdings Limited, 2014:7).*

Employee Productivity

> *The financial performance of the company bears testimony to the level of productivity that committed and highly engaged employees are capable of achieving (FBC Holdings Limited, 2014:7).*
>
> *The operating environment was characterized by acute liquidity shortages; low productivity... (Zimre Holdings Limited, 2014:13).*

Employee safety, health and wellness:

> *Employee Safety, Health and Wellness – The Group places emphasis on promoting the safety, physical and psychological health and wellness of its employees and their family members, since a healthy employee is a productive employee. Training of safety, health and wellness champions within the CBZ Group Companies was undertaken during year 2014 (CBZ Holdings Limited, 2014:34).*
>
> *Our employee wellness drive was further embedded as general awareness was uplifted and relevant support interventions were monitored at Board level (African Sun Limited, 2014:16).*

Employee skills:

> *We recognise that success in delivering the Group's strategy depends on ensuring a suitable talent pipeline throughout the Group and maintaining effective HR practices to attract, retain and develop appropriately skilled employees, senior managers and executives (Old Mutual Plc, 2014:79).*
>
> *We appreciate the unique perspective and skills that individual staff members bring to the business... This has also ensured that competent and professional individuals continue to serve our clientele at all times (CBZ Holdings Limited, 2014:9).*
>
> *For the fourth consecutive year, the Group was once again able to retain its key and critical skills that are pivotal in delivering the service it provides to its valued customers and stakeholders (FBC Holdings Limited, 2014:7).*

We exist to create value for all our stakeholders through the deployment of our intellectual property and service skills in a professional, predictable manner (African Sun Limited, 2014:5).

Employment relations:

Generally, a cordial industrial relations climate prevailed throughout the year (ZB Holdings Limited, 2014:1).

Human Resources: The Group enjoys harmonious employee relations across all its business units (FBC Holdings Limited, 2014:7).

International exposure of management:

He has considerable experience in Africa, having led the team that acquired a controlling stake in MTN in the early nineties (Econet Wireless Zimbabwe, 2014:22).

Joe has a wealth of experience gained from his exposure to the local, regional and international markets (ABC Holdings Limited, 2014:34).

Staff turnover:

We recorded a sub 2% staff turnover rate in the past period signifying stability that yields to the pragmatism and prudence of our unreduced financial investment in our broad- based staff development programs suite in the reported period at a time austerity often directs reduced financial investment in people (African Sun Limited, 2014:16).

Our attrition rate still remains below 2%. We promote open dialogue with staff and the CEO's quarterly staff briefing sessions provide an opportunity to inform, listen to and engage staff across the business (Econet Wireless Zimbabwe Limited, 2014:36).

Succession planning:

Succession Planning – This is vital for business continuity and is targeted at all key positions within the Group. This involves identifying key talent to take over key positions when they fall vacant or arise and the talent is then developed through on-the-job training, coaching and mentoring, secondments and enrolment for relevant developmental courses (CBZ Holdings Limited, 2014:34).

We have no less than our minimum threshold two (2) times succession cover for all critical "operations" roles giving us confidence that we would not close business due to talent gaps (African Sun Limited, 2014:16).

Top executive management's qualifications:

> *He holds a Bachelor of Science (Honours) degree in Mathematics from the University of Zimbabwe, a Master of Science degree and a Doctorate in Mathematics from the University of Washington, as well as a Master of Science in Financial Engineering from the Hass School of Business, University of California at Berkeley (ABC Holdings Limited, 2014:33).*

Top Executive management's work experience:

> *Ingrid Johnson has been Group Finance Director since July 2014. Prior to taking on this role, she had 20 years' broad-based financial services experience (Old Mutual Plc, 2014:50).*
>
> *He has over 30 years of banking experience, having started his career with other commercial and merchant banking financial institutions operating in both local and international markets. He held several senior positions and executive management teams in these banking institutions (ABC Holdings Limited, 2014: 34).*

Top executive management's movement:

> *The following changes occurred in the members of key management staff: In January 2015, Dr Blessing Mudavanhu and Mr Wallace Siakachoma were appointed Acting Group Chief Executive Officer and Acting Group Chief Financial Officer respectively; and in March 2015, Mr Ronald Pfende was appointed Group Chief Operating Officer, Mrs Amelia Reynecke Group Chief Technology & Operations Officer, Mrs Makhosi Boyede as Group Chief Strategy & Business Enablers Officer (ABC Holdings Limited, 2014:28).*

While very few organisations have been disclosing information on these human capital information items, the few extracts given on some of the human capital information items highlight the importance of such information. Information on employee skills, commitment and productivity has been discussed as having close links to the performance of the organisation. Thus, skills, commitment and productivity issues are seen as necessary in achieving organisational performance. Information related to employment relations, staff turnover, top management movement and succession planning are linked to the stability of the organisation, with succession planning and availability of skills also highlighting issues on continuity in business. If these human capital information items could give indicators on the position on the organisation, it may well be of relevance and use

in decision-making by the external users.

6.1.1.4 Human capital information items not disclosed

Information on the dependency on key staff, Chief Executive Officer's salary and personal experience of top management has been found not to be disclosed at all. Whilst information on employee skills has been disclosed, the non-disclosure of the dependability on such skills might mean that organisations do not consider the information necessary and relevant to the users. This also applies to personal experience of management, where the focus on disclosure has been on work experience and not personal experience. This suggests that the disclosing organisations view work experience as more important than personal experience.

The Chief Executive Officer's salary is not disclosed at all. Whereas international trends have moved towards transparency in the remuneration of this top post, none of the organisations under study mentioned this human capital item on its own. This might be due to the fact that individual remuneration is still considered as an individual's private information. The non-disclosure of these human capital information items might therefore contribute to the perception that organisations do not see the relevance of such information to external users. There appears to be a common understanding amongst these organisations that these human capital items are not important for external disclosure.

6.1.2 Disclosure levels by individual organisations

Disclosure levels on human capital information items are also presented from individual organisation's disclosure levels. Figure 6.2 below shows the level of human capital information disclosure by individual organisations. It is clear from the graph in Figure 6.2 that CBZ Holdings Limited is the organisation with highest disclosure levels, disclosing 21 human capital items out of the 38 items used on the checklist. Old Mutual Plc and Econet Wireless Zimbabwe Limited come second highest in disclosing 18 items each. It is important to note that these organisations with the highest levels of disclosure are from different sub-sectors, namely, financial, banks, insurance and telecommunications respectively. This implies that

the voluntary disclosures on human capital information are not sub-sector specific, but vary in accordance with each organisation's disclosure commitment.

The lowest levels of disclosure come from the financial and banking sector, with ABC Holdings Limited and ZB Holdings Limited having 5 disclosures, followed by NMBZ Holdings Limited with 6 disclosed items. However, interesting to note is that it is this same sub-sector that has the highest disclosure levels of 21 items, showing that there is no consistency in disclosures within the same sub-sector. The same findings are also seen with the insurance sub-sector, where Old Mutual Plc has 18 disclosed items, with First Mutual Holdings Limited and Fidelity Life Assurance of Zimbabwe having almost half of such disclosures with only 8 and 7 disclosed human capital items respectively. Such inconsistencies in the human capital disclosure practices amongst the disclosing organisations might also reflect on the lack of a common understanding on human capital information items that are regarded as important for external communication. Organisations therefore independently disclose the information that they deem important from their own perspectives.

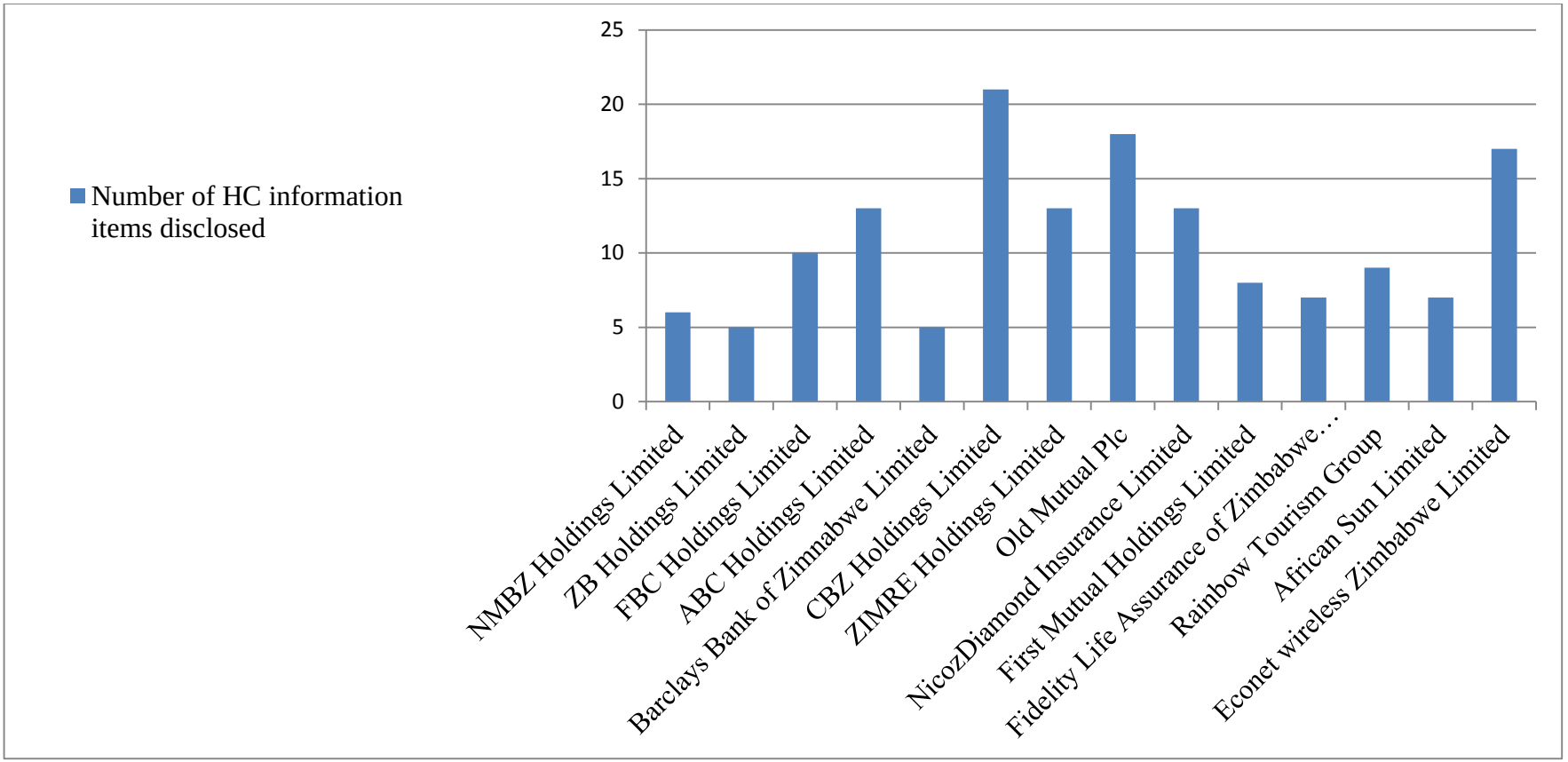


Figure 6.2: Human capital information disclosure levels: Source :(Documentary data)

The study also found out that, besides these participating organisations having different disclosure levels, the human capital items that these organisations are disclosing are not systematic. The expectations might be that the disclosure items disclosed by the organisation with a low level disclosure would be disclosed by an organisation with a higher number of disclosures, but that is not the case. For example, disclosures on staff composition and employment relations by ZB Holdings Limited would be expected to have been covered by CBZ Holdings Limited, as the highest disclosing organisation, which is in the same sub-sector. However, these items are not covered by CBZ Holdings Limited. Such disclosures might indicate that there is some fragmentation in the way these organisations disclose on their human capital information. Such fragmentation might be attributed to the lack of specific guidelines on what human capital information should be disclosed, considering that these items are voluntarily disclosed. As such, individual organisations disclose the human capital information which they regard as important.

6.1.3 Summary of content analysis

The content analysis of corporate reports of participating organisations taken from the Zimbabwe Stock Exchange has proven that most human capital information items are minimally disclosed by these organisations. The results indicate that, of the few disclosures that are disclosed by most organisations, most such disclosures are related to the board of directors' information, which can be said to have been influenced by local and international guidelines on good corporate governance.

In as much as the minimum disclosures done on top management and employees information has shown to be critical in the success of the organisations, making it important information in decision-making that might assist the users in making more informed decisions, such information is still lacking.

On top of such minimal disclosures, the findings also reveal that such disclosures are made in a fragmented manner, which might make it difficult for users of such information to do a cross-analysis of such information. Such minimal disclosure

and fragmentation in the way the human capital information is disclosed might have implications in that the users of such information may not receive the relevant and adequate human capital information they need to make informed decisions.

6.2 FINDINGS FROM THE HUMAN CAPITAL DISCLOSURE CHECKLIST

The objective of sending the human capital disclosure checklist to these users was to derive an understanding of the kind of human capital information they considered important when making investment decisions into a developing country. This was done with the ultimate goal of assessing whether there were any information gaps in the information being provided by the preparers of the corporate reports. This section therefore presents findings from the human capital disclosure checklist sent to foreign investors, as users of corporate information.

6.2.1. Human capital information considerations in investment decisions

Figure 6.3 provides a summary of the findings on the human capital information which is considered by investors when making investment decisions. The graph in Figure 6.3 shows that human capital information is considered differently in terms of its importance in assisting foreign investors when making investment decision.

Human capital information on training and development; top management's work experience; employment relations; staff turnover; succession planning; employee skills; dependency on key employees; international exposure of management; board movement; and comments on the board's abilities is considered very important by foreign investors in their investment decisions.

Information on board members' work experience; Chief Executive Officer's salary; directors' remuneration; employee commitment; employee productivity; employee safety, health and wellness; staff costs; entrepreneurial spirit/innovation; teamwork; top managements' remuneration; top management's qualifications; and top management's movement is considered important.

However, information on board composition; company culture; diversity management; employee benefits; equity issues; management philosophy; recruitment policy; remuneration policy; staff composition and top executive management's age is considered less important.

Also, information on board members' age; board members' names; board members' qualifications; names of top executive management; and personal experience of management is considered not important at all.

It can therefore be inferred from Figure. 6.3, that most human capital information is considerably important to foreign investors when they make investment decisions. There appears to be a shared understanding on human capital information items that are considered important by these foreign investors.

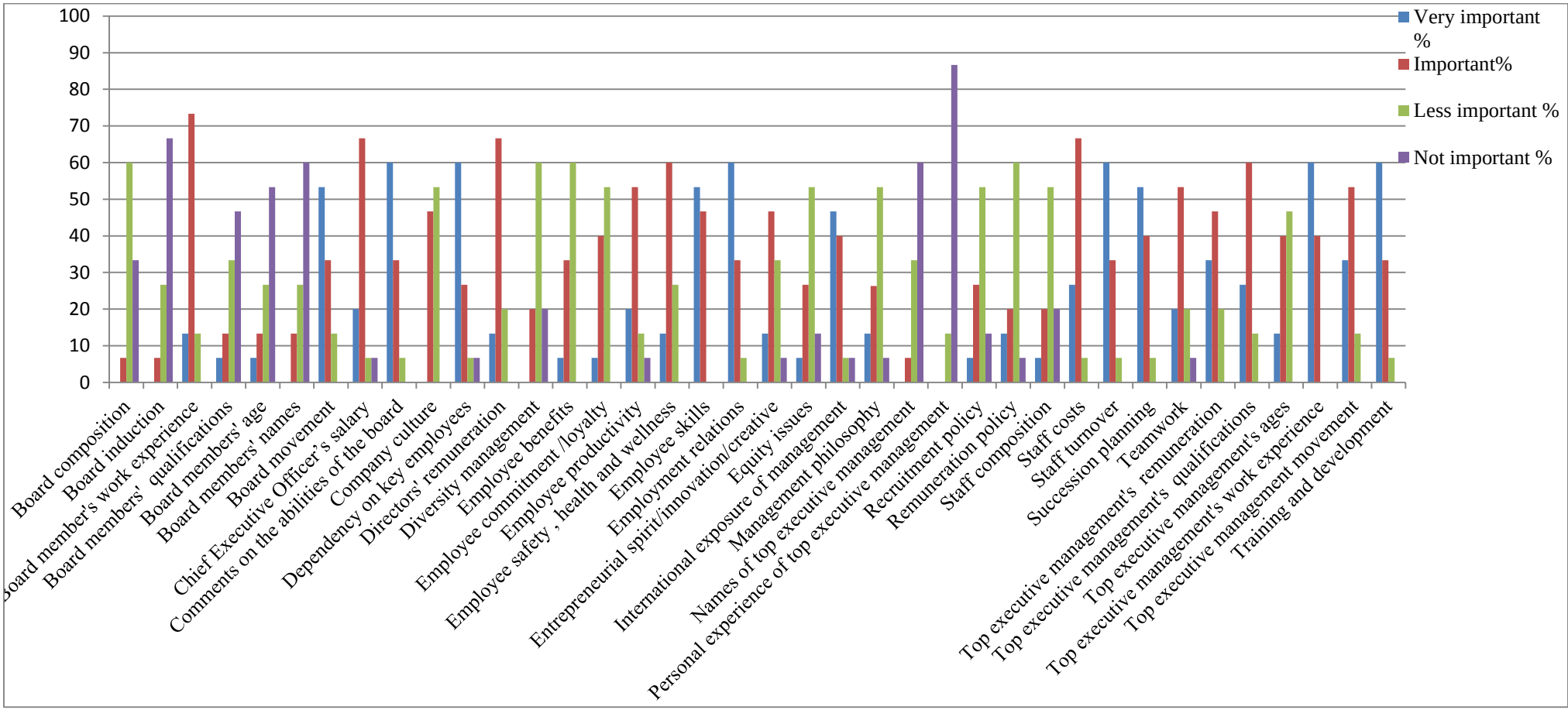


Figure 6.3: Human capital information considerations by foreign investors

6.3 IMPORTANCE AND DISCLOSURE LEVELS OF INFORMATION ITEMS

Having established the kind of human capital information being disclosed, their disclosure levels and the kind of human capital information considered in decision-making by foreign investors, this section presents a comparison of the information considered important by foreign investors and the levels at which such information is being disclosed by the participating organisations. As mentioned earlier on in the introduction to this chapter, the objective would be to find out if there are any human capital information asymmetries between the information provision and information requirements.

Table 6.5 shows the importance of human capital information to foreign investots and their disclosure levels by participating organisations.

6.3.1 Disclosure levels of very important human capital information

As shown from the information considered very important by foreign investors in Table 6.5, board movement; and training and development are the most disclosed information items. Comments on the abilities of the board, as an item, is moderately disclosed Although considered very important by foreign investors, information on employee skills; employment relations;international exposure of management; staff turnover; succession planning; and top executive management's work experience is minimally disclosed Information to do with dependency on key employees is not even disclosed at all.

It is therefore clear from the data in Table 6.5 that most human capital information which is considered very important in decision-making by foreign investors is either minimally or not disclosed at all. It might mean that there is a lack of common understanding on the information requirements and information provision amongst the two parties. Such lack of understanding suggests that foreign investors might not be getting adequate information on the human capital information they consider very important in making investment decisions.

Table 6.5: Importance and disclosure levels of human capital information

		Most disclosed information	Moderately disclosed information	Minimally disclosed information	Information not disclosed
Importance of human capital information to foreign investors	Very important information	- Board movement -Training and development	-Comments on the abilities of the board	-Employee skills - Employment relations - International exposure of management - Staff turnover - Succession planning - Top executive management's work experience	-Dependency on key employees
	Important information	- Board members' work experience	- Directors' remuneration	- Comments on staff costs - Employee commitment/loyalty - Employee productivity - Employee safety, health and wellness - Entrepreneurial spirit/innovation - Team work - Top managements' remuneration - Top management's qualifications - Top management's movement	- Chief Executive Officer's salary
	Less Important information		- Board composition - Company culture - Remuneration policy	- Diversity management - Employee benefits - Equity issues -Management philosophy - Recruitment policy - Staff composition - Top executive management's ages	
	Not important information	- Board members' names - Board members' qualifications	- Names of top executive management	- Board induction - Board members' ages	-Personal experience of management

Level of human capital information disclosure by organisations

6.3.2 Disclosure levels of important human capital information

Table 6.5 also shows the human capital information considered important by foreign investors and the levels at which participating organisations are disclosing these human capital information items. As indicated in Table 6.5, the board members' work experience information is disclosed by most organisations. This implies that foreign investors might be obtaining adequate information on this human capital information item. Information on directors' remuneration is moderately disclosed. However, information on Chief Executive Officer's salary is not disclosed at all. Furthermore, while considered important information by foreign investors, information on; staff costs; employee commitment/loyalty; employee productivity; employee safety, health and wellness; entrepreneurial spirit/innovation; teamwork; top managements' remuneration; top management's qualifications; and top management's movement is minimally disclosed by organisation.

It is clear from this data that most of the human capital information that is considered important in making investment decisions is minimally disclosed or not disclosed at all. Foreign investors might not be accessing this information for them to make informed investment decisions. This further elaborates on the lack of a common understanding between information requirements and information provision.

6.3.3 Disclosure levels of less important human capital information

As indicated on Table 6.5, information on board composition and company culture is moderately disclosed in as much as foreign investors consider that information to be of less importance. This might mean that while effort is put into disclosing such information, foreign investors do not consider this information important and relevant in making investment decisions.

However, the rest of the information that is considered less important by foreign investors is also disclosed minimally by the participating organisations. This suggests that both the providers of information and the users of information understand that such information is less relevant in investment decision-making.

Less effort is therefore put in disclosing such human capital information.

6.3.4. Disclosure levels of not important human capital information

Table 6.5 further shows the human capital information that is considered not important by foreign investors and the levels at which participating organisations are disclosing such human capital information. As shown in theTable, information on board members' names and qualifications is most disclosed, followed by information on the names of top executive management. However, information on board induction and board members' ages is minimally disclosed, with information on the personal experience of managenent not being disclosed at all.

In as much as information on board members' names and qualifications is considered not important, this information is the most disclosed information. The same applies to information on the names of top executive management which is also moderately disclosed. This might therefore mean that there is a mismatch on the information requirements and information provisions, as the providers might be providing information which is considered not important by these specific users of such information. However, the non-disclosure of information on the personal experience of management and minimal disclosure of board members' names and ages suggests that both the users and providers of such human capital information are aware that such information is peripheral to investment decision-making.

6.3.5 Comparative analysis of information provision and requirement

A comparison of the information being provided by participating organisations in their corporate annual report and the information required by foreign investors has shown that most human capital information is considered important and useful in investment decision-making. However, such information is minimally disclosed and in some cases not disclosed at all. The findings also revealed that some information which is considered not and / less important is also moderately disclosed, which might result in effort and resources being spent in disclosing information which the foreign investors perceive as not relevant and useful in their investment decisions. However, the findings also revealed that some information

which is considered not important is also not disclosed, showing that the information providers might also be aware that such information is not considered useful by the foreign investors as users of corporate information.

The bulk of human capital information items are, however, under a mismatch between information provision and requirements. Thus, while most human capital information items are consired important by foreign investors, most items are minimally and/ not disclosed. Out of the 38-item checklist used, 24 human capital information items are minimally disclosed and 3 are not disclosed at all. Only 11 items are considered as moderately to most disclosed human capital information items (see Table 6.5).These findings reveal some misunderstanding between the information provision and the information requirement.

6.4 CONCLUSION

The content analysis of the 2014 corporate annual reports of selected Zimbabwe Stock Exchange listed organisations in the service sector has revealed that these organisations are voluntarily disclosing some information on human capital. The most disclosed human capital information is related to the information on the board of directors, with information on top executive management and employees still scarcely disclosed. Such disclosures clearly show how the provisions of the corporate governance guidelines, especially the local national code of governance and the King III Report on Governance, has had an influence on the kind of human capital information being voluntarily disclosed in most of these corporate reports.

The findings further reveal that most human capital information items are either minimally or not disclosed at all. It therefore appears that organisations are yet to disclose fully on human capital information as this information is important to the users of corporate information. Further to such minimal disclosure of human capital information, the disclosure has also been unsystematic, reflecting on the lack of a common understanding of the information considered important for external disclosure by these organisations. Such fragmentation in human capital information disclosure further increases asymmetric information.

Findings from the human capital checklist sent to foreign investors revealed that most human capital information is considered important in investment decision-making. However, because of the minimum disclosures in most human capital information, such information might not be easily accessible to these foreign investors, thereby creating some information gaps.

The overall findings from the content analysis and checklist reveal that there are disparities between organisational human capital information preferred by foreign investors and human capital information being disclosed in corporate annual reports. Such disparities appear to emanate from the lack of a shared understanding on the information requirements and information provision.

Having presented the findings from content analysis and human capital disclosure checklist sent to foreign investors, the next three chapters, chapters 7, 8 and 9, present findings from the interviews conducted with preparers and users of corporate annual reports. The findings in this current chapter helped to shape some of the questions asked during the interviews. This is because these findings provide insights into human capital information being disclosed by organisations and human capital information considered important by foreign investors.

CHAPTER 7

FINDINGS FROM GROUP1 INTERVIEWS: HUMAN RESOURCE MANAGERS

7.0 INTRODUCTION

This chapter presents findings from the first group of preparers of corporate annual reports. This group was named Group 1 and consisted of Human Resources Managers of the reporting organisations. All participating organisations in this study had Human Resource Managers who were directly involved in the production of human capital reports. Although the researcher was interested in interviewing the head of human resources, at directorial or managerial level, it emerged that all interviewed participants from this group were managers and not directors, in as much as they were heads of their departments. The need to conduct interviews with this group of preparers arose because of their role in the disclosure of human capital information. Since information regarding human capital is usually internally provided and obtained from the human resource department, the researcher decided to treat Human Resources Managers as preparers Group 1.

The number of Human Resource Managers who agreed to participate was ten, giving a response rate of 71% (see Chapter 5). Three of the organisations whose corporate reports have been analysed could not participate, citing reasons such as sensitivity of the information being requested, busy schedules of these managers, and company policy. One manager whose organisation had consented to participate could not be interviewed because of work demands. The interview guide for this group contained six major questions, one general question and five questions related to the objectives of the study. Some possible follow-up questions were provisionally provided (see Appendix B), although these were changed and refocused in line with the flow of each interview.

Highlights of the findings from this group revealed that the nature of corporate reporting leads to information asymmetry where human capital information was minimally and fragmentally disclosed. While there were minimal and fragmented

disclosures of human capital information, the findings also revealed that such human capital information was important in communicating vital information useful for investment decision-making by foreign investors. Harmonisation of human capital information was therefore viewed as important in facilitating signalling and screening to enhance effective investment decision-making by foreign investors. Using data categories generated from the participants' responses, the findings from Human Resource Managers who participated in the study are presented after brief background information of the participants is given

7.1 BACKGROUND INFORMATION FOR PARTICIPANTS

Group 1 consisted of ten Human Resource Managers of the participating organisations. Of the ten participants, eight were males and two were females. The dominance of males in this role might be a reflection of the developing context in which the study was undertaken, where, in developing countries, most senior management positions are still occupied by males although there are efforts being made to improve gender equality. The views of this group might therefore have been influenced by male-dominated responses.

Most of the participants fell within the 40-55 age group, reflecting the dominance of middle aged managers in this group. The researcher found that all these managers had more than five years' experience in their current roles, where they were also involved in the preparation of the human resource reports for their organisation. These participants also had at least a minimum qualification of a first degree. One participant was studying towards a doctoral degree. The participants were therefore in a position to conceptualise, understand and discuss issues pertaining to the research questions, considering that the participants had extensive experience with their organisations.

While most of these managers reported directly to the Chief Executive Officer as heads of their respective departments, they occupied the middle management positions in the structure of their organisation. None of the participants in this group had a seat on the board of directors, which could have implications in relation to

the influence they have on decisions regarding external disclosure of human capital information. Sentiments of inferiority of their positions as heads of their departments were shared. These were also reflected by the office space and positioning of most of their offices in relation to the CEO's office.

With this background, the findings from this group are presented using data categories generated from the participants' responses.

7.2 RESEARCH FINDINGS

7.2.1 Overview of corporate annual reporting

General information on corporate annual reporting was sourced to assess the perceptions of the Human Resource Managers with regard to corporate reporting. Such perceptions could have influenced their reporting stance on human capital information, and as such, the outcome of the human capital information finally disclosed to the external users. The information therefore provided context for human capital information disclosure. The other reason was to ensure that the participants were settled before focusing on questions specifically related to human capital information disclosure. With the interviews having followed a funnel approach in asking the research questions, the same approach is used in presenting the findings from the participants.

7.2.1.1 Reasons for corporate annual reporting

The group felt that corporate annual reporting was mainly done to communicate the performance position of the organisation for stakeholders to make informed decisions. However, as some of the information was mandatory, as participants articulated that besides communication purposes, corporate annual reporting was done to comply with the regulations and to attract funding. Obtaining funding was mentioned by a few individuals; the majority of the participants cited the need to communicate with stakeholders and comply with regulations as the main reasons for corporate annual reporting.

Some of the participants articulated that:

> *I believe we want to communicate to those stakeholders; we want to talk to them about how the organisation will be progressing in terms of its performance, be it financially, or issues to do with sustainability or issues to do with its people. For investors, they would want to know if the organisation will be in a position to give them the profits or return on their investments, they would want to know if their money is safe (TLC HRM, 5:3).*

> *Where we start from is that being a listed company, obviously we want to communicate with various stakeholders that are interested in the performance of the organisation (TR2 HRM, 19:1).*

> *We communicate information to the users with the purpose of quickly giving them an indication on whether we have achieved profitability or not, and also to give feedback on whether the organisation is performing well or not (INS1 HRM, 1:5).*

Most of the participants highlighted the need to comply with the set regulations, explaining that:

> *It is one of the listing requirements of the Zimbabwe Stock Exchange to periodically report on the activities of the bank to its shareholders, stakeholders and the investing public (BNK2 HRM, 16:1).*

> *We also do reporting because it is a requirement to do so. We are a listed company; as such, we are required to report through the stipulated listing requirements* (*TRI HRM, 17:1).*

> *We do corporate reporting for regulatory reasons as well (INS2 HRM, 8:2).*

There were some individuals who argued with regard to funding that:

> *We also report to attract funding for the organisation (BNK1 HRM, 6:6).*

> *Such reporting is also done to showcase our potential to prospective investors (TR1 HRM, 17:6).*

It is therefore clear that the need to communicate with the stakeholders is critical in corporate annual reporting, in as much as reporting is also done for compliance and to attract funds. This is likely why organisations voluntarily communicate some of their information, even if such information is not required by the regulations. Communication therefore means that the disclosers of such information believe the information is important to the users in order to make informed decisions, as

suggested by some participants that:

> *The purpose of such communications is for decision making by the users, based on the information given* (*TLC HRM, 5:2).*

> *The standards are what we may term the basic minimum reporting requirements, which then means that any organisation can be predisposed to then further add pertinent information, which they think is informative for decision making by their audience (INS1 HRM, 1:5).*

> *The regulatory requirements are for the purposes of making sure that all the relevant information is communicated to all the relevant stakeholders, so that when these stakeholders are making decisions about the company, they are well informed (INS3 HRM, 11:3).*

7.2.1.2 Stakeholders targeted for corporate reporting

Having acknowledged that corporate reporting is meant to allow for communication with various users of corporate information, most participants revealed that their major target groups for such reporting were the current shareholders, potential shareholders (investors) and the regulatory bodies. Thus, while corporate reporting is meant for various users of the corporate information, the participants explained that their reporting was done with the objective that targeted users obtain the relevant information they need for making informed decisions with regard to the reporting organisations. One of the participants explained that:

> *There are various target groups with diverse interests and information needs that we seek to deliberately target in our corporate reporting. First and foremost, we target the shareholders of the bank. Secondly, we target the investing public. As a reporting information so that they can appraise their investments with the bank and map out what they seek to achieve through investing with the bank. The third target group are the regulatory authorities such as the stock exchange, the Reserve Bank of Zimbabwe, the Securities Commission of Zimbabwe, Depositor's Protection Corporation etc. This is the compliance group (BNK2 HRM, 16:4).*

These sentiments were supported by two other participants:

> *Given that we are a listed entity, the interest is to the public as a whole but for the regulatory reasons, the major stakeholders are the shareholders, where we also include potential shareholders that are the investors and then various regulatory bodies (BNK3HRM, 9:3).*

> *For us, shareholders are the major stakeholders we target for when reporting, investors also, then the government, as the regulator, IPEC for the industry and employees (INS3 HRM, 11:7).*

Evidence from these participants indicates that while the corporate annual report is used by several stakeholders, the information needs of the shareholders are prioritised to comply with the regulations. However, the investors and regulators are also considered major stakeholders, and as such, their information needs are taken into consideration when organisations prepare the corporate annual reports. Most participants alluded to the fact that their shareholder grouping was inclusive of both potential and current shareholders, suggesting that their information requirements are the same.

7.2.1.3 Regulations influencing corporate reporting

The fact that most participants alluded to reporting for compliance reasons also indicates that regulations influence the reporting practice of organisations. Some of the regulations mentioned as having an influence on reporting were the Zimbabwe Stock Exchange listing requirements, International Accounting Standards, Companies Act and industry-specific regulations. Participants pointed out that:

> *There are certain specific standards of reporting that I think are known from the accounting standards point of view and you then have to adhere to that and work with your external auditors and internal auditors and there are certain reporting structures that must be observed in your reporting process* (*BNK1 HRM, 6:6).*
>
> *Over and above that, we also have the financial reporting standards on how to do financial reporting. When reporting, we follow stipulated guidelines which give us the information that we should put in (INS2 HRM, 8:13).*
>
> *So, we are required to do so through the ZSE listing requirements (TR1 HRM, 17:3).*
>
> *We are also required to do so through the Companies Act (TR2 HRM, 19:3).*

7.2.1.4 Dominant information in the corporate annual reports

Evidence from the participants revealed that financial information is the most dominant information in the corporate annual reports. Giving their perceptions on the status quo of the current reporting practice, most participants were of the opinion that financial information dominated because it was mandatorily regulated. Participants observed that:

> *I think it goes back to our culture of reporting where traditionally the focus has been, and is still on the financials. It is the financials which are regulated, as such; we are used to following such regulations (TR1 HRM, 17:9).*
>
> *There are some regulatory requirements, which is one. Also do not forget that Accounting is also a profession and therefore, the Accountants may be pushing for the requirements of their profession... So, in short, the financial information on its own might no longer be very useful, but is still being provided for mandatory reasons (INS1 HR, 1:61).*
>
> *We are guided by the accounting standards, as such; most of our reporting is a reflection of these standards in as much as we also disclose some information voluntarily (TLC HRM, 5:5).*

While financial reporting was mainly argued to be influenced by regulations, participants contended that financial information was reported because users find such information useful in decision-making. The information was argued to give a quick reflection of the organisation's performance. Participants pointed out that:

> *The financial information will give an overall indication of whether the objectives have been achieved or not. So, that is how I view it on an overall kind of perspective (INS1 HRM, 1:13).*
>
> *Users need to understand the soundness of the business, so financial information becomes very useful in enabling them to quickly assess the potential of the organisation. Financial information is easy to quickly grasp as these will be figures, as such users seem to demand such information (TR2 HRM, 19:7).*
>
> *Yes, they would want to be assured that this organization has capable people, yes they would want to be assured that this organization is run efficiently, run proficiently that is the side of human capital, but beyond that users want numbers which quickly give performance indicators of the organisation (TR1 HRM, 17:6).*

This indicates that, while regulations play a part in the disclosure of certain information in the corporate report, the relevance and usefulness of such information also contributes to the extent of such information disclosure. The managers believe that users want useful and relevant information which reflects on the performance of the organisation.

7.2.1.5 Important information for decision-making

While participants viewed financial information to be the most reported and relevant information, rendering financial capital the most important capital, the findings from this group suggest that information from other capitals which help in value creation was equally important, as such information provides insights into the potential of the organisation to create future value. Most participants felt that besides financial information, human capital information is also very important. Some few individuals mentioned information from structural, environmental and relational capital as being of importance. The argument for the importance of human capital information was that human capital is the only capital which turns other capitals into productivity. Participants contended that:

> *I think human capital information is very important. Why I say that is because the financial profit that they want can only be turned into capital by the human asset (INS1 HRM, 1:57).*
>
> *Financial information is obvious, and human capital information is key in my view, this is because it is the people within that organisation that enables the financial capital to have a return (BNK1 HRM, 6:32).*
>
> *In their order I would put financial information first, I would put human capital information second, structural and the rest can interchange. This is because without people, there is no organisation. Money yes, but it cannot be productive on its own (BNK3 HRM, 9:7).*
>
> *I think next to the financial aspect the order remains human capital, who is running, who is driving it, before we look at technological, and markets (TR1 HRM,17:7)*

These findings reflect that while financial capital is important, human capital is also considered an important capital in the performance of an organisation, and disclosure of information on this capital would communicate relevant and useful information to users.

7.2.1.6 Information needed by investors

The findings from this group of participants reflected that most participants perceived investors to be interested in both historical and forward-looking information which gives an overview of the performance of an organisation. Some of the responses in this regard were:

As investors, they cannot only consider the financials. So, they need this forward-looking information when making their investment decisions (INS2 HRM, 8:24).

The focus on financials was on getting an overall feedback, but now, the need to look into the drivers of such results is seeing the investors now looking more into these intangible assets as they give forward looking information (INS4 HRM, 14:7).

Investors look for a multiplicity of information in companies to inform their funding decisions. This information is not only limited to financial information which provides historic performance, but they also look for futuristic information which reflects on future performance. As a bank, we would selectively report on key information that we think and are convinced with, to be vital to the investor and would obvious tilt the decisions of the investor in the bank's favour (BNK2 HRM, 16:8).

You know the kind of intimate and futuristic information that will then ultimately enable the investors to decide and move in (BNK1 HRM, 6:13).

When you achieve profitability, it means that a lot of things were at play, so investors need to know that information for them to make investment (INS1 HRM, 1:30).

It can therefore be inferred from these findings that investors are perceived to be interested in information which gives both the current performance and future performance of the organisation for them to make informed decisions. Human capital, having been considered to be an important capital, also provides forward-looking information, and as such, investors are perceived to find human capital information relevant in their investment decisions.

7.2.2 Human capital information disclosure

Documentary content analysis revealed that most frequently reported information was related to board information, with the greater part of the human capital information either minimally disclosed or not disclosed at all. One of the objectives of follow-up interviews was to understand the reasons behind such disclosures and to find out if such information disclosure was seen as adequate and relevant to the users of such information, focusing specifically on foreign investors as users of corporate information.

7.2.2.1 Reasons for human capital information disclosure

Participants revealed that they disclose human capital information for various reasons. The main reasons in order of their dominance included to help the users make informed decisions, to show the potential of the organisation and to attract funding. In support of the view that most of these preparers disclose human capital information for decision-making by users, some participants contended that:

> *What I can tell you is that human capital information is critical in making investment decisions, as it is the human capital which drives other assets in capital accumulation. So, we communicate such information to inform users in their decision-making (INS1 HRM, 1:64).*

> *Human capital is key information, and any investor would want to know the capacity and capability of the asset which will be driving other assets in the organisation before they commit to any investments (INS4 HRM, 14:18).*

> *The fact that they go through human capital issues in their due diligence is an indicator that such information is important in reaching investment decisions (TR2 HRM, 19:19).*

It therefore indicates that most of these preparers of corporate reports perceive human capital information to be useful to the foreign investors when making decisions, which motivates them to communicate such information. Some participants believe, however, that human capital information communicates the potential of the organisation to future investors, especially in terms of its value creation capability, which thereby positions the organisations to any possible funders. These participants argue that:

> *Human capital is very key, especially in the service industry where the product is more intangible than the physical product. So, human capital is the organisation. The capacity of the organisation's human capital shows the potential of the organisation (BNK1 HRM, 6:40).*

> *However, focusing on the service sector, the key issue is that in services, there are no tangible goods there, the goods are more of intangibles, so in services, I think priority will be given to the people, so the human capital element plays a critical role in value creation (TLC HRM, 5:7).*

> *An investor can bring capital equipment and lots and lots of cash but without the human resource to activate this potential, this becomes a white elephant type of investment. It will be money that would have been wasted (BNK2 HRM, 16:13).*

These sentiments imply that the disclosure of human capital information provides valuable information about the potential of the organisation. In line with this view that human capital is becoming more critical in the ability of the organisation to create value, one participant further argued that even the users who were not interested in human capital information now consider it important. The participant explains:

> *The users, especially the investors, were also not viewing such information as important, but now they are looking for such information when they make investment decisions because they now realise the value which is derived from the human capital (INS4 HRM, 14:8).*

Some participants, however, were of the view that human capital information was disclosed to attract investment, observing that:

> *Human capital information is one piece of the puzzle in attracting investment (TLC HRM, 5:42).*

> *Human capital is the glue that makes investment decisions attractive and gives a fair measure of confidence that there is likely to be a return on investment (BNK2 HRM, 16:15).*

While these reasons may come in different forms, the overall view is that this group of preparers believe that human capital information communicates the potential of the organisation, which provides relevant information for foreign investors to make informed investment decisions. These preparers therefore disclose human capital information because they find the information to be relevant and useful in making investment decisions.

7.2.2.2 Adequacy of human capital information disclosure

Having established through content analysis that most human capital information was minimally reported, and also reported in a fragmented manner, the researcher inferred from the preparers their views on the adequacy of such information to the users. The findings revealed that most of these preparers acknowledge that human capital information disclosure is still not enough for the users. Some of the responses in support of these findings were:

> *Investors are busy looking for human capital information through private means, as they will not get that information through the corporate annual*

report. Up and until the corporate report itself is revised, the document will just be produced for legal requirements, but not very useful to the users for them to make informed decisions (INS1 HRM, 1:62).

I would say there obviously would be gaps in the sense that what you see being reported on, more often than not, are the financials, but there are the qualitative aspects you don't seem to see being reported in there, like for example, issues to do with the structure of our human capital capability base. Not much of that is known to the members of the public. That information is deliberately left out for reasons best known to organisations (BNK1 HRM, 6:7).

It's quite scant. I think in the reports, you might just see two or three paragraphs, if not even less. We might therefore not be providing all the information needed, as our reporting is limited as I initially mentioned (INS3 HRM, 11:11).

Investors therefore face the dilemma of investing sometimes without this [human capital] important information (BNK2 HRM, 16:23).

The above sentiments indicate that most of the participants accept that the human capital information provided is not adequate for the users. However, these participants also stated that their main role was to provide the information internally, which would then be accessed for external reporting. What would then go externally was beyond their responsibilities. These participants observed that they have not heard any complaints of lack of this information, which suggested that they were internally providing adequate information. Some of the responses were:

Unfortunately, I do not decide on what goes into the report. What I do is that, I present that information to the board, and then the relevant authorities decide on what gets into the report (INS1 HRM, 1:44).

The fact that we did not hear any complaints coming to the department might also point to the fact that the information being provided from the department is enough for external reporting purposes (TR2 HRM, 19:4).

I feel that what we are reporting in our internal reports is sufficient for the purposes of giving the external users the information they may need (INS2 HRM, 8:6).

7.2.2.3 Reasons for minimal disclosure

Having acknowledged that human information was minimally disclosed, the

findings from this group revealed that there were several reasons for minimum disclosure of human capital information. Some of the main concerns were to do with the sensitivity of human capital information, fear of sharing negative information, a culture of secrecy, lack of reporting guidelines, and the inability of the human resource professionals to influence the external reporting decisions on human capital information.

Pointing to the sensitivity of the human capital information, most participants were of the view that human capital information is not disclosed in corporate reports because such information is of strategic importance. Thus, the organisation would not want to expose its sources of competitiveness and opted for minimum disclosure. Some of the responses in support of this view were:

> *Some of the information might be competitive information, which we might want to put undercover until we really have to. For example, our employee profiles, we might want to keep it confidential for competitive reasons, until some specific users come to demand such information, and then we can give it under stipulated disclosure agreements, because if you provide more information, you might not be able to manage competition. Why would I provide information which put my organisation at a competitive disadvantage, if it's not mandatory to do so? (INS1 HRM, 1:34).*

> *There is certain information that you cannot report in the public domain, this is my understanding, because that information is strategic and therefore is the preserve of a certain select few and you can only then get that information as privileged information through the due diligence process (BNK1 HRM, 6:11).*

> *The other thing is the sensitivity of the information to be provided. With financial information, I can tell you we recorded such and such profit, and you cannot do anything about that, our profit will remain in the book. However, the moment we say, these are our key staff, and then we will be selling that information to competition. We can also not talk about succession planning because that is sensitive information also. We report mainly on financials, which are historical and also on that information, which we think will benefit us more than costing us. So, we do a cost benefit analysis in the process (TR2 HRM, 19:14).*

> *Some of the information may be sensitive. This may lead to minimal or no reporting at all. Issues of succession planning are also kept a bit secret in as much as stability and continuation statements are reported. This is because the information will be deemed sensitive (BNK2 HRM, 16:20).*

Participants therefore regard most of this information to be considered internal information for management and operational purposes, as they also argued:

> *We do comprehensive reports on human capital internally, but then we solidify to say how they are contributing to our financial performance overall. Then after that the organisation decides the information which could be useful to the users in summary, and then we provide that information. The rest remains internally as issues to do with how people are managed become internal management issues. That is why our internal reporting on human capital is more detailed than what we report to the externals (INS2 HRM, 8:20).*

> *What we might not be reporting is that information which we think is for internal purposes as well. Some of our investors might just look at the sound financial performance of an organisation then decide on whether to invest or not (INS4 HRM, 14:23).*

Some of the participants raised issues to do with fear of giving away negative information to the public and contended that:

> *My observations are that there is some beautification that happens, whereas organisations, we try to portray things as if they are well, even if they are not. Even financially, we will try to find ways of reporting bad things in a better way, because if we report negatively, as management we will be expressing our failure. So, I think this leads to less reporting in terms of human capital as we would not want to talk about such issues (TLC HRM, 5:24).*

> *I think it is some fear of how certain information might be perceived in the public domain (BNK1 HR, 6: 19).*

> *Why secretive is probably because we are afraid that it will not attract what we want (BNK3 HRM, 9:21).*

However, some of the participants were also of the opinion that the culture of secretiveness is one of the reasons which accounts for the minimum disclosure of human capital information, given the fact that most of this information is voluntarily provided. The responses of some these participants were as follows:

> *It also has to do with the culture of the economy. In the Zimbabwean economy and in developing countries in general, there is no culture of giving more information. Organisations are secretive to information. But if you go to developed countries which are now more globalised, such issues are no longer issues that matter to be kept so secretive (INS1 HRM, 1:38).*

> *Again, it goes back to a mind-set that is driven by secrecy, a mind-set that's*

driven by the confidentiality grip. I would say largely it's cultural in the context of an economy which has adopted certain ways of doing things over time (BNK2 HRM, 6:18).

I think it goes back to our culture of reporting where traditionally, the focus has been, and is still on the financials. It is the financials which are regulated, as such; we are used to follow such regulations. The corporate report is surrounded by its own cultural practice and formats that has been within us for some time now (TR1 HRM, 17:9).

Some of the participants further raised the issue of lack of reporting guidelines, as perpetuating minimum reporting of human capital. These participants explained that:

The other will be the issue to do with what exactly to report on, as currently there are no standard guidelines, as such, you would not know if you are reporting enough information or more than enough. That is why organisations would naturally select a few items to talk about in each reporting year, as the bulk of such information is not mandatory, so there is a leeway to report on few things that you want (TLC HRM, 5:17).

However, the most challenging issue is that there are no set guidelines or standards that are readily available for organisations to use, as such, we report what we feel is enough (INS4 HRM, 14:22).

I think if there are some standard guidelines, there will not be any challenges and we will disclose more information (TR1 HRM, 10:43).

The financial mind-set has really done a good job of it in that it has therefore drilled down certain standards that have removed the need to or have not seen the need to report on human capital balance sheets, so nobody really has bothered to critically look at that and say what does it serve and what's the benefit of that? (BNK1 HRM, 6:20).

There are some participants, however, who believe they do not have any influence on the type and extent of human capital information to be disclosed externally, although they understand the value of such reporting. They explained that:

Unfortunately, I do not decide on what goes into the report. What I do is that I present that information to the board, and then the relevant authorities decide on what gets into the report. So, the other issue is how the HR is also profiled in the organisation. If it does not have a board seat, then no one will also push for such information to be externally reported, in as much as it can be very important and relevant information to the users. If I had the power to make such information to be reported, I would prefer such information to be reported by the organisation (INS1 HRM, 1:44).

But who would then authorize it to be reported? The one that authorizes that information to be reported may not have that exposure on its relevance, so it's not about lack of human capital information to report, almost in all organisations the information is there that's why we are finding other platforms to talk about our human capital. It's more like we are looking for other platforms to talk about our human capital because we believe it is relevant information to external users (TR1 HRM, 17:13).

We will get there, but expertise and the importance of human capital information might be lacking from those who have the influence to report it externally. As an HR professional, I do my role in fully disclosing the information internally. What then goes out to the public is someone else's responsibility and mandate (BNK1 HRM, 6:36).

These responses by participants on the adequacy of human capital and the possible reasons for minimum disclosure of human capital further confirms the outcome of content analysis that human capital information is not adequately disclosed in corporate annual reports, which creates information asymmetry with the users of such information.

7.2.2.4 Fragmented human capital disclosure across organisations

Having found through content analysis of corporate reports that most of the human capital information that was voluntarily disclosed was disclosed in a fragmented manner across the reporting organisations, the researcher established from the preparers how they viewed their disclosures with regard to fragmentation. The findings revealed that the preparers were aware and acknowledged that their reporting varied from organisation to organisation. Their reasons for such fragmented disclosures ranged from the lack of guidelines in human capital reporting, lack of regulations to enforce what was to be reported, people management philosophies varying between organisations and lack of a co-ordinating professional board to oversee the disclosure of human capital disclosure.

All the participants were of the view that the lack of reporting guidelines resulted in organisations reporting what individual organisations thought was necessary. Some of the responses in this regard were:

However, the most challenging issue is that there are no set guidelines or

standards that are readily available for organisations to use, as such, we report what we feel is enough (INS4 HRM, 14:22).

Without guidelines, it becomes a policy issue on each individual organisation, where as individual organisations, we decide on what to release to the public and in what amount, leading to variations in reporting amongst the organisations (BNK3 HRM, 9:18).

We give the information that we think is relevant and useful to these investors, of which that information might be different to the next organisation, as there are no prescribed guidelines on what not to leave or leave when reporting (INS2 HRM, 8:8).

Some of the participants further explained that human capital reporting was not systematic as people management philosophies differ, and therefore various organisations placed different emphasis on human capital information. These participants noted that:

The management of human resources differs from organisation to organisation even if these organisations are in the same country, and you realise that for some organisations, human resource management is much developed than in others, so the reporting standards will also be affected by such developments (INS4 HRM, 14:27).

Taking into consideration that different organisations have different perceptions on their human capital and the information they deem relevant, emphasis on what to focus on will also be different, thereby disclosing information differently (HRM, 1:55).

The major challenge with such information is that it will vary from organisation to organisation, unlike figures which you know figures will remain figures, whether you move from one industry to the other or from one organisation to the other (INS2 HRM, 8:26).

One participant however believed the lack of co-ordination by professional boards which oversee people management issues resulted in such fragmented human capital reports. The participant's response was:

The professional boards on people management need to co-ordinate and help organisations to come up with some agreement on what exactly should be included in the human capital reporting guidelines. However, they seem to lack that championing edge, though some progress in initiating that is now on the way. The Accounting boards have done a good job in this regard, and that is why their reporting is more systematic and organised across the world. They have well-articulated standards (BNK1 HRM, 6:35).

Another participant argued in terms of the regulations that because human capital information is voluntarily reported, organisations would always disclose what they want, as there were no mandatory regulations, unlike the reporting of financial information which was enforced by regulation. The response was:

> *As long as the reporting of human capital information remains voluntary, we will still find organisations reporting differently. Without enforcement, it is difficult to arrive at same reporting standards. Organisations will always do as they wish (TR1 HRM, 17:34).*

It is evident from these responses that human capital information is reported in a fragmented manner. There is no agreement or common understanding of the information that is considered important for external reporting. These findings confirm the results revealed though content analysis. However, such fragmentation in disclosing human capital information may exacerbate the extent of asymmetric information between the providers and users of corporate information.

7.2.3 Human capital information asymmetry problems

In articulating the effects of human capital information asymmetry between the organisations and the foreign investors, most participants argued that information gaps increased the likelihood of making bad investments choices, with disclosing organisations also taking advantage of these investors due to information advantage.

7.2.3.1 Risk of bad investment selection

Responding to the issue of making bad investment choices, participants contended:

> *Wrong investment decisions can be made by these investors due to the lack of adequate human capital information (INS1 HRM, 1:16).*

> *The fact that these investors thoroughly go through the due diligence process is an indication that they will be avoiding to make wrong investment decisions. Part of their due diligence covers human capital information, so yes, there are adverse consequences of having information asymmetries (BNK1 HR, 6:19).*

> *Information in any decision-making process is critical as it helps in making informed decisions. There will never be too much information in the decision-making process, and the probability of making bad choices without*

the privilege of some of the information to do with the human capital is there (TR1 HRM, 17:12).

It also depends on the importance given to the information, if it is critical, then yes, lack of such information will lead to poor decision-making by the investors, but there is some information, which if not provided, might not have much impact (BNK3 HRM, 9:18).

Human capital information also communicates the potential of the organisation, and if that information is inadequately provided, investors might invest in poor performing organisations unlike if all the information is furnished to them (TLC HRM, 5:14).

The participants therefore argue that poor investment decisions can be made due to information asymmetry related to human capital information.

7.2.3.2 Opportunistic behaviour

Some participants argued that the investors are usually taken advantage of by the organisations which will be at an information advantage when it comes to understanding of the organisation. These participants argued:

Lack of information on the part of the investors will mean that we can get away with some of the negative information which we would not be comfortable disclosing as we look for funding (TR2 HRM, 19:22).

Naturally under such situation, the room to use the private information to our advantage will be there, mind you every organisation looking for funding would not want to reveal some negative information, as this will reduce the prospects of getting the funds (BNK3 HRM, 9:19).

There is leeway for us as organisations to abuse the information advantage at the expense of these investors. As organisations, our objective will be to also drive our own interests, so yes, investors will be at a disadvantage if there are gaps in the provision of such information (INS4 HRM, 14: 22).

The moment you have more information in any transaction, it means you are also at an advantage, because information is powerful. You can therefore use the information to your advantage. Unfortunately, if investors do not dig deeper through private sources, they will be trapped into funding less potential organisations (BNK2 HRM, 16:34).

These responses indicate that human capital information asymmetry has the potential to cause problems, and processes to minimise the information gaps to avoid such adverse effects should be in place.

7.2.4 Solutions to human capital information asymmetry problems

Signalling and screening have been advocated for as solutions to information asymmetry problems. To establish whether human capital information can be used in signalling and screening as ways to reduce information asymmetry problems, evidence from the participants is presented in this section.

7.2.4.1 Signalling human capital information

Findings from this group revealed that various human capital information signals different kinds of information to foreign investors which, when not communicated, might cause asymmetric information problems. Some human capital information and the signals they send are therefore presented in this section.

Most participants were of the opinion that **top management's qualifications and experiences** were important to foreign investors as these communicated the capacity of the management to execute the strategy. Some of the responses to this were:

> *Information on the top management's skills, experiences and competences indicates the ability of the organisation to execute strategy. It also signals whether the organisation is in good hands or not (INS3 HRM, 11:13).*

> *Yes, information on management's qualifications and experience is important as it communicates the potential of the organisation in terms of its capacity to execute the strategy. Investors need to have confidence that the people who are managing the organisation have got the capacity (TR2 HRM, 19:16).*

> *You also want to look at for instance what is the talent level of the team that is there by looking at the profile matrix of the top team within that organisation, what qualifications do they have, what are the experiences? What are the areas of their capabilities? What are the areas of speciality? It can then quickly give you an indication of what kind of organisation you are dealing with (BNK1 HRM, 6:23).*

Other participants went on to highlight the importance of **international experience** as being more important to foreign investors in communicating the abilities of the management to achieve profitability. These participants responded as follows:

They also dig deeper to look for the levels of experience, international exposure of the executive team of the organisation, such information, which is not provided within the financials, but is very vital in communicating the capacity of the management to execute the strategy and achieve profitability (INS1 HRM, 1:28).

They would want to know if the management have had the exposure of the international community, for them to appreciate their capacity (BNK3 HRM, 9:24).

Similarly, information on the **board's qualifications and experience** was deemed necessary to communicate the capacity of the organisations to perform and be successful, as the board members give directions in the running of the organisation. Some of the responses given by the participants were:

I would say, the board profile is also important as it will show the competences of the people to drive the organisation. This information shows the investors the direction the organisation will be taking, as reflected in its leadership. So, the showcasing of this information gives confidence to the investor (TR2 HRM, 19:9).

It is very critical to inform and report on the nature of people who are entrusted with public funds and personal investments and assure the public that these funds are secure and will yield a reasonable return. No serious investor would put their money in an institution that does not have competent and qualified board and top management to drive the organisation (BNK2 HRM, 16:9).

Some participants further pointed to the importance of **employee skills** in communicating the capacity of the organisation to succeed. These participants responded as follows:

These investors need to know if the organisation has the right employees with the right skills to move going forward or to change the business model going forward. They need to understand if they are likely to find themselves having to resource the organisation with more skills, which might cost them more or train more which is likely to cost them even more, they need to know what they are up against when going into an institution especially when they are putting their money into that institution. Such information therefore communicates the capacity of the organisation and the cost implication associated (BNK1 HRM, 6:31).

If the organisation is lacking certain skills, it might mean the organisation will have to take time investing in the development of its people, which might delay their return on investment. So employee skills points to the issues of costs and profitability in terms of the utilisation of the people, so naturally,

> *areas where foreign investors get the maximum return, those will also be the areas of attraction for them, they therefore can avoid investing in organisations which will delay their return due to skills costs (TLC HRM, 5:11).*
>
> *These investors need to be assured that the people who are going to handle their money have enough competences and skills to protect and grow their money. Investors want a return on their investment; as such the key assets, which turn their money into profit, are the people within the organisation. Employee skills therefore communicate the capacity to bring a return on their investment (INS2 HRM, 8:18).*

It may thus be inferred from these responses that by using such information, investors can easily make investment decisions based on the understanding that they have about the potential of the organisation. Without this information, the investors might find it difficult to understand the capacity of the organisation which may lead to bad investment decisions. One participant noted that:

> *Employee talent and management skills are unique to different organisations. Other things such as the marketing strategy, type of material, financial sources, these are at the disposal of every company and can be easily copied, but your talent base is very difficult to copy, so the competitiveness of an organisation is also seen though the type of skills in that organisation (INS4 HRM,14:10).*

Most participants were of the view that **employment relations** bring out information on the stability of the organisation. The argument on the stability was that it shows the ability of an organisation to make a profit without disturbances. Such information therefore enables the investors to make sound and informed decisions. Some of the responses were:

> *Also, obviously, the information on the industrial relations environment is key to decision makers as, without harmony, there won't be the achievement of organisational goals. Industrial harmony brings in stability and better likelihood of good performance. I will cite the Marikana case and other industrial disharmony cases that happened in South Africa which led to loss of production (INS1 HRM, 1:50).*
>
> *We report on industrial relations climate, the legislative framework, the rules and the regulations that govern those relationships or those engagements. These indicators are important as they measure and track the stability and continuity of the human resources in the bank. It more importantly brings some perspectives on the stability or shimmering turbulence of the organisation to foreign investors (BNK2 HRM, 16:18).*

The industrial climate talks about employee engagement, as the climate detects the stability levels of the organisation. Employee engagement is critical in achieving the objectives of the organisation, and therefore it easily can translate to performance, so it is key for reporting, as investors would want to see if the people resource is being maximised to get a maximum return also (TLC HRM, 5:28).

The same participant further observed that such information communicates some risks associated with the investment:

I know most companies do not want to report on such issues to do with employment relations, but it will be good if organisations are reporting on such issues because they are critical to investors, as these investors would want to know the kind of industrial outlook in a certain host environment. They would want to find out the types of misconduct usually committed by employees in a host location, and how courts also respond to such misconduct, as these will give them some clue on the risks of doing business in a certain location (TLC HRM, 5:20).

Staff turnover was cited to communicate important information to the foreign investors. Some participants argued that employee turnover reflects on the stability of the organisation to continuously be productive, and observed that:

Information on staff turnover rates shows the stability of the organisation in terms of skills provision (INS1 HRM, 1:47).

We also report on staff turnover to communicate on our ability to effectively retain our staff and controlling attrition. This information provides indicators on the stability and continuity of the human resources in the bank (BNK2 HRM, 16:17).

Employee productivity was mentioned as being important in communicating the productive capability of the organisation in maintaining good performance. The productive capacity of the organisation was therefore perceived as a good indicator of the future performance of the organisation, since such information could be used to avoid investing in organisations whose future performance is in doubt. Some of the responses were:

Information on the employee productivity levels shows the capability of the organisation to produce good performance in the future (INS1 HRM, 1:49).

Employee productivity levels also communicate crucial information about the performance of the organisation. Why? This is because performance

management easily links with financial aspects and investors are interested in financial return. Employee productivity drives performance, so investors are interested in seeing if the people as an asset are being fully optimised, to get the best return (TLC HRM, 5:26).

It is key for investors to know the employee productivity levels of a particular organisation as this determines ultimately the success or failure of the investment (BNK2 HRM, 16:14).

Succession planning was identified as important human capital information to communicate stability and continuity of the organisation. Participants argued that it is through the succession plans that the investors will establish the possibility of future continuity and stability of the organisation. Some responses in this regard were:

Succession management is critical in highlighting the going concern of the business, thus you will not go into detail about it, but at least show that there is some continuity in the organisation. Many organisations collapsed because of lack of a proper succession planning, so investors would want to see that information to avoid such risks to their investments (TLC HRM, 5:29).

We will also disclose information on management succession where we look at succession bases, to say if the CEO is to go, or any other key position in the organisation, do we have a talent base to replace such vacancies or not. Investors would want this information for continuity purposes. No investor would want to invest in an organisation without hope of a going concern (INS3 HRM, 11:24).

Information on succession planning therefore points to the issues of risk associated with the organisation, and investors would want to reduce investment risk. Such information might therefore help in avoiding investing into bad organisations.

Some participants felt that information on **remuneration policy and CEO's salary** reflected on the credibility and transparency of the management. Such information is viewed as reducing investment risk and increasing the chances of profitability, as it also communicates the cost implication associated with the labour. It was revealed that the information has the ability to reduce moral hazard problems associated with staff remuneration. The responses from some of these participants were:

Yes, I would disclose information on remuneration policy because an investor would want to know whether they are putting in their money that

would go down the drain, where maybe 60% or 70% of it goes into remuneration internally. Investors want a return on their investment not costs associated with the return (BNK1 HRM, 6:29).

They would also look at the remuneration policies and practices to see if the staff cost rate will be sustainable to give a return on investment. Information on the salaries signals sustainability of the organisation (INS3 HRM, 11:26).

These days, a move is seen towards the reporting of CEO salaries, which when done, it will increase transparency (TR2 HRM, 19:17).

Information on **staff costs** and **staff composition** was cited to communicate the cost implications of an investment. Such information was revealed to be necessary to foreign investors as it readily shows the capacity of an organisation to give a better return on investment. Participants' responses were:

When potential investors come, we always go through rigorous processes of due diligence on the human capital side, as they look at the head count trends of maybe over 5 years, what are the ratios in terms of things like staff cost relative to total cost, staff cost relative to income, staff cost relative to profitability levels. This information, I believe helps them to see the costs associated with the investment (BNK1 HRM, 6:38).

They also need to understand the staff costs, which is however financial also, so there is need for information on these costs to see the sustainability of the organisation (INS3 HRM, 11:12).

Aligning with the sentiments of the need to communicate the cost implications on the investment, some participants observed that **training and development initiatives** communicate information on the investment already made in people. Investors would then have to incur less cost through investing in people. Information on training and development has some effects on the payback period of the investment. These participants argued:

If the organisation is lacking certain skills, it might mean the organisation will have to take time investing in the development of its people, which might delay their return on investment (TLC HRM, 5:11).

Where training and development has been low, it might cost them in training the employees to meet their skills requirement and more training initiatives will likely cost them more, they need to know the cost implications of the skills gaps within the organisation (BNK1 HRM, 6:31).

It is evident from these findings that human capital information has the capacity to communicate the profitability potential, cost implications and risks associated with the organisation. Ultimately, human capital information signals the potential of an organisation to provide a return on investment. However, it seems several human capital information items and not a single one help in communicating the same signal. For example, employee relations, staff turnover and succession planning point to the risks associated with the organisation. These items can therefore complement each other in communicating the position of the organisation with regard to people. For the signal to be effectively communicated, several of these human capital information items should be communicated. It therefore implies that no single human capital item is considered strong enough to communicate the intended signal.

However, there were sentiments from most of the participants that the effectiveness of these signals to communicate important information to the users was being weakened by the manner and context in which the human capital information was being communicated. These participants argued:

> *As I have just mentioned, financial information is easily comparable unlike this information on human capital. I am therefore of the view that the investors give more attention to financial information, making human capital information a bit less useful to them (TR2 HRM, 19:38).*
>
> *Some of the investors focus more on financial information, as the credibility of unverified information is usually questionable. Mind you we just report this information at our own discretion (BNK3 HRM, 9:27).*
>
> *Though human capital information is important, the problem is that the reporting environment is dominated by financial information, so the information, though we consider it vital, seems not to be considered seriously for external reporting (INS1 HRM, 1:49).*
>
> *Human capital information is more qualitative in nature, as such it also produces more information to the extent that it becomes costly for it to be disclosed externally. In most cases, I have realised that it remains internal information for management purposes, with those external users interested in such information, getting it though private means (TLC HRM, 5;18).*
>
> *We provide this information internally and if such information is not being demanded for to be put in the public report, maybe the users are not really seeing the relevance of such information (BNK2 HRM, 16:18).*

The above responses from the participants suggest that this information is not recognised for external purposes, and is more useful for internal management purposes. Comparability, credibility and reliability of the information render information more useful and more observable. If human capital information is to be more observable for external use, it should have the characteristics which seem to be more dominant in financial information. Furthermore, the fact that human capital information is recognised as important, though not observable enough, might also mean that the more the information is not observable, the more it diminishes in terms of demand for such information. Observability of the information therefore facilitates the relevance and usefulness of the information.

7.2.4.2 Screening using human capital information

The findings from this group of participants revealed that human capital information can be used in screening, to reduce asymmetric information problems with foreign investors. However, some limitations of human capital information in the screening process have been highlighted.

Most participants acknowledged that human capital information was important in reducing asymmetric information. Because human capital information signals some cost, risk and profitability implications of a given investment opportunity, such information could be inferred and used in decision-making to avoid bad investment decisions. Some of the participants' responses were:

> *To investors, indicators of the organisation's competitive position can also be shown. Through this information, investors can therefore weigh the capacity of different organisations, costs associated with people, and levels of trust within the management. No investor would want to invest in a risk business, as such, levels of trust in management stewardship is needed (BNK2 HRM, 16:19).*
>
> *So as investors look, they distinguish different organisations through their human capital base. It is this talent that will drive the organisation, and ultimately the investment return for these investors. We are in a service industry and the key thing is that ability to provide a service, and services are an outcome of the capabilities of the people (INS4 HRM, 14:11).*
>
> *They do use the information. Naturally, such information will have cost, risk*

> *and profitability implications, and the investors, being interested in the return on investment, will prefer those organisations which have better indicators of profitability, whilst reducing the selection of risk and costly business* (*TR1 HRM, 17:16).*

Some participants identified issues of management credibility when selecting the organisations to invest in, as such credibility indicates the risks involved. These participants' responses were:

> *No investor would want to invest in an organisation which has a history of fraudulent activities by the management. These investors critically do a due diligence on key management. They look at their traceable history, and obviously would avoid investing in organisations which had cases of mismanagement. As we speak, the bulk of potential investors coming in our organisations are skeptical about the management stewardship due to cases of benefits and unwarranted loans that organisations usually avail to top management (BNK1 HRM, 6:35).*

> *Mind you when they are looking for investments, they are not only looking for a single organisation, they look into several organisations, so if the credibility and transparency levels of one organisation might be one of the distinguishing features, they will obviously take that as a point to screen some of the organisations. Investors are also busy, any relevant information which distinguishes one organisation from the other becomes critical in the decision-making process (INS2 HRM, 8:19).*

There are some participants who argued that the relevance of human capital information in aiding the screening process was minimal because of the challenges posed by such information. Whilst acknowledging that human capital information may assist investors in making informed decisions, issues of non- comparability, qualitative nature of human capital information, lack of auditing of such information and low levels of disclosure on such information were revealed as reducing the relevance of such information. Some participants arguing in line with the non-comparability of human capital information responded:

> *It was going to be easier if such information could be used to compare organisations, but as it stands, organisations disclose this information on voluntary and unsystematic bases, making the information less useful for investors to compare and select best organisations (TLC HRM, 5:34).*

> *This information would be more useful if every organisation was reporting on the same things. But now, how do the investors compare and select the best organisation when there is no guideline being followed? Yes, such information might prove to be relevant if it was organised in a manner*

which makes it more relevant to these users. Look at financial information, investors can easily comprehend such information because it is uniform. Same measurements points are understood across all disclosing organisations (BNK3 HRM, 9:39).

Investors are overwhelmed by a lot of information to consider, so if human capital information is to be presented in a manner which enables comparisons, then it will become more relevant and easy to use (INS1 HRM, 1:71).

Sentiments from these responses seem to reveal that comparability of information makes it more useful as users can easily understand the information across organisations. Comparability therefore brings about the same meaning across the disclosing organisations, enabling users to compare and make informed decisions.

Those who cited the minimum disclosures of human capital argued that even if the investors were to find such information useful in the screening process, most of the human capital information was minimally disclosed in the corporate reports and the investors had to find it from other private sources, which was an expensive and time-consuming process. Some of the responses were:

The investors have to go through the process of due diligence in their search for investment opportunities, for them to uncover most of the information which would enable them to make decisions in terms of investment, currently most human capital information is found under disclosure agreements when the investors do their due diligence (INS1 HRM, 1:16).

So, some of this information can only be attained when the investors are now doing their due diligence process, however, due diligence can only be done to a few organisations which the investors would be seriously targeting for investment, they cannot cover all organisations as the process becomes costly to them (TR1 HRM, 17:25).

However, any investor who really wants to invest will have to do due diligence to dig more information especially on aspects to do with human capital, as the report only gives a summary. Also, they will need to verify some of the information which would have been obtained through the report. So, it is a verification and confirmation process. Also, you would want to seek more information about the organisation (INS3 HRM, 11:29).

These responses suggest that human capital information is essential in the screening process, in as much as the information is difficult to access. Pointing to the

difficulties in using qualitative information to reach an investment decision, some participants responded:

> *I am of the view that the major language that investors understand is numbers, so human capital information is a bit weak in that regard. Most reporting is not quantifying such information to show its relation with the profits. Metrics of linking HR with the profits have not been developed to enable such information to be more relevant for investment decision making purposes (TR2 HRM, 19:38).*
>
> *The information mostly comes in a qualitative nature which makes it less useful in reaching a business decision (INS3 HRM, 11:31).*

Two participants further explained the lesser relevance of human capital information, arguing that such information also lacks credibility as it is not externally verified and approved. The participants argued:

> *Some of the investors focus more on financial information as it is more credible than voluntarily disclosed information (TR2 HRM, 19:39).*
>
> *It does but to a limited extent due to the subjective nature of the information. Investors want verifiable and hard facts to inform their decisions (BNK2 HRM, 16:34).*

These responses reveal that screening is effectively done with information which is considered credible. Verifiable and objective information is seen as credible information for screening purposes. If human capital information is to be useful in the screening process, these findings suggest that it has to be objective and reliable. However, regardless of these challenges associated with the use on human capital information, rendering it less relevant, participants were of the view that human capital information is useful and can be used in screening to reduce information asymmetry problems. Efforts should be made to enhance the comparability, credibility and accessibility of such information so as to increase its effectiveness in the screening process.

7.2.4.2.1 Self-selection though human capital information

The findings also revealed that the disclosure of human capital information not only helps the investors to select the best organisations, but such disclosure enables a natural screening of the organisations that provide such information. Self-selection

has also been noted as a related screening mechanism (Spread, 2011). The responses from some of the participants were:

> *Human capital disclosures, especially if it is done in an organised manner also helps these organisations to compete for funding. So, those organisations which are not attractive will not be selected by the investors, but will automatically remove themselves from the possible list of attractive investment. It creates a fair ground for every organisation competing to attract capital (TLC HRM, 5:35).*

> *The fortunate thing is that those organisations which seem to disclose more of this information will position themselves as better organisations than those doing minimum disclosure. The use of a standard guideline in reporting might therefore create a better platform for our organisations to showcase potential. As an organisation, we strive to do our best to reflect the best of our assets and I believe it counts in attracting the funds that we need (INS4 HRM, 14:27).*

> *I believe the potential of organisations is portrayed by the type of disclosures we make. Naturally, competitive organisations will always be in the forefront in such disclosures. It becomes more of an offensive strategy to attract more funding by exposing their potential. Those organisations which hide their information will therefore be hiding from funders as well (TR1 HRM, 17:27).*

These participants' perceptions are that better organisations will always be selected through the disclosures that they make, which makes it easy for the screening process as these organisation self-identify themselves as good or bad organisations for possible potential investment. These findings therefore suggest that disclosure of human capital information helps in screening through self-selection.

7.2.5 Harmonisation of human capital information disclosure

While signalling and screening are known to be the main solutions to asymmetric information problems, some of the information problems might be perpetuated by the fragmented disclosure of human capital information disclosure. Harmonisation of human capital information might reduce information asymmetry problems by facilitating signalling and screening.

7.2.5.1 Harmonisation benefits

Evidence from the participants revealed that the harmonisation of human capital

information disclosure enhances comparability of the information, increases the relevance of such information, enables easy access to information by the investors, helps the disclosing organisations to benchmark and facilitates the decision-making process. These benefits of harmonisation were therefore suggested to enhance signalling and screening, thereby promoting the reduction of information asymmetry problems.

All participants were in agreement that harmonisation of human capital information enhances comparability of organisations, which is necessary in helping investors to easily select good investments. Participants' observed that:

> *It's a marketing point for organisations that are doing well as comparisons can be made, as such, investors can easily identify good and bad organisations (BNK1 HRM, 6:50).*

> *Harmonisation also increases comparisons and enables investors to choose the organisations that they want, allowing for bench-marking across institutions (INS3 HRM, 11:28).*

> *Harmonisation is important because it helps these investors to compare like with like. This is because when investors are looking at the organisations, they will now be able to compare, they will be looking at all oranges rather than trying to compare oranges with apples (INS4 HRM, 14:21).*

These responses suggest that comparability enables easier separation of good from bad performing organisations, where the same performance signals are sent by all organisations. Such signalling makes it easier for investors to screen and choose the best organisations. The idea that benchmarking is done across organisations with investors being able to compare the same information also suggests that harmonisation of information disclosure brings about a common understanding amongst different organisations themselves and amongst the preparers and users of the human capital information.

Some of the participants further articulated that harmonisation of human capital information was important as it increases the relevance of such information. These participants explained:

> *Investors will be overwhelmed by a lot of information to consider, so if human capital information is to be presented in a manner which enables comparisons, then it will be more relevant and easy to use (INS1 HRM,*

1:17).

As organisations we need to have a standardised way of reporting such that the information becomes more useful and user friendly. If investors can compare such information and find almost similar trends across organisations, it increases credibility of the information unlike in situations where individual organisations disclose what they want. Chances of misrepresentation by organisations will also be reduced (TLC HRM, 5:32).

Harmonisation will also increase such disclosure among organisations, as they will be reporting in the same manner. As such, verifications can be easily done which increases the reliability of the information whilst reducing faking by organisations (TR1 HRM, 17:24).

These responses suggest that the harmonisation of human capital information increases the credibility of the information as verification can be done from different disclosing organisations, making the information more reliable and useful for decision-making. Where comparisons and verification are easily done, the responses reveal that this enhances the strength of the communicated information in decision-making. Miscommunications are minimised, reducing the chances of organisations taking unfair advantage of the less informed investors.

Other participants were of the view that the harmonisation of human capital information disclosure increases the accessibility of such information for decision-making purposes, which easily reduces information asymmetry. Responses from these participants suggest that harmonisation brings more information together and in a more understandable manner, reducing information costs on the part of the investors. More information leads to more signals being sent, resulting in the reduction of information gaps as investors would have easy access to the information. These participants' responses were:

In my view, we need to have industry, if not economy based reporting processes where you look at the report across industries, across organisations, and across banks. Having this information publicly provided by all organisations makes it easily accessible to the foreign investor without them having to go the route of the due diligence. It's very costly to do the due diligence (BNK1 HRM, 6:43).

Yes, harmonisation of this information will obviously bring in better and easy access of information to the foreign investors. It also means that more information will be available for these users to make informed decisions

(INS1 HRM, 1:68).

It will obviously increase the accessibility of such information because currently, we are not even disclosing most of this information. So, it will be made available and investors would not have to come and ask for it, as they are currently doing through the due diligence process. More information through multiple sources means better decisions (TR2 HRM, 19:40).

In support of easy access to information, some participants explained that the harmonisation of human capital information disclosure helps organisations to benchmark their quality and quantity of disclosure. This benchmarking encourages more disclosure from organisations, providing more information for decision-making. The participants observed that:

Comparisons and benchmarking can also be done to and by different organisations respectively, such comparisons obviously become some learning points in reporting where organisations will learn from each other for improved reporting (TR2 HRM, 19:34).

If as organisations we can compare ourselves against each other, we can easily benchmark and make some improvements on our own. Such harmonised reporting will therefore not only help the users of the information, but also improve the way we report as organisations (TLC HRM, 5:34).

Some participants observed that the harmonisation of human capital information disclosure helps in speeding up the decision-making process by investors. The argument was that less time and costs will be needed to understand different investment opportunities as information will be presented in the same manner. Common ground for evaluating these organisations would be brought in through harmonisation. The participants' views were articulated as follows:

The disclosure of human capital information in an organised and agreed manner where some form of guidelines is followed would help the investors to quickly understand the information across different organisations and make decisions. They will not waste much time and resources digging for some information, which they are currently getting through private sources (BNK1 HRM, 6:49).

There will be consistency in reporting for different time-frames within the same organisation, such that investors can even trace back to see the differences in each reporting year. Currently, the reporting is not systematic, so these investors spend a lot of time and resources, searching for the information that might aid them in reaching investment decisions

(INS3 HRM, 11:38).

The different responses and views from the participants point to the idea that the harmonisation of human capital information disclosure can reduce information asymmetry problems with the foreign investors, leading them to make informed decisions. These benefits of harmonisation facilitate better communication between organisations and investors, enabling decisions to be made from an informed position.

7.2.5.2 Harmonisation challenges

The major challenges on harmonisation of human capital reporting as revealed by the participants were on the issue of reaching consensus on what to report, time and resource consuming, resistance to change, and the issue of politics to overrule good reporting. Participants responded:

> *Taking into consideration that different organisations have different perceptions on their human capital and the information they deem relevant, it might also be a challenge to reach an agreement to say what items are of importance to be included in the HR external report (INS1 HRM, 1:75).*
>
> *Harmonisation might reduce diversity in reporting, forcing organisations to focus on same issues (TR1 HRM, 17:25).*
>
> *One big challenge would be on lack of consensus amongst competing stakeholders as to what exactly to focus on (TR2 HRM, 19:27).*
>
> *I think the issue of time might be a challenge, as harmonisation takes a long time. People need to co-ordinate and then come to an agreement to say, what exactly should be included in the human capital reporting guidelines at the end (TLC HRM, 5:19).*
>
> *Harmonisation needs a lot of time, effort and resources, so it might take long to agree on what issues to harmonise and then actually do the implementation (INS3 HRM, 11:34).*
>
> *Resistance to change will always be there, so some form of regulation should be put in place if such harmonisation is to be achieved (BNK1 HRM, 6:49).*
>
> *The other challenge is the reporting when it suits us syndrome. If I am not looking for funding, why bother? So, to put some guidelines to such organisations will be a waste of time because they would not report, unless such disclosures are made mandatory (TR2 HRM, 19:29).*

> *You must understand that there is politics in reporting and other ulterior motives when reporting; as such those with power will determine the success or failure of such harmonisation (BNK3 HRM, 9:38).*

The responses suggest that human capital information disclosure is diversified, which might bring challenges regarding what to focus on. Sentiments also suggest that such diversity will be compromised, forcing organisations to conduct themselves the same.

While such challenges might affect the harmonisation of human capital information disclosure, most participants believed that harmonisation can actually facilitate the reduction of asymmetric information problems with foreign investors.

7.2.5.3 Voluntary harmonisation

Even though some sentiments of mandatory harmonisation were emerging as ways to reduce resistance, most participants in this group suggested that voluntarily following set guidelines was more effective than mandatorily enforcing some guidelines to be followed. Participants argued:

> *I think the best will be to follow best practice in reporting where guidelines could be done through professional bodies (INS4 HRM, 14:25).*

> *The first port of call is setting up a framework to be voluntarily followed, which will be further fine-tuned by specific sectors (BNK4, 16:28).*

> *The best is to encourage best practice rather than putting regulations because regulation does not always work (INS2 HRM, 8:27).*

> *Harmonisation should be flexible enough to incorporate organisational differences, so voluntary disclosure through guidelines would be more appropriate (TLC HRM, 5:34).*

> *Harmonisation by following guidelines would be better (TR1 HRM, 17:28).*

7.2.6 Decision usefulness of harmonised human capital information

In understanding how the harmonisation of human capital information disclosure can facilitate effective decision-making by foreign investors, the researcher drew on the perceptions of participants with regard to the decision usefulness of

harmonised human capital information disclosure.

7.2.6.1 Harmonisation enhances decision usefulness

Because of the benefits to be accrued from harmonisation, participants argued that such benefits enhance decision usefulness of the information to be disclosed. However, the subjective manner in which the information is disclosed reduces reliability of the information in aiding decision-making. Some of the responses from participants in this regard were:

> *What I can tell you is that human capital information is critical in making investment decisions, as it is the human capital which drives other assets in capital accumulation. The more this information is comparable, the better decisions came be made. We communicate such information to inform users in their decision-making (BNK1 HRM, 6:64).*
>
> *Yes, such information might prove to be relevant if it is organised in a manner which makes it more relevant to these users. Look at financial information, investors can easily comprehend such information because it is uniform (BNK3 HRM, 9:39).*
>
> *Investors are overwhelmed by lot of information to consider, so if human capital information is presented in a manner which enables comparisons, then it will become more relevant and easy to use (INS1 HRM, 1:71).*
>
> *Naturally, such information has cost, risk, and profitability implications as I have mentioned earlier on, as such harmonising this information increases the strength of the information in signalling future profitability, risk and costs associated with the business* (*TR1 HRM, 17:19).*
>
> *Harmonisation enables timely communication of information to the stakeholders as a set of guidelines would be followed in preparing the information (TR1 HRM, 17:10).*

However, the study also revealed that human capital information was considered less reliable, as it was provided on a voluntary basis and not regulated. The participants argued that whether harmonised or not harmonised, most of the human capital information provided was not audited as it was voluntary information, and as such, the reliability of such information was questionable. Some of the participants' responses were:

> *Most of the investors focus more on financial information, as the credibility of voluntarily disclosed information is usually questionable. Unlike financial information, this information is not audited and as organisations,*

we usually disclose it for our own benefit (TR2 HRM, 19:39).

The main limiting factor on this information is the subjective nature of the information. Investors want verifiable and hard facts to inform their decisions (BNK2 HRM, 16:34).

The information mostly comes in a qualitative nature which makes it less useful in reaching a business decision Sometimes it becomes very difficult for investors to rely on qualitative information (INS3 HRM, 11:31).

These responses indicate that the quantification of human capital information would increase the usefulness of such information and not necessarily harmonisation. In as much as harmonised human capital information was considered less reliable, its advantages of comparability, increase in relevance, access and the ability to give timely information on the potential performance of the organisation made the information to be considered decision useful. Such characteristics of human capital rendered it more useful in facilitating investment decision-making by foreign investors.

7.3 CONCLUSION

This chapter presented the findings from interviews which were done with one group of the preparers of corporate annual reports, which were the Human Resource Managers. The major findings from this group were that corporate annual reporting is done to communicate information to stakeholders for them to make informed decisions whilst also complying with the set regulations. However, because most of the information being reported is mandatorily regulated, the findings revealed that regulatory requirements also influenced the type of information found in these corporate annual reports. The financial information was therefore perceived to dominate as it was mandatorily reported, in as much as participants also revealed that the information was considered relevant and useful in decision-making.

While acknowledging the relevance of financial information, the findings from the participants revealed that human capital information was also voluntarily communicated to enable users to make informed decisions. Human capital information was therefore revealed to communicate futuristic information which

was essential to the users. However, the study also revealed that such human capital information was limited and disclosed in a fragmented manner, leading to asymmetric information problems with foreign investors.

Because of its ability to communicate important information to the investors, the study revealed that participants were of the view that human capital information can be used as a solution to information asymmetry problems where it would be used in signalling and screening. The study further found that harmonisation of human capital information enhanced signalling and screening in solving information asymmetry problems. The reduction of asymmetric information related to human capital information was revealed to enable foreign investors to make informed investment decisions as human capital was considered decision useful. The views of Group 1 are summarised in Table 7.1.

Table 7.1: Summary of evidence and emerging themes

Theme evidence	Theme indicator	Emerging theme
- We are required to do so through the ZSE listing requirements. - Culture of reporting focuses on financial information. -Culture of secrecy in reporting. - In the Zimbabwean economy and in developing countries in general, there is no culture of giving more information. - I would say largely it's cultural.	Macro environmental context	**Signalling and screening context** *-The culture context determines what is reported.* *-Regulations influences what gets reported.*
-We do report for regulations reasons. -We also report some information voluntarily. -To communicate with various stakeholders for the purposes of decision-making. -Investors look for multiple information including financial information. -Investors now look more into forward looking information which is found in non-financial assets. - We target current shareholders, potential shareholders (investors) and the regulatory bodies. We are also required to do so through the Companies Act.	Corporate information disclosure context	
- There is a lot of [HC] information which is not being provided in the annual reports. - What you see being reported on more often than not, are the financials. - It's [HC information] quite scant. - Investors sometimes invest without this [HC] important information.	Inadequate reporting	**Human capital information asymmetry** *- Inadequate and fragmented reporting causing information asymmetry.*
- There are variations in reporting amongst the organisations. - That information might be different to the next organisation. - Without guidelines, it becomes a policy issue on each individual organisation. - Emphasis on what to focus on will also be different, thereby disclosing information differently.	Fragmentation	

Table 7.1 continued…		
- Wrong investment decisions can be made due the lack of adequate human capital information. - There are adverse consequences of having [human capital) information asymmetries. - The probability of making bad choices without the privilege of some of the information to do with the human capital is there. -Investors might invest in poor performing organisations unlike if all the information is furnished to them.	Adverse selection	**Human capital information asymmetry problems** *-Human capital information asymmetry results in bad investment decisions.* *- Human capital information asymmetry facilitate opportunistic behaviour by organisations.*
- We can get away with some of the negative information which we would not be comfortable disclosing as we look for funding. - The room to use the private information to our advantage will be there. - There is leeway to abuse the information advantage at the expense of these investors, mind you we have our own interests as organisations.	Moral hazard problems	
-Capacity of the management to execute the strategy and achieve profitability. - Industrial harmony brings in stability and better likelihood of good performance. - This [HC] information provides indicators on the stability and continuity of the organisation. -Shows the capability of the organisation to produce good performance in the future. - This information [HC] helps investors to see the costs associated with an investment. - It [HC] gives investors some clue on the risks of doing business.	Human capital information signals	**Signalling human capital information** *-Human capital information signals important information to foreign investors***.**
-The credibility of unverified information is usually questionable. - The reporting environment is dominated by financial information which is easily accessible. - Investors want verifiable and hard facts to inform their decisions.	Signal strength	*-Incredibility of human capital information weakens signalling.*

Table 7.1 continued…		
- As investors look for investments, they distinguish different organisations through their human capital base. - Through this [HC] information, investors can therefore weigh the capacity of different organisation. - Investors will obviously take that [management credibility] as a point to screen some of the organisations. - For investors, indicators of each organisation's competitive position can also be shown through human capital. - Investors prefer those organisations which have better indicators of profitability, whilst reducing the selection of risk and costly business.	Investment selection by investors	**Screening through human capital information** *-Human capital information enhances investment selection.*
- Organisations naturally remove themselves from the possible list of attractive investment. - Those organisations which hide their information will therefore be hiding from funders as well. - The potential of organisations is portrayed by the type of disclosures we make.	Self-selection by organisations	*-Human capital information helps organisations to separate themselves.*
- Unsystematic reporting makes the information less useful for investors to compare and select best organisations. - But now, how do the investors compare and select the best organisation when there is no guideline being followed? - Investors have to do due diligence to dig up more information especially on aspects to do with human capital, but how many companies can you do diligence on?	Screening capacity	*-Fragmented disclosores reduces effective selection of investment choices.*

Table 7.1 continued…		
- It [harmonisation] increases credibility of the information unlike in situations where individual organisations disclose what they want. -Information can be easily verified. - It [harmonisation] will obviously increase the accessibility of such information, making information to be more observed.	Signal fit	**Harmonisation facilitates signalling** *- Harmonisation increases credibility and accessibility of information***.**
- Harmonisation will also increase disclosures among organisations, as they will benchmark when reporting in the same manner (frequency). - Harmonisation will mean that information is repeatedly seen in several organisations. -The more observed the information is, the more it will become more relevant to several users. -Harmonisation enables focused reporting, reducing costs of sending the information.	Signal diffusion	*-Multiple information increses relevancy and accessibility of information***.**
- Several signals reduce miscommunication. - It [Harmonisation] makes it difficult to fake as benchmarking can be done. - Harmonisation might reduce diversity in reporting.	Signal erosion	*- Harmonisation reduces faking by organisations.*
- Politics and ulterior motives in reporting derail harmonisation. - Resistance to change will always be there. - Lack of consensus by competing stakeholders on what to report. - It requires a lot of resources and effort from the organisations.	Harmonisation challenges	
- The best is to encourage best practice, rather than putting in regulations. - The first port of call is setting up a framework to be voluntarily followed. - Voluntary disclosures through guidelines would be more appropriate.	Nature of harmonisation	*-Voluntary harmonisation is effective in enhancing signalling.*

Table 7.1 continued…		
- Comparisons can be made and investors can easily identify good and bad organisations. -Effective communication helps in selection of better organisations.	Screening	**Harmonisation facilitates screening**
-Harmonised human capital information is comparable. - Harmonised human capital information is more relevant. -Harmonised human capital gives futuristic information. -Harmonised human capital information is more credible.	Usefulness of harmonised information	**Harmonisation enhances decision usefulness of human capital information**

Having presented the findings from Group 1 of the preparers of corporate annual reports, the next chapter will present findings from Group 2 of the preparers of corporate information, which are The Finance Directors.

CHAPTER 8

FINDINGS FROM GROUP 2 INTERVIEWS: FINANCE DIRECTORS

8.0 INTRODUCTION

This chapter present findings from the second group of preparers of corporate annual reports. This group consisted of Finance Directors of the reporting organisations. The need to do interviews with this group of preparers arose because of their role in the disclosure of human capital information. It is this group of participants who are involved in the final compilation of the annual report which is then published for external users. They compile information from all the departments, including human capital information, and then disclose the information which is considered important by the organisation. This group was therefore treated as preparers Group 2.

Ten Finance Directors agreed to participate, giving a response rate of 71%. Three of the organisations whose corporate reports have been analysed declined to take part, giving reasons of time constraints, sensitivity of the information and company policy. One finance director who had agreed to participate could not participate due to time constraints. The same interview guide used for Group I of preparers was also used for this group (see Appendix B).

The key findings from this group were that human capital information was minimally and fragmentally disclosed due to the nature of corporate information disclosure. The importance of human capital information in signalling decision useful information for investment considerations was acknowledged. Harmonisation of human capital information was proposed as being necessary in facilitating signalling and screening to enhance effective investment decision-making by foreign investors. After brief background information of the participants is given, the findings from this group are presented using data categories generated from the participants' responses.

8.1 BACKGROUND INFORMATION ON PARTICIPANTS

Group 2 consisted of ten Finance Directors of the participating organisations. Of these ten participants, nine were males with only one participant being female, reflecting the dominance of males in this influential role. This is common in most developing country structures where most influential roles in organisations are still male dominated due to the nature of the cultural structures where work has been considered a male role. The views of this group might therefore have been influenced by male dominated responses.

The researcher established that all the Finance Directors had at least five years of experience in their current roles, with most of them holding at least a minimum of a Masters Degree qualification. Most of the participants had several professional qualifications and were actively affiliated to professional bodies in their field. Also, most of the participants fell within the 45-65 age group, reflecting the dominance of middle to retirement ages in this group. The participants confirmed their involvement in the preparation of the corporate annual reports for external publication. These participants were therefore in a position to discuss issues pertaining to the research questions, considering their experience and exposure within the organisation and within the profession in general.

All the participants in this group occupied top management positions in the structures of their organisation and reported directly to the Chief Executive Officer. They had a seat on the board of directors, which could have implications on the influence they may have on decisions regarding external disclosure of human capital information. Sentiments of superiority of their positions as heads of their departments were shared, as also reflected by the office space and a close positioning of most of their offices in relation to the C. E.O's office.

Given this background, the findings from this group are presented next, using data categories generated from the participants' responses.

8.2 RESEARCH FINDINGS

8.2.1 Overview of corporate annual reporting

As explained in the previous chapter, the aim of having an overview of corporate annual reporting was to have background information on the views of participants and also to make sure that the participants are ready before moving on to the major questions specifically focusing on human capital reporting. With the same set of questions having been used with these two groups of participants, the same presentation format is also followed.

8.2.1.1 Reasons for corporate annual reporting

Participants in this group observed that corporate reporting was done to comply with the regulations, to communicate with stakeholders for them to make informed decisions, to adhere to good corporate governance and to attract funding. In as much as these reasons for corporate reporting were cited, most of the participants were of the view that regulatory compliance and the need to communicate with stakeholders were the major reasons behind such reporting.

Some of the participants who were of the opinion that corporate reporting was done for compliance reasons argued:

> *Because we are listed on the Zimbabwe Stock Exchange it is therefore mandatory for us to report, as such, we do it as one of the listing requirements. We mainly report not because it is best practise to do so, but we do it because we must comply with the regulation (INS2 FD, 12:1).*
>
> *Mainly we do it because it is a legal requirement. We are a banking institution and we report to the RBZ. We are also a stock listed company, as such; we prepare these reports, as per the listing requirements. We therefore report to fulfil legal requirements (BNK3 FD, 15:1).*
>
> *The listing requirements of the Zimbabwe Stock Exchange require us to periodically report on the activities of the hotel to its shareholders, stakeholders and the public. Failure to stick to prescribed reporting guidelines, the auditing of other organisation's financial performance and risk profile and governance issues, has serious repercussions to the company that include delisting and heavy penalties for non-compliance (TR2 FD,20:1).*
>
> *For us we are a listed company, so, whether we like it or not it's a matter of*

regulation. We are required to report (TLC FD, 3:1).

Most participants further articulated that, in as much as they follow regulations they also do corporate reporting to communicate with stakeholders. These participants responded:

> *Essentially the reason why we report is to give information to our stakeholder, on how the institution has been doing. At the moment we are reporting half yearly and also reporting at the end of the year (BNK1 FD, 2:1)*
>
> *We have to advise our shareholders what is happening in their company and the only way to do that is through the annual report, that's when they can know and understand what is happening in the company and where we are going (TLC FD,3:2).*
>
> *There are several reasons, but it is largely to provide information to various users and the users come in various forms, which include the current and potential shareholders, the regulators, customers and even competitors (INS2 FD, 10:7).*
>
> *We report to inform our shareholders both current and potential shareholders on the performance of the organisation, during the reporting period, which is usually done yearly... We also make use of this report to communicate any other vital information, which might be important to the stakeholders (TR1 FD, 7:1).*

Whilst compliance reasons compel these preparers of corporate reports to report on the activities of the organisation, it is worth noting that such reporting is also done to communicate with the stakeholders. The need to communicate with these stakeholders indicates that these preparers of corporate reports perceive the corporate information to be vital to the external users, as it aids in decision-making. Some participants commented that:

> *Corporate reporting has to be done because the company is owned by shareholders and the shareholders need to know what is happening in their company and they need to know the sort of decisions that they will then make given the information they would have gotten from us (TLC FD, 3:3).*
>
> *Information is given to allow users to make decisions and decisions maybe made from various perspectives depending on who the user of that information is. But the main issue is that we provide those reports for decision makers and whatever form and for what purpose they may require the information for, the essential reason is to provide information for decision-making (INS2 FD, 10:8).*

Other participants observed that they also provide corporate information so that they adhere to good corporate governance principles. These participants' responses were:

> *For our bank, I think we are prepared to embrace good reporting standards. Well, we have no choice available because we also have to adhere to good corporate governance principles if we are to survive in this industry. That is why you realise that some of the information we further disclose has nothing to do with the legal requirements, but we do it for good corporate governance. This is a bank, and adherence to good corporate governance gives assurance to the stakeholders that the company is run well (BNK1 FD, 2:55).*
>
> *However, naturally because of corporate governance, we need to report such information that we show our transparency as an organisation (BNK3 FD, 15:2).*

These findings indicate that besides regulations, corporate governance principles also influence the reporting practices of these organisations. This may explain the reasons why most information which was disclosed under voluntary information was also revealed from the content analysis, to be related to corporate governance. It must be noted that these sentiments were expressed mainly by participants from the banking sub-sector, which may indicate that corporate governance issues are considered very important in the banking sector.

A few other participants supported the point about attracting funds and explained:

> *For the sake of getting funding, we also report corporate information such that the potential funders can assess our suitability for such funding (BNK4 FD, 18:19).*
>
> *We also report such information because it is a marketing tool for investor relations. Potential investors might therefore be attracted to the company through such disclosures (INS1 FD, 12:2).*

From these reasons for corporate reporting, it may be inferred that these preparers perceive the information to be useful to the external users, giving them the reason to disclose corporate information. Mandatory reporting appears to play an influential role in corporate annual reporting, which might suggest that such information is very useful for it not to be reported, hence, enforcements are also put

in place to make sure that the users get the information to make informed decisions.

8.2.1.2 Major stakeholders targeted for corporate reporting

Having explained that corporate reporting is also done to communicate with the various users of corporate information; most participants were of the opinion that there are some major stakeholders which the preparers of the report specifically target for their reporting. Thus, in as much as other users also benefit from the corporate report, the participants argued that their major stakeholders were the current shareholders, the investors and the regulators. Some of the participants revealed this by saying:

> *Our main concern is on whether the information has reached to the major groups, which are our shareholders, potential investors and regulators. However, the report is used by various users, and, once the report is out, it then serves as a useful source of information for all our stakeholders (TLC FD, 3:7).*

> *In terms of the reports we are producing at the moment, the emphasis has been on shareholders, both current and potential and then the regulators, as you know we are a listed bank. Other stakeholders like tax authorities, the employees, and customers, and even competitors also then can access the report for their own purposes (BNK1 FD, 2:2).*

> *Well, we look mainly at our current shareholders, who are the owners of the entity, potential investors, our regulators, creditors, and then also employees, labour unions, government, suppliers, and our customers. So, you have got a broad range of people that you report to, each one will find their kind of information within those reports and they then make their decisions based on the information that they get. They may not be interested in the rest of the report but find information that is relevant to their needs (INS2 FD, 10:14).*

There are some participants who were of the view that their major objective was to communicate with the current owners of the organisation, who are the shareholders, then all other stakeholders would be considered as secondary users. These participants' responses were:

> *These reports are primarily used in communicating with our shareholders, but there are also several other users like potential investors, government, regulators and even people who want to do research on our organisation. Corporate reporting is therefore for quite a number of audiences (INS4 FD, 13:1).*

Mainly we use it to communicate with our shareholders, as it is also mandatorily required to do so by the Companies Act, but ultimately the information is also useful to other users like potential investors and financial analysts (TR1 FD, 7:2).

While the current shareholders are considered the dominant stakeholder in the provision of corporate information, the study also revealed that investors form one of the core stakeholders whom that the preparers of the corporate reports have in mind when communicating corporate information. The information needs of these investors are therefore taken into consideration when organisations prepare their corporate annual reports.

8.2.1.3 Regulations influencing corporate reporting

The dominance of compliance with regulations, as one of the major reasons for reporting, revealed that regulations have some considerable influence on the reporting systems of organisations. Some of the regulations cited as having influence on reporting are the Zimbabwe Stock Exchange listing requirements, International Accounting Standards, Companies Act and the Reserve Bank of Zimbabwe's guidelines. Participants' explained:

The Zimbabwe Stock Exchange is one of our major regulators. We also have the International Accounting Standards (IAS) where we are required as a listed bank to conform to the rigorous demands of accounting and financial reporting. Today, we must also be very cognisant of issues of corporate governance that implore upon companies to report on their activities and have in place sound and solid systems, policies and practices in how organisations are governed. The recent gazetting of the National Code of Corporate Governance in Zimbabwe by the RBZ sets the tone on reporting requirements and expectations on company boards and how managers conduct their daily activities (BNK4, 18:3).

We are a listed company, so our reporting requirements are stipulated by the Zimbabwe Stock Exchange and the Securities Commission of Zimbabwe. We now also have our own code on corporate governance, which means that as a nation we are progressively moving towards adopting internationally accepted governance standards (TLC FD, 3:14).

We have the International Accounting Reporting Standards which play a very significant role in what sort of information comes out, and the corporate governance standards as well. Regulators include the Zimbabwe Stock Exchange, the Securities Commission of Zimbabwe, Hospitality Association of Zimbabwe, Reserve Bank of Zimbabwe, ZIMRA, and other

statutory bodies (TR2 FD, 20:5).

The International Accounting Standards guides us on the kind of information we should provide in terms of reporting, so we don't decide on what to report when it comes to certain information which is regulated (INS2 FD,12:5).

Even though guidelines on corporate governance principles are not legal regulations, they seem to influence the reporting practices of the organisations. Evidence from this group indicates that participants also adhere to good corporate governance principles.

8.2.1.4 Dominant information in the corporate annual reports

Giving their opinions on current reporting practice, all the participants agreed that financial information was the most reported information in corporate annual reports. The relevance of such information, the influence of regulations and the historical development of the corporate reporting system were cited as the major reasons behind the dominance of financial information in the corporate annual reports. Responding on the relevance of financial information, participants contended:

Our main reporting is on finance because the main asset put by the investor is the finance, so we report on this information. There will not be any reporting if we do not report on financial performance of the organisation. We believe that the users need that information most (INS4 FD, 13:7).

Financial information is quick to grasp as these will mostly be figures, as such we give more of such information and users find it more useful in making informed decisions. Financial information is more objective and reliable in assessing the position of the organisation (TLC FD, 3:12).

Users want more of quantitative information that is why we provide this information (TR2 FD, 20:4).

Demand of information determines the supply side. The more the information is demanded, the more we provide it. This is the current situation in our reporting space; users demand more of financial information than any other information. Maybe that is why this information is even mandatorily reported (BNK3 FD, 15:7).

Commenting on the influence of the regulations on financial reporting, some

participants responded:

> *Currently, the focus has been mainly on financial information, which is obviously required by the law (TR1 FD, 7:10).*
>
> *Financial reporting is a requirement through regulations; as such you will find that this information is always reported to abide with the regulations (INS2 FD, 10:4).*
>
> *With financial reporting, we have to report because it is also a legal requirement; we have no choice when it comes to such information, unlike with voluntary information which becomes an issue of what we want to report in any given period (BNK4, 18:5).*

Similarly, some participants pointed to the issue of the historical development of corporate reporting, where traditionally the focus has been on financial information only. Thus, these preparers were accustomed to, and continue to focus on, the disclosure of financial information as this is the information which has been reported on, since the initial development of the corporate reporting system. The participants observed:

> *Well, I think it must have been because of the development of the corporate reporting itself. Because it was initially financial reporting only, so the emphasis was purely on financial information, with the assumption that all the stakeholders are interested in just the financial aspects of the business. I think previously, most of the information being voluntarily disclosed now, was not considered important in terms of reporting (BNK1 FD, 2:5).*
>
> *I think traditionally as organisations, we have tended to report on financial information, as reporting was initiated from this area (TR2 FD, 20:7).*
>
> *Otherwise the emphasis when we look at public reported information from corporate reports is largely on financials as we are used to reporting on this information from way back (INS2 FD, 10:3).*

While it is evident from these responses that regulations and the development of the reporting system have influence on the disclosure of corporate information, the participants revealed that the relevance of the financial information to the users greatly shapes the high levels of disclosure on this information.

8.2.1.5 Important information for decision-making

The views of most participants were that financial, governance and human capital

information in their sequential order of importance were the most important information that could be provided to the users of corporate information. To support this assertion, some participants explained:

> *I think financial capital is more important because at the end of the day, what we need in the organisation is the profit and such profit is represented well by the financial information (TLC FD, 3:17).*
>
> *I think financial information comes first because you cannot talk of running any business without it (BNK3 FD, 15:7).*
>
> *As a finance person, my bias is towards quantitative types of information. As such financial information is key in showing the potential of an organisation. With financial resources, the bank can leverage on this capital to acquire other resources such as human capital and can also invest in relational capital. These are more qualitative aspects that are dependent on the hard capitals (BNK4 FD, 18:8).*
>
> *Financial capital is obviously important, then governance where you look at the structure of the organisation from the board to the management of the company; that is who manages and how the organisation is managed (INS4 FD, 13:5).*
>
> *I would prioritize financial information and corporate governance issues. Financial indicators are important because every investor looks at the numbers in pouring money into the business. There is specific information that needs to be flagged such as return on investment (ROI), payback period (PBP), internal rate of return (IRR) etc. Then I would also look at the management behind these numbers (BNK4 FD, 18:7).*
>
> *Governance details also need to be prioritised as information from structures becomes the foundation that builds the confidence of the investors in ploughing new capital into the organisation (TR2 FD, 20:7).*
>
> *Human capital is also critical because it doesn't matter whether you put in a billion or a million; if it's not managed and turned into productive value, you can easily loose it in this sector (BNK1 FD, 2:13*).
>
> *This sector also relies more on the skills and competences which resides in people, so without them, finance alone will not suffice (BNK3 FD, 15:7).*
>
> *Our key assets are the human capital, and then financial capital, why, because this is an industry which is driven by people (TR1 FD, 7:8).*

Whilst human capital is also considered an important capital in the performance of an organisation, this group of participants seem to give more attention to financial

and governance information.

8.2.1.6 Information needed by investors

Having acknowledged that potential investors are also considered as users of corporate information, the findings from this group of participants revealed that investors are interested in both historical and futuristic information. Their argument was that such information allows investors to have a balanced overview of the performance of an organisation. Some of the participants argued:

> *For potential investors, they would want to see how the company is performing and get some indicators on how it is likely to perform in the future. Because for these investors to put money in the organisation, they would want to see how has the company performed and its potential for future performance. Futuristic indicators are new areas of reporting which are becoming essential as investors are also seriously considering such forward-looking information (INS4 FD, 13:2).*

> *So whilst investors are interested more in the future capacity of the organisation, historical information remains particularly important because it provides certain landmarks in the history of an organization and also helps decision-makers to extrapolate certain information for that very same past in order to try and project the future (BNK FD, 15:4).*

> *They want to see how the organisation is performing and its likely future performance (TR1 FD, 7:4).*

> *These users are now realising that all contributors of value creation are essential in understanding the position of the organisation. As an organisation, we are now even asking ourselves: Can we not disclose information relating to all these value contributors in the organisation? (BNK1 FD, 2:54)*

Human capital, having been considered too as an important capital, also provides forward looking information. If these investors are perceived to find futuristic information relevant and useful in decision-making, the provision of human capital information might therefore assist investors in making informed decisions with regard to the reporting organisation.

8.2.2 Human capital information disclosure

As mentioned in Chapter 7, the purpose of follow-up interviews, having done

content analysis of corporate reports was to understand the reasons behind human capital information disclosure in corporate annual reports and to understand if preparers of corporate annual reports find such information disclosure adequate and relevant to foreign investors as one of the users of such information.

8.2.2.1 Reasons for human capital information disclosure

Responses from the participants revealed that this group of preparers of corporate information discloses human capital information to help the users make informed decisions, to show the potential of the organisation, to embrace new changes in reporting, and to increase transparency of the organisation. In portraying that most of these preparers disclose human capital information for decision-making by users, some of the participants responded that:

> *The reason why we disclose human capital information is that we want these investors to be able to assess the organisation and make decisions for investment before they even come to enquire more about investment opportunities in the organisation (BNK1 FD, 2:30).*
>
> *We want these investors and other users as well, to make informed decisions. Whilst human capital information is not considered in isolation, they use information on human capital information with other factors like finance, legal environment and so on, to make decisions (INS4 FD, 13:20).*
>
> *Yes, it is very relevant to them, especially when making investment decisions. I think more disclosure might be helpful as it will also protect investors and the public from making wrong decisions (BNK3 FD, 15:13).*
>
> *We give them such information because we understand they use it to their benefit. Investors in most cases look at wage minimums and the flexibility of labour laws; that is the ability to hire and fire when market conditions dictate. If labour is cheap and is readily available, investors use this information to make investment decisions (TR2 FD, 20:16).*

It is therefore inferred from these responses that these preparers of corporate reports perceive human capital information to be decision useful to foreign investors; as such they provide the information for decision-making purposes.

Other participants believed human capital information is necessary in portraying the value creation capability of the organisation. Their argument was that investors are interested in understanding the future potential of the organisation. These

preparers therefore disclose such information to give some insight into the potential of the organisation. The participants explained:

> *As I initially commented on its strategic importance, human capital is core in this industry and the potential of the organisation lies in the human capital of the organisation (TR1 FD, 7:14).*

> *The human capital we are talking about, we disclose it to give the investors some confidence, that though we have these financials that we give you year in year out, we also have a sound team that is driving the organization so increasing investor confidence in the capability to attain future performance (INS2 FD, 10:24).*

> *Well, human capital information is very important in decision-making. I think we have to look at it as the pillar of the organisation, and that is why we give out some of the information we think is useful to the users. The service organisation can't do without people. I know in some industries, some organisations may say they can do with minimal people, but with the service organisations, because we are offering a service, HR contributes significantly and when you look at our costs 40%-50% of our costs are HR related, it just shows the extent to which the organisation relies on human capital (BNK1 FD, 2:28).*

> *So, in this industry, the people skills in your organisation are the business (TR1 FD, 7:7).*

From these responses, the perceptions of the participants are that human capital information communicates valuable information about the potential of the organisations. However, besides disclosing human capital information for decision-making purposes and to show the potential of the organisation, most of these participants further articulated that they were also responding to the changing information needs of the users of corporate information. Some of the responses from these participants were:

> *I think it is because the reporting environment is changing, just like technology is changing rapidly. There is now a huge movement in all these stakeholders in terms of information requirements and that puts pressure on organisations in the way we are reporting that information. Emphasis on equality through gender based movements has changed over time you know, and also issues in terms of management transparency have also changed over time. This therefore shifts the focus in terms of information requirements by the users where qualitative information is also becoming more relevant (BNK1 FD, 2:56).*

> *There has been a move towards integrated reporting over the years. This is*

> *in recognition that users are now focusing on more than financial information. Responsible authorities are already coming up with a standard for the integrated report. So once the standard is there and it's compulsory, we will have no choice but to disclose more of such information. So, it might be voluntary but there is an indirect coercion. So, we are already shaping up as we move towards integrated reporting. As a company, we are already producing the integrated report (TLC FD, 3:15).*
>
> *Mind you, there are changes which are happening in the reporting space, and we have been traditionally accustomed to financial reporting only. But things are changing and we must embrace such change (TR1 FD, 7:11).*

These responses imply that human capital information is becoming more relevant and useful as the information needs of users are evolving due to the changing environments. In line with the changing information needs of users, one participant brought in the issue transparency of organisations becoming more vital in the reporting space, explaining that:

> *I think maybe information like this would result in certain changes. For instance, if we use the PSMAS example, oh, those figures were outrageous and when we all read them in the newspaper we were like, what? How can some people be paying themselves something like this? I can imagine if that sort of information was coming from an annual report, it may not even have happened because somebody would know that, it's a matter of months before this comes out. I don't think anyone in their right senses would have been awarding themselves a package like that, knowing that it would come out in the annual report. The need to curb such problems is seeing the reporting on human capital information and other information as well, being pushed for (BNK2, 4:35).*

This participant's argument is that more disclosure of human capital information might reduce some moral hazard problems in organisations when these organisations become more transparent about their operations.

From these various reasons of disclosing human capital information, the overall perception being brought out is that this group of preparers perceives human capital information as becoming relevant and useful. These preparers therefore make such disclosures to assist foreign investors in making informed investment decisions while at the same time responding to the changing information needs of the users of corporate information.

8.2.2.2 Adequacy of human capital information disclosure

The evidence from the content analysis having revealed that most human capital information was minimally reported, and also reported in a fragmented manner, the researcher obtained from this group of preparers their views on the adequacy of such information to the users. The data reveals that there are some mixed views on whether human capital information was adequately disclosed.

Some of the participants acknowledged that human capital information disclosure is still not enough for the users. Responses from some of these participants were:

> *On human capital information disclosure, I think we must decide as an organisation, I am not saying we don't place importance on human capital as a resource. It is key and we make sure that we have key and important people in those positions; that is given, but in terms of reporting I am afraid there is a serious gap. Sometimes we think we are doing the right thing, but sometimes we need an external factor to say guys the world has changed. Probably that's why these investors have to ask a lot of question when they come to do due diligence. If we were probably providing such information they wouldn't ask a lot (BNK2 FD, 4:6).*

> *There has not been particular emphasis coming out of published financial information about human resources if you look at most annual reports for listed companies you barely find sufficient information that relates to human resources - obviously the bias has been towards financials. I think there is scope to improve in that area, as an organisation we do acknowledge the importance of human capital, it's just that it has not been publicly reported other than some of those areas I have cited as examples (INS2 FD, 10:3).*

> *I think additional disclosure is required on most human capital items. Issues such as remuneration systems, labour practices and recruitment policies are currently not available in our reporting. That might be one of the reasons why we get low funding, because our reporting standards are very low, compared to what investors are used to, in their own home country (TR1 FD, 7:29).*

> *There is a difference in terms of the annual report, between what we disclose and what we do. What we do internally that's where we give detailed information on management reports, focusing on internal issues which we don't report because the information is not for public consumption. The bulk of intangible assets information is not available to everyone else; this is also because such information is also not tangible enough to really talk a lot about (BNK1 FD, 2:29).*

Some participants however felt that what they are currently reporting might be

adequate for the users to make informed decisions. Their responses in this regard were:

> *We give the information that we think is relevant and useful to these investors. That is why we focus on the top management who give direction to the organisation. So such information I assume is enough, given that this is discretionary information that we give them (BNK3 FD, 15:16).*

> *We therefore try to summarise and give information which we think is vital in terms of people. The bulk of the information will remain in the internal management reports, for management purposes as we think that it is not for public consumption (TR2 FD, 20:14).*

> *We voluntarily disclose what we feel is pertinent to disclose. For example, we say look, management qualifications are always readily available, we can cut out on this and focus on this, but I really do not think that it is because we are quite certain on what users want, so from that perspective, I would say what we are disclosing is adequate (TLC FD, 3:37).*

While some participants believed they give what they think is important, the fact that they were also not sure of the adequacy of such information suggests that the investors might not be getting enough of the human capital information. This was supported by some of the participants who acknowledged that the current disclosures on human capital information were not adequate. The general perception from most of these participants was that the human capital information being provided might not be adequate for users to make informed decisions.

8.2.2.3 Reasons for minimal human capital information disclosure

With participants having acknowledged that human capital information might be inadequate for users to make informed decisions, reasons which might be leading to minimal disclosure were also revealed by these participants. The major reasons were the strategic importance of human capital information, human resource department not providing the information, human capital not demanded externally, fear of giving away negative information, and lack of reporting guidelines. The cost associated with human capital information disclosure, culture of secrecy and lack of awareness on the importance of disclosing human capital information were also highlighted but not significant.

Most participants were of the view that human capital information is not disclosed in corporate reports because such information is of strategic importance. Thus, the organisation would not want to expose its sources of competitiveness, resulting in minimum disclosure. Some of the responses in support of this view were:

> *I'm saying, some of the information then, might be competitive in that it has competitive edge implications. So, that's why we just stick to the minimum requirements. We know and we are aware that everyone else is holding to their information, especially for private companies, they benefit from disclosure of public listed companies, whilst they do not disclose such information themselves. So we also try to protect our organisations by not disseminating competitive information, especially if it is voluntary in nature (BNK1 FD, 2:40).*

> *We would not want to give away our strategy. So, such reporting must be balanced. Private companies are not reporting such information, so why should we report? There are big companies like Unilever, what they do is that they just file their financial statements with the Registrar of Companies (TR1 FD, 7:13).*

> *As an organisation, we also want to restrain giving away sensitive information about the organisation. Some of the information should always remain internal for competitive reasons. As an organisation, we would not want to publish beyond minimum, so normally what we do is we publish mostly the required information, and as well as that information that we think will not bite us back. Even when the auditors are checking, they check our compliance to the requirements (INS1 FD, 12:7).*

Some participants further argued that the human resource department is not providing the information deemed relevant for external reporting. Their responses were:

> *That information which is there was decided long back, but there haven't been any approaches from the HR to say this is important for disclosure in the annual report. As the compilers of such information, we might not see the need for the disclosure of such information, as professionally, the area is also not technically our area of speciality. We therefore focus on what we know most, and the standardised reporting (BNK1 FD, 2:27).*

> *I also feel the HR practitioners are passive because if they were active, they will be pushing for such information to be included. Other professionals are pushing for their information to be included in the corporate reports. For HR, there seems not to be any arm to push for the reporting of such information. The organisation becomes reluctant in reporting and only that information, which has advocates behind, will see its way into the report. Look at how information on corporate governance is being reported. But it*

did not start way back. Look at the environmental reporting; all these are areas where advocates had to push for such information to be reported are seeing such information getting through into annual report (TR1 FD, 7:33).

Internally are they providing such information for the organization to choose? Maybe there is nothing to report because there is nothing relevant coming up from the relevant department? Year in year out we seem to be reporting on almost similar things, so we end up just duplicating that last annual report when it comes to this area. Any pertinent updates can then be found on our company website (INS2 FD, 10:48).

So, lack of awareness of the importance of human capital information, may be one of the challenges. The HR professionals should guide us on this. These new areas of reporting, especially on these intangible assets, are just coming in. We are more conversant with reporting tangible assets which have material value, and even our reporting systems are crafted in such a manner (BNK2 FD, 4:11).

Another reason articulated by most participants on the minimal disclosure of human capital information was to do with the lower demand of non-numeric information externally, as they perceived that information to be internal information for management and operational purposes. These participants argued that:

With financial statements, users can make a comparison that is why maybe there is also that demand for financial information by the investors. We do our comprehensive reports internally, and then give out the financial implications externally. I do not think the value creation process is of necessity externally as it can be easily displayed by the financial outcomes (BNK1 FD, 2:49).

That's what will come out more. More numbers let us be convinced that there is a return for taking this investment decision, there may be no mention of human resources at that particular point, as such information becomes mostly internal information (INS2 FD, 10:19).

Businesses means numbers, systems and controls. Human capital reporting must embrace a quantitative nature for it to influence business strategies. There must be a link between human capital information and the business bottom line that is beyond doubt if such information is to be of value externally. Investors are interested in business; as such they also want information that talks the business language (TR2 FD, 20:29).

Some of the participants, however, raised issues to do with fear of giving away negative information about the organisation. They argued:

But because we are human beings, it's not so easy to disclose something

which will paint a bad picture to the organisation. The choice is obvious, I will choose that which favours and portrays a better picture of the organisation. If certain disclosures will not cast us in the right sort of light, we may decide not to do that (TLC FD, 3:47).

What is a selling document? A selling document you are taking the positive, possibly of yourselves, right? And the negatives could be there but because you are selling, you can't start highlighting those unless it's regulatory (INS1 FD, 12:20)?

Other participants further raised the issue of lack of reporting guidelines, as perpetuating minimum reporting of human capital. These participants contended that:

The only problem is that there is no prescription to such information. We just give the information that we think is necessary. If financial information is no longer adequate, then other types of information, if relevant, should also be reported on. There should therefore be some guidelines on how to report such information. That's why I was saying if there were Human Resource reporting standards, maybe human capital information could easily find its way into the corporate board, and finally into the annual reports, but at the moment there is basically nothing to talk about (BNK1 FD, 2:23).

If not regulated and with no reporting standards to follow, I may not even put it. I still get away with it but still have an annual report (INS1 FD, 12:24).

It becomes discretionary information which we choose on whether to report as there are no guidelines to follow (INS4 FD, 13:14).

These various reasons given by participants confirm the outcome of content analysis that human capital information is not adequately disclosed in corporate annual reports, creating information asymmetry with the users of corporate information.

8.2.2.4 Fragmented human capital disclosure across organisations

All the participants believed that the reporting of human capital information was different from organisation to organisation. The main reasons for such fragmented disclosures pointed to the lack of guidelines in human capital reporting, lack of regulations to enforce what was to be reported, lack of human resource professional activism and the difficulties in reporting qualitative information in a similar

manner.

Lack of reporting guidelines was viewed as a cause of fragmented reporting across organisations. Some of the responses from these participants were:

> *We disclose what we feel is enough, why we do that is because this information is voluntary and there are no guidelines to follow (INS4 FD, 13:24).*
>
> *Perhaps if there was a guideline to say this is what you should disclose from the HR perspective, and then the disclosing of such information will be easier, but as we speak, there are no guidelines, as far as I know. We just disclose the information that we think is necessary. There has been less effort put in coming up with the metrics for human capital information disclosures (TR1FD, 7:27).*
>
> *Unlike with the financial reporting where we specifically follow set standards, we give the information that we want to give when it comes to this type of discretionary information. With such a reporting system, you will find that there are variations from organisation to organisation, as there are no guidelines to refer to (BNK3 FD, 15:21).*

Some participants noted that human resource professionals were not being active enough to make sure that human capital information is reported in a harmonised way. These participants were of the view that there is lack of activism from these professionals, who are internally mandated to report on the activities of the human assets. The participants' responses in this regard were:

> *I also believe that it is the role of the respective professionals from different professional fields to make sure that information coming from their side is disclosed in a quality way. But as it stands, it also looks like the HR professionals are not active enough when it comes to this area. Many activist groups are pushing for better disclosures of various kinds of information. Look at corporate governance, environmentalist, financial reporting, all these are pushing for better and organised disclosure of information which falls in their professional lines. The HR people should also do the same (TR1 FD, 7:29).*
>
> *If we are to talk about financial information, there are some set standards coming from the financial accounting bodies. These were developed by the professional bodies. I think that is lacking from the human capital side. We are not seeing anything from the IPMZ for example (BNK2 FD, 4:18).*
>
> *The HR people should also be active advocates in coming up with the HR reporting guidelines. They are the people who know better about this*

> *professional area. If they cannot push for the guidelines, who else can be more interested than them? That is why you realise that ultimately that information which is better organised will always be given more priority. That is why we are always pushing for quantitative information from HR; as such information is easier to report (BNK4 18:26).*

Some participants argued in terms of the regulations where they pointed out that the lack of regulatory enforcement in the disclosure of human capital information led to such fragmentation. They argued that:

> *Without mandatory enforcement in terms of law, organisation will always report on what they want. There must be a regulatory body to control such disclosures if the unsystematic reporting is to be reduced (TLC FD, 3:32).*

> *My view is that the lack of regulations on such disclosures leads to fragmentation in reporting. As an organisation we usually focus on our strength and neglect the weaknesses. So, without controlled reporting, then every organisation will try to report on those areas they do best, to the extent of reporting nothing when there isn't anything worthy to report. So, such information will always vary amongst organisations if not regulated (INS1 FD, 12:39).*

Other participants further outlined that human capital information was qualitative in nature, and therefore to disclose such information in a uniform manner was difficult as people explain human capital information items differently if the explanations are in a narrative form. Their responses were articulated as follows:

> *The information is primarily qualitative in nature and sometimes coming to the form of reporting for everyone may be difficult. That is why we have always been advocating for the development of quantitative ways of reporting the contribution of human capital information to the bottom line (TR2 FD, 20:15).*

> *I am also of the opinion that it is difficult to come to report qualitative information in a similar manner. Unlike the financial information, issues of people management vary differently depending with the thrust of the organisation. That is why we might be seeing these differences in such disclosures (INS2 FD, 10:22).*

These various responses from the participants reflect that human capital information is reported in a fragmented manner. However, such fragmentation in disclosing human capital information might worsen the information gap between the providers and users of corporate information.

8.2.3 Human capital information asymmetry problems

Evidence from the group indicated that the lack of adequate human capital information by might cause information asymmetry problems. The main problems highlighted by the group were bad investment selection and opportunistic behaviour by organisations.

8.2.3.1 Risk of bad investment selection

The argument put forward by the participants was that information is powerful in decision-making, and if decisions are made without the necessary human capital information, then wrong and uninformed decisions could result. Some responses from the participants were articulated as follows:

> *If these investors make decisions without adequate information, the chances of making a wrong decision will also be high. Some human capital information is important in aiding investment decisions, and that is why we provide it to them (BNK1 FD, 2:28*).

> *In as much as this information is not as important as the financial information, it also gives some indicators on the potential of the organisation, and without it, investors might invest in less profitable organisations. That is why you see most of them make effort to do due diligence in a way to unearth some of the hidden information on this human capital asset (TLC FD, 3:20).*

> *It is this type of unique information that might then differentiate bad and good organisations. If these investors are not previewed to it, they may not choose investment opportunities from a well-informed position (INS2 FD, 10:18).*

> *This information communicates the cost implications of an investment, having such information enables the investors to make sound choices and avoid investing in bad investments (BNK4 FD, 18:14).*

> *I would say deciding with less information always create uncertainties in investment decisions. No investor would want to risk investing in a wrong organisation (TR1 FD, 7:26).*

8.2.3.2 Opportunistic behaviour

Participants discussed the use of human capital information advantage to further the interests of the organisations as the more informed party and contended:

We avoid reporting negative information for us to get the funding (BNK3 FD, 15:26).

Why voluntarily reporting negative information when we want to lure these investors? (TR2 FD, 20:32).

The investment environment is like a game where you use information to your advantage, so as organisations we also do that (INS4 FD, 13:1).

Neither do these investors also put their entire cards on the table, so we also do not easily reveal our information to protect the organisation. They will have to get this information under non-disclosure terms (INS1 FD, 12:16).

Some of these potential investors will ultimately be competitors, so we try to safeguard the interest of the organisation by being selective to this information (BNK1 FD, 2:28).

The findings from this group also suggest that human capital information asymmetry causes asymmetric information problems with foreign investors. Information asymmetry has the potential of creating adverse selection and moral hazard problems where foreign investors make bad investment decisions due to inadequate and unorganised information. The minimum and fragmented disclosure of human capital information might lead the investors to make bad investment decisions.

8.2.4 Solutions to human capital information asymmetry problems

In literature, signalling and screening have been proposed as the main ways of dealing with information asymmetry problems. Findings from the participants with regard to the ability of human capital information disclosure to help in signalling and screening are presented in this section.

8.2.4.1 Signalling human capital information

The evidence from this group reveals that human capital information signals different kinds of information to foreign investors. The signals that are sent by human capital information are presented in this section.

Most participants felt that information on the **board's qualifications and**

experience communicates the capacity of the board to give direction to the organisation. Some of the responses in this regard were:

> *First of all, you are looking at the board of directors which is the highest level in an entity and say who is providing leadership direction in there. You are looking for their experience, their qualifications, their integrity and often also their independence in order to provide independent judgment in the organisation. Information on these people brings out their ability to give direction to the organisation (INS1 FD, 12:6).*

> *I would say that investors may want to look at the top of the organisation to see if the leaders, let's say at board level like the chief executive officer and others are they sufficiently qualified. Are they credible people in the market? We have had several cases where the credibility of certain people has been doubted. What I am saying is the investors out there would look at this board line up and say I think these are people that are clean and have the right skills and qualifications to give direction to the organisation. Then they would be comfortable to put their investment where they have confidence in the leadership (INS2 FD, 10:30).*

> *As an institution, we realised that if we get the governance aspects of it wrong, then even the profitability is affected. So, we make sure that our corporate governance in terms of the board is well compliant as these people are the face of the organisation (TLC FD, 3:31).*

> *If you invest in a company, you ought to know who is running that company. The board is not involved in the day-to-day management but they are involved in the overall management of the institution. They are the ones with the responsibility to give direction to the institution. They are the ones with the responsibility to select the executive management (BNK4 FD, 18:22).*

Several participants observed that information on top **management's qualifications and experience** communicates the capacity of the management to execute the strategy. Some of the responses in this regard were:

> *In terms of qualifications, skills and experience of our top management, we would want the investors to have confidence in the organisation, where they will be assured that the people who are managing the organisation have got the capacity to execute the strategy. It is through this information on their profile, where you see the credibility of this management. The human capital is therefore important because without credibility, the company can just go down and fail (BNK3 FD, 15:10).*

> *Information on the qualifications and experience of top management shows some form of pointers to the capacity of the management to drive the strategy. This information is important to the investors as it will indicate the capability of stewardship, that is, whether these managers will be able to*

grow the investors' money. Stewardship indicates the *extent to which the management is ready to work for the best interest of the investor (INS4 FD, 13:11).*

Anyone would want to know about the skills, qualifications and experiences of top management if they are to put money in that company. Investors want to see the skills driving the company. What gives the integrity of the company are the people running it (TR2 FD, 20:19).

Some participants further articulated that such information communicates the risk associated with the investment. Thus, the participants argued:

The main reason behind such reporting is to show the character of the people who are running the organisation. This creates some confidence and some form of security on the investors as they invest their money in the organisation (BNK3 FD, 15:8).

The credentials of this management will therefore communicate the security of the investment. Ultimately, these are the people who run the organisation and make policies for the organisation. They therefore direct the organisation in a certain way (INS1 FD, 12:10).

Some participants explained the importance of **employee skills** in communicating the capacity of the organisation to succeed as follows:

The issue here is about the sustainability of the organisation. The success of the organisation is dependent on its people, and of course with other resources. Labour has always been a key factor in company performance. So, if the skills are there, then there is stability within the organisation in terms of achieving its goals. So, in this industry, the people skills in your organisation are the business as I have indicated earlier on (TR1 FD, 7:18).

Information on the experiences of key staffs their skills and competences are important to foreign investors as these indicate the capacity of the organisation to deliver good performance (BNK1 FD, 2:15).

Skills levels and other soft issues are also important as they point to issues of integrity, stability and all that (TR2 FD, 20:17).

The competencies of our top management and technical staff, which we call key employees, are crucial in making investment decisions. These communicate the capacity of the organisation to execute its strategy (INS4 FD, 13:18).

From these responses, it can be said that information on the qualifications, skills and competences of the organisation are important in understanding the capacity of

the organisation to bring about good performance. Without this information, the investors might find it difficult to make informed decisions about the organisation.

Similarly, regarding the need to communicate the potential for future performance, a participant contended that **training and development initiatives** communicate the attitude of the organisation in terms of investments for future performance. The participant explained that:

> *They know the implications of investing in training and development. So, if we are a company that is continuously developing itself, it means we are a learning institution and we always strive to do the best. Thus, the potential performance of the organisation is also seen though investing in these people, as the investor will not waste the invested capital in skilling the human assets (TLC FD, 3:26).*

Other participants described training and development initiatives in terms of cost implications, arguing that organisations that do not invest in its people put that burden to future investors. As such, investors are usually interested in organisations that have already invested in training and development. The argument is that well trained and developed employees reduce the cost of investing, where the capital will be not be washed away by training expenses. Responses from these participants were:

> *An organisation with well-developed employees does not eat much into the investor's capital as the employees will be sufficiently skilled. It therefore reduces the cost of investment and funds will be directed into production to get more returns for the investors (BNK4 FD, 18:11).*

> *Any employee development activity comes with some costs, so if most of the employees are not skilled it will also mean that the investor must incur such costs. So, this information also communicates the costs to be incurred by the investors if they are to invest into the organisation. That is why most investors usually prefer organisations with already trained staff (TR1 FD, 7:18).*

Most participants were of the opinion that information on **remuneration policy and CEO's salary** reflected on the credibility and transparency of the management. Such information is also said to communicate the cost implications associated with the labour. The responses from some of these participants were:

> *The information on employee benefits communicates the transparency*

levels of the organisation. Quite several corporate scandals came through employee benefits and any shareholder, potential shareholder; any regulator would obviously be interested in knowing how an institution is managing that aspect (BNK2 FD, 4:24).

Internationally, organisations are moving towards such disclosures as it increases transparency and accountability from the management side. They are now unveiling that the CEO for this year went with $200,000 or s/he went with a million. But I have realised that in Zimbabwe this is something we haven't gotten round to. Though we might say it infringes on the right to privacy, I believe information like that also controls the mismanagement of benefits, which reduces self-serving interests (TLC FD, 3:33).

They will also be interested in what we are paying our employees, especially the top management because such information also brings out labour costs associated with running the organisation (BNK1 FD, 2: 38).

The disclosures of top management remuneration increase transparency and accountability so I think it's positive information to be communicated to the foreign investors (INS2 FD, 10:39).

Information on **staff costs was** revealed to communicate the costs associated with an investment. Such information was said to give some indications on the capacity of an organisation to give a better return on investment. Participants' responses were:

We also give head count numbers as these will show the sustainability of the business in terms of labour costs associated with such numbers (BNK3 FD, 15:12).

We put more information on the staff ratio and wage levels. These ratios will give indicators on the attractiveness of the investment when the cost implication of the productivity of the labour against the remuneration given is shown (TR2 FD, 20:18).

Some participants suggested that information on **staff composition** reflected some aspects of diversity management within the organisations. Such information was also revealed to be becoming more relevant in decision-making. Their argument was that these foreign investors come from countries where there are laws on diversity and gender equality. They would therefore prefer to invest in those organisations that meet their home standards. Participants contended:

The head count information we give is to show the gender balance and diversity issues, as some investors are also eager to have such information,

especially those which come from countries that are pushing for such issues (BNK3 FD, 15:11).

You know in most of these western countries where most of our funders come from, there is some legislation on gender equality and our investors would want to invest in companies that are gender sensitive. Information on these issues is therefore vital in communicating the thrust of the organisation in terms of abiding to such standards (INS1 FD, 12:36).

Some participants were of the opinion that **employment relations** communicate the stability of the organisation and the risk involved with the investment. Stability was argued to be associated with a productive environment where the organisation is able to thrive without any disturbances. According to these participants:

Industrial harmony brings about the stability and a good environment for employees to be more productive. Conflicts and lack of industrial peace, like issues of strikes and go-slows have adverse effects on the performance of the organisation. Such information also communicates the risk of the investment to the potential investors as lack of industrial peace might also end up in the destruction of organisational assets (TR1 FD, 7:19).

They would also be interested in the working relations within the organisation, because whether the working relations are good or bad, the industrial climate will determine the success of the organisation going forward (BNK2 FD, 4:38).

Employee productivity was also revealed as important in indicating the future performance potential of an organisation. Participants argued that such information helped the potential investors in avoiding investing in organisations that do not have potential for future performance. Some of the responses were:

Performance management where individuals' productivity levels are tightly managed conveys the attitude of the organisation towards performance. Thus, the management of individual effort translates to the potential of the organisation to deliver profits. It also shows the culture of performance (TR2 FD, 20:26).

We also aim to communicate the contribution of everyone in terms of their performance in assigned jobs. Individual productivity levels when grouped together translate to organisational performance (INS2 FD, 10:37).

On productivity, one participant raised the issue of **staff turnover** and argued that staff turnover reflects on the stability of the organisation to be continuously productive:

> *It would be important for the investors to understand the staff turnover levels as high labour turnover negatively affects the organisation's productivity. Replacement of employees and the time the new recruits take to adapt to the organisational environment would surely affect productive levels (BNK1 FD, 2:33).*

Some participants cited **succession planning** to communicate the possibility of future continuity of the organisation. Information on succession planning was therefore communicated for foreign investors to reduce investment risks.

Responses in this regard were:

> *Succession planning shows continuity of the organisation in terms of leadership availability (TR1 FD, 7:27).*

> *If something happens to the top leadership is there a succession plan? What are the qualifications of the people running that company? What is the experience of the people running that company? All that will give you the stable continuity of that company and its ability to survive in an event of exit by any key member of the organisation (INS1 FD, 12:11).*

The responses from the participants reveal that human capital information signals the potential performance of the organisation, the costs that might be associated with the investment, and also the likely risk involved. The provision of such information might therefore help the investors to make informed decisions and avoid adverse selection and moral hazard problems when making investment decisions. However, these responses also suggest that several human capital information items have to be communicated as reflected by different information items suggested to send a single signal. No single human capital item might therefore fully communicate the intended signal. It therefore suggests that a combination of these signals will bring about effective signalling, which would in turn result in better informed decisions by the foreign investors.

While acknowledging the potential of human capital information to communicate valuable information for decision-making, most participants observed that the ability of human capital information in communicating important information was reduced by the disclosure of this information mainly in a qualitative form. These participants argued that investors want information that is easily translated into concrete investment information. Some of the responses in this regard were:

It does but to a limited extent due to the subjective nature of the information. Investors want verifiable and hard facts to inform their decisions. Effective communication is mainly undertaken with financial information. Hence, if the human capital information is to be reported in a quantitative manner, it will be easier to translate into the financial information, which is more significant in informing investment decisions (TR2 FD, 20:29).

Human capital information becomes secondary information that is used to communicate with the investors. Why I say it is secondary information is because the investors are more interested in the direct return of their investment. They focus more on the quantitative information which in my opinion is more objective and easy to assess than narrative information. Human capital information can be more relevant if metrics for quantifying it are to be developed (BNK4 FD, 18:17).

In as much as we appreciate the usefulness of human capital information internally, most of this information becomes difficult to report externally as it is mostly claiming information. Users want more factual information which points to the payback period of their investment. We might have brilliant and sophisticated human assets but to really describe that in terms of value creation might be a long process. We therefore focus more on figures which are more factual and reliable as well (INS2 FD, 10:39).

Human capital information is valuable and communicates important information to the users that is why we also take some effort to voluntarily report on some issues. However, if this information remains mostly qualitative information, it will still be of less significance to the investors as these users are more cognisant of financial information (TLC FD, 3:32).

While accepting the importance of human capital information in signalling important information to the investors, this group of participants views human capital information as being less objective and reliable. Thus, investors are perceived to not observe a lot of signals from such information as the signals are more subjective. Taking into consideration that this group of preparers are used to mostly quantitative information, their bias towards quantitative information can also be said to be reflected here.

8.2.4.2 Screening using human capital information

Though participants also highlighted some weaknesses of human capital information in the screening process, evidence from this group of participants reveals that human capital information can be used in screening to reduce information asymmetry problems. Most participants agreed that human capital

information can be used in the screening process by the investors. Some of the responses from the participants were:

> *If you put ABC here, you put FBC and NMB, then they do an analysis on the human capital information alone, these investors can differentiate the best bank from the others. Information on human capital also gives some indicators on the cost, potential and risks of the organisation. All I am saying is that human capital can be the key differentiating factor, especially when the other information seems to be almost the same. So besides even going into other issues, the organisation's human assets can be a key differentiating factor (BNK2 FD, 4:18).*

> *The disclosures of human capital information, especially if they are done in a comparable manner across organisations enables investors to screen and choose the best investment opportunity without much difficulty. Mind you this information also communicates both the current and future potential of the organisation. It is obvious that every investor wants to put their money in an organisation which will be capable of giving better returns (INS4 FD, 13:24).*

> *Some of the human capital information, especially that information which is easy to translate into financial implications, gives some information on the cost and profitability of the organisation. I can tell you that no investor will choose to invest in an organisation where profitability will be low. These investors are after financial return and some information on human capital information also points to that effect. Any indicator of some capacity to give a better return will attract these investors to an organisation which has such potential. This information becomes vital in selecting a better investment opportunity amongst the given opportunities (BNK3 FD, 15:14).*

Some participants were of the view that while human capital is useful in the screening process, the information can only be used as a secondary screening criterion to complement financial information. The argument by these participants was that investors first look at financial returns, then human capital information and other information as secondary information. The participants responded:

> *They do use human capital information, but not as a primary criterion. When they consider organisations for opportunities, they look in terms of financial gains. We may have excellent employees but if the organisation is not bringing in profits, then their money might not grow, so financial performance becomes the number 1 indicator. Then when they have identified that yes there are opportunities for profits, which is a financial decision, they can now look at who is running the organisation, is there credibility, are corporate governance principles being adhered to? That is now looking at the people side (INS1 FD, 12:33).*

> *They will just have considered the financial performance. So, if they are happy with the financial performance that's when they come here now to say they want to do due diligence with the organisation and through that due diligence they then request additional information which sometimes is not part of the financial statements. That is the time they also ask more about the people issues. But first, financial information takes precedence. This secondary information is used to beef up the information which is in the financial statements (BNK1 FD, 2:11).*

There were, however, some participants who argued that due to difficulties in comparing human capital information amongst the organisations, the significance of human capital information in aiding the screening process was minimal. Their argument was that screening could only be effective if the investors could compare similar information. Some of the responses to this effect were:

> *Currently, the information on human capital is varied across organisations. Such a situation makes it difficult for investors to compare these companies for them to select the best. That is why investors will tend to rely more on financial information, as they can easily compare likes with likes. There is need for a framework following the similar manner as accounting standards if human capital information is to be more useful in assisting the investors to make correct choices of the companies to invest in (BNK4 FD, 18:14).*

> *There should be minimum standards on what should be disclosed in terms of human capital information, otherwise if there are no standard guidelines, the usefulness of such information to investors would be insignificant. Comparability is important for investors. They should be able to compare and choose the best investment opportunity. With financial statements, these investors can make a comparison that is why maybe there is also that demand for financial information by the investors (BNK1 FD, 2:47).*

> *I think if there were some standard guidelines, there will not be any challenges in terms of making the best choices on investment. But as it is, as organisations we report on what we want. Investors must find some way of making sense of this information on their own (INS2 FD, 10:43).*

Some of these participants further cited that most of the human capital information was minimally disclosed in the corporate reports, making it difficult for the investors to use such information in the screening process. The participants explained:

> *It is not information that is readily available to the external users. Currently, they must go through due diligence to get such information, but surely, how many companies can these investors really do this due diligence? It only tells you that most of this information might not be then*

used due to inaccessibility (INS4 FD, 13:25).

In terms of potential investors into the organisation, normally what then would happen is that for such information like human capital, they would come into the organisation then we sign a non-disclosure agreement for them to get the information they want. It's not information that we just give to the public because of its sensitivity. So, yes, it is useful in selecting companies to invest in, but they can only get some of this sensitive information under certain conditions (BNK1 FD, 2:10).

Participants further explained the limited relevance of human capital information in screening, arguing that such information also lacks credibility, as it is not externally verified and approved. These participants argued:

Some of the investors focus more on financial information as the credibility of voluntarily disclosed information is usually questionable. Unlike financial information, this information is not audited and as organisations, we usually disclose it for our own benefit. The use of such information is therefore carefully scrutinised (TR2 FD, 20:39).

It does but to a limited extent due to the subjective nature of the information. Investors want verifiable and hard facts to inform their decisions. So, they mostly make use of financial information which they consider to be more reliable (BNK4 FD, 18:34).

Whilst human capital information is essential in aiding foreign investors in the screening process, the responses suggest that the lack of comparability, credibility and minimum disclosure of human capital information weaken the screening capacity of this information. If these weaknesses are addressed, the relevance of human capital information in the screening process will also be enhanced.

8.2.4.2.1 Self-selection though human capital information

Self-selection has been advocated for as one of the ways in which organisations can naturally self-screen themselves through information provision (Spread, 2011). The findings from this group of participants revealed that the disclosures of human capital information might help the screening process through self-selection. The responses from some of the participants were:

Chances are that through such disclosures, wheat will naturally dominate the chaff. It will be a natural selection process where better organisations with better human capital will become attractive to these investors. Investors are interested in organisations which create better value for their

money, they therefore shun organisations that do not show some form of potential for future performance (TLC FD, 3: 36).

The reason why we withhold some negative information is because we know that such information can naturally make us lose potential funding. We know that some negative aspects of human capital information can reduce our prospects of attracting investors. Yes, it is an unfair act to these users but we also want to protect the organisation. We would not want to screen ourselves out before these investors get to know us better. So, we make sure that we attract them by providing the best of what we have (BNK1 FD, 2:28).

Human capital information if it is good brings in an added advantage to the organisation reporting it. That is why we try our best to include the relevant human capital information which we find necessary to report to these investors. We will never know all the expectations of different investors, so that might be the key differentiating factor amongst the competing organisations (INS1 FD, 12:42).

These participants' perceptions were that the disclosure of human capital information makes it easy for the screening process as these organisations self-identify as good or bad organisations for possible potential investment. From these responses, participants therefore suggest that disclosure of human capital information assists in natural selection to reduce information asymmetry problems.

8.2.5 Harmonisation of human capital information disclosure

While signalling and screening are known to be the main solutions to asymmetric information problems, some of the information problems might be perpetuated by fragmented disclosure of human capital information disclosure. The participants revealed that the harmonisation of human capital information disclosure further assist in signalling and screening.

8.2.5.1 Harmonisation benefits

Participants revealed comparability of the information, increase in the relevance of such information, easy access to information by the investors and the acceleration of the decision-making process as the main benefits of harmonisation. These benefits have been revealed to facilitate signalling and screening in the reduction of information asymmetry problems.

All participants were of the view that harmonisation of human capital information enhances comparability of organisations, making it easy for investors to differentiate between good and bad investments. Participants explained:

> *For investors, there will be a difference in terms of the way they will be evaluating the organisations. If we are disclosing the same information, comparisons will be made easier amongst reporting organisations. Also, investors do not operate in one country, so such harmonisation is even important across countries (BNK1 FD, 2:39).*
>
> *It helps for comparison purposes where you can find the same kind of information across different organisations. Investors can therefore be able to compare one entity from another because reporting will be done on the same issues. In such situations, decisions can therefore be made from an informed position (TLC FD, 3:39).*
>
> *Reporting of this information in a harmonised way will be beneficial because comparisons would be very easy. These investors might not even have to go to companies, but just go through the reported information and make their decisions, as they can easily compare likes with likes. They would be able to just do their analysis without even talking to the organisations (TR1 FD, 7:28).*
>
> *Harmonisation will enable easy comparisons amongst organisations, making it easy for investors to screen and choose the best investment opportunity without much difficulty (INS4 FD, 13:24).*

Most of the participants further articulated that harmonisation of human capital information was important as it also increased the relevance of such information. These participants explained:

> *So, it means when I take this annual report I know I should find directors' information there, I know I should find shareholder information, so although I may have more here and less here but when I ask for an annual report I know there is some information I should get. It will make it easier to make decisions with similar information, and you can easily infer the authenticity of such information from one organisation to the other (INS1 FD, 12:37).*
>
> *Harmonisation will also increase such disclosures among organisations, as they will be reporting in the same manner; as such verifications can be done easily by investors, enabling them to make decisions from an informed point (BNK3 FD, 15:20).*
>
> *Harmonisation is important because it brings about quality in such disclosures, where organisations can benchmark and learn good reporting practices. It also encourages organisations to report more as they will be*

compared against other reporting organisations Quality disclosures increase the relevance of such information in decision-making (TR2 FD, 20:19).

Some participants argued from the point of information accessibility by saying that:

If that information is reported in the same manner, it becomes comparable, lessening investors' time in making investment decisions (BNK1 FD, 2:45).

It also reduces their time to look for such information from different organisations (BNK3 FD, 15:19).

One participant contended that if information is easily accessible, it also helps in speeding up the decision-making process by investors:

Harmonisation enables users to effectively do their analysis, reducing time taken to make decisions and at the same time making better decisions, given that the information will be accessible (TLC FD, 3:40).

The responses suggest that comparisons enhance easier understanding of information across different organisations, implying that the same meaning will be attributed to the signals sent from different organisations. The fact that verification can also be done on information disclosed suggests that credibility of the information is also enhanced. Credibility reduces the chances of sending fake signals, as such decisions are made with correct information. Taking into consideration that benchmarking is done, more signals are sent which reduces information gaps by increasing the quantum of information available when accessing different investment opportunities.

Citing the negative effects that might be brought by the harmonisation process, some participants felt that precautions must be taken in the process of harmonisation, based on the argument that it might lower standards of other organisations that already have better human capital disclosure. The responses in this regard were:

What probably people would need to be careful of, is on ensuring that harmonisation process ups the standard for everyone rather than lowering the standards because there could be some who are already well ahead of others and if we then come up with ways of reporting that are much lower, you will then entice those that were already disclosing quite a lot of information to reduce their disclosure which I don't think it's good (TLC

FD, 3:44).

> *However, if not done carefully, such harmonisation may lower the reporting standards of some organisation, which were already doing better in that area, as they will also follow the guidelines provided (BNK3 FD, 15:22).*

The above responses suggest that harmonisation might actually create a situation where all organisations might do the same things, resulting in the lowering of standards for the organisations that already have better disclosure levels. Harmonisation is therefore suggested to increase similarities amongst organisations, which might make it difficult to separate good from bad performing organisations. However, regardless of this disadvantage that result from harmonisation, most of these responses reveal that the harmonisation of human capital information is useful in reducing information asymmetry problems.

8.2.5.2 Harmonisation challenges

While acknowledging the benefits of harmonising human capital information disclosure, all participants agreed that the process of achieving harmonisation had its own challenges. The key challenges raised by this group of participants were difficulties in reaching a consensus on what to report on, resistance to change, lack of expertise and advocacy on such harmonisation, and time and resource constraints.

Most participants were of the view that difficulties in reaching a consensus on what to report might affect harmonisation efforts. These participants explained:

> *Because organisations place different emphasis on different human capital issues, it might also be a challenge to reach an agreement on what to disclose and what not to give priority in the report. Maybe if we start by making efforts to harmonise at industry level, it might work (TR1 FD, 7:29).*

> *It might take time to agree on what issues to harmonise, that is why you realise that the financial accounting had to go through the regulatory way (BNK3 FD, 15:23).*

> *Consensus on what to report on might derail the effort (INS2 FD, 10:44).*

Some participants raised the issues of resistance to change by arguing that:

> *The biggest challenge is resistance to change by the HR Managers to embrace the new concepts of reporting. There must be a paradigm shift on how HR issues are reported at all levels within and outside the organisation. HR professionals must drive the change and have more say in the board for them to champion such harmonisation (BNK4 FD, 18:16).*
>
> *The challenge obviously is resistance by players who don't want to be controlled. If you are used to certain ways of reporting and then you may have to shift, it means there will be a form of external control and some preparers might not want that (BNK2 FD, 4:17).*

Two participants argued that time and resource constraints were challenges that might affect the harmonization process:

> *Harmonisation usually takes a long time to be achieved. It will mean that organisations must put in their time and resources in making sure that the process comes to reality, however with the limited resources that organisations are operating under, such a process might not be considered as a priority (TR FD, 7:29).*
>
> *The problem with such a process is that it requires a lot of resources and effort from the organisations, which might not be available. That is why I was saying it should be better to have professional boards as major advocates driving such a move (TLC FD, 3:43).*

Concurring with the point of having a professional board driving the harmonisation process, a participant argued that harmonisation of human capital information disclosure might be affected by lack of championship from the respective boards which deal with people issues. This participant argued that:

> *In financial accounting, there is a board dedicated to accounting standards, which I think is the lacking aspect in all these other professional areas. In HR there are professional boards which are there but in terms of HR reporting, I think they are lacking. Such lack of an organised board might result in no harmonisation taking place. There must be some professional advocates who push for such harmonisation to take place. That is why it's easier for financial reporting because there is a board which oversees to say users are interested in this information and that information, therefore we should report this and that information, to the extent that it is very prescriptive and straightforward (BNK1 FD, 2:22).*

These challenges suggest that organisations also do cost benefit analysis on the benefits and disadvantages to be brought by the process of harmonisation. Where disadvantages outweigh the benefits, resistance usually comes in. The benefits to

be accrued from harmonisation should be attractive enough to influence organisations to adopt harmonised disclosures. Despite the mentioned challenges that might affect efforts to harmonise the disclosure of human capital information, participants were of the view that harmonisation of human capital information disclosure reduces asymmetric information problems with foreign investors.

8.2.5.3 Mandatory harmonisation

Given the articulated challenges on harmonisation, most participants felt that mandatory harmonisation of human capital information disclosure would be more effective than voluntarily following some set guidelines. While acknowledging the role of professional advocates in facilitating the harmonisation process, sentiments were that mandatory enforcement through some laws was also necessary to reduce resistance. These participants argued:

> *Some form of regulation should be put in place if such harmonisation is to be achieved (INS2 FD, 10:45*
>
> *It might take time to agree on what issues to harmonise, that is why you realise that the financial accounting had to go through the regulatory way. The same stance can also be adopted in human capital disclosure to enhance effectiveness of the process (BNK3 FD, 15:23).*
>
> *I think regulation is the effective way to do it [harmonisation] (BNK2 FD, 4:17).*
>
> *Ultimately, it might then need some form of mandatory reporting if such harmonised reporting is to really succeed (TR FD, 7:29).*

8.2.6 Decision usefulness of harmonised human capital information

To understand how the harmonisation of human capital information disclosure may facilitate effective decision-making by foreign investors, inferences were drawn on the decision usefulness of harmonised human capital information disclosure.

8.2.6.1 Harmonisation enhances decision usefulness

Evidence from the participants suggests that harmonisation increases the decision usefulness of human capital information. Some of the sentiments from the participants were reflected as follows:

Investors can therefore be able to compare one entity from another because reporting will be done on the same issues. In such situations, decisions can be made from an informed position (TLC FD, 3:39).

It [harmonisation] will make it easier to make decisions with similar information, and you can easily infer the authenticity of such information from one organisation to the other (INS1 FD, 12:37).

Harmonisation is important because it brings about quality in such disclosures...Quality disclosures increase the relevance of such information in decision-making (TR2 FD, 20:19).

HR contributes significantly and when you look at our costs, 40%-50% of our costs are HR related. It just shows the extent to which the organisation relies on human capital. Harmonisation therefore makes this information more relevant for decision making (BNK1 FD, 2:28).

Reporting of this information in a harmonised way will be beneficial because comparisons would be very easy….They [investors] would be able to just do their analysis without even talking to the organisations (TR1 FD, 7:28).

The disclosures of human capital information, especially if they are done in a comparable manner across organisation enable investors to screen and choose the best investment opportunity without much difficulty (INS4 FD, 13:24).

Harmonisation enables users to effectively do their analysis, reducing time taken to make decisions and at the same time making better decisions (TLC FD, 3:40).

This information becomes vital in selecting a better investment opportunity amongst the given opportunities (BNK3 FD, 15:14).

Because harmonised human capital information disclosure enables comparability, increases relevance of the information, reduces time to be taken in decision-making, points to future profitability while giving feedback on the current and historic performance, harmonisation is viewed to enhance decision usefulness of the information to be disclosed.

8.3 CONCLUSION

This chapter presented the findings from interviews which were done with the second group of the preparers of corporate annual reports, which are the Finance

Directors. The major findings from this group were that corporate reporting was done mainly to comply with regulations and to communicate information to stakeholders for them to make informed decisions. However, because most of the information being reported is mandatorily regulated, the findings also revealed that regulatory requirements influenced the type of information found in these corporate annual reports. The financial information was therefore perceived to dominate as it was mandatorily reported, in as much as participants also revealed that the information was considered relevant and useful in decision-making.

Whilst acknowledging the relevance of financial information, the findings from the participants revealed that human capital information was voluntarily communicated to enable users to make informed decisions. Human capital information was therefore revealed to communicate futuristic information which was essential to the users. However, the study also revealed that human capital information was limited and disclosed in a fragmented manner, leading to asymmetric information problems with foreign investors.

Because of the ability of human capital to communicate important information to the investors, the study also revealed that human capital information could be used as a solution to information asymmetry problems where it would be used in signalling and screening. The study established that harmonisation of human capital information was perceived to solve information problems caused by fragmented disclosure of human capital information. It was also revealed from these participants that the harmonisation of human capital information disclosure would enhance signalling and screening as a solution to asymmetric information problems, enabling foreign investors to make informed investment decisions as human capital was considered decision usefulness. The views of Group 2 are summarised in Table 8.1 below.

Table 8.1: Summary of evidence and emerging themes

Theme evidence	**Theme indicator**	**Emerging theme**
-We report to fulfil legal requirements. -We have to comply with the regulations. -The Zimbabwe Stock Exchange is one of our major regulators.	Macro environmental context	**Signalling and screening environment** - C*ompliance with regulations.* *-Reporting to fulfil corporate reporting objectives.*
-We voluntarily report unregulated information. -Besides mandatory reporting, we further disclose for good corporate governance. -To communicate vital information for decision-making. -We have to adhere to good corporate governance principles if we are to survive in this industry. -Our main reporting is on finance. -Investors are seriously considering such forward-looking information. -Focuses more on our shareholders, potential investors and regulators.	Corporate information disclosures context	
-If we were providing such [HC] information they wouldn't ask a lot. -You barely find sufficient information that relates to human resources. -I think additional disclosure is required on most human capital items. -The bulk of intangible assets information is not available to everyone else.	Inadequate human capital information reporting.	**Human capital information asymmetry** - *Inadequate reporting due to lack of guidelines causing human capital information asymmetry.*
-There are variations from organisation to organisation, as there are no guidelines to refer to. -Reporting standards are lacking from the human capital side. -Lack of regulations on such [HC] disclosures leads to fragmentation in reporting.	Fragmentation	
-Chances of making wrong decision will be high. -Without it [HC], investors might invest in less profitable organisation. -Such [HC] information enables the investors to make sound choices and avoid investing in bad investments. -If these investors are not previewed to HC, they make not choose investment opportunities from a well informed position.	Adverse selection	**Human capital information asymmetry problems** - *Human capital information asymmetry leads to bad investment decisions.*

Table 8.1 continued…		
-We avoid reporting negative information for us to get the funding. -Why voluntarily report negative information when we want to lure these investors? -The investment environment is like a game where you use information to your advantage, so as organisations we also do that.	Moral hazard problems	*-Human capital information asymmetry facilitates opportunistic behaviour by organisations.*
-Qualifications and experience of top management shows the capacity of the management to drive the strategy for profitability. -What give the integrity of the company are the people running it. -The credentials of this management communicate the security of the investment. -Skills communicate the stability within the organisation in terms of achieving profit. -Employee development initiatives communicate costs to be incurred on training. -Information on employee benefits communicates the transparency levels of the organisation. -Staff ratio and wage levels give indicators on the cost implication of the labour against the remuneration given. -Industrial harmony brings about the stability of an organisation. -Individual productivity levels translate to organisational performance. -Conflicts and lack of industrial peace communicates the risk levels of the investment. -Succession planning shows continuity of the organisation.	Human capital information signals	**Signalling human capital information** **-***Human capital information signals important information to foreign investors***.**
-Investors want verifiable and hard facts to inform their decisions. -Human capital information can be more relevant if metrics for quantifying it are developed. -They [investors] focus more on the quantitative information which is more objective and easy to assess than narrative information.	Signal strength	**-***Qualitative nature of human capital information weakens signalling.*

Table 8.1 continued…		
-Human capital can be the key differentiating factor, especially when the other information seems to be almost the same. -Human capital information enables investors to screen and choose the best investment opportunity without much difficulty. -This [HC] information becomes vital in selecting a better investment opportunity amongst the given opportunities.	Investment selection by investors	**Screening through human capital information** *- Human capital information enhances effective investment selection***.** *-Human capital information helps to separate good from bad investment opportunities.* *-Inadequacy and fragmented nature of human capital disclosure reduces its effectiveness in investment selection***.**
-The fortunate thing is that through such [HC] disclosures, wheat will naturally dominate the chaff. -It will be a natural selection process where better organisations with better human capital will become attractive to these investors. -We know that such [HC] information can naturally make us lose potential funding.	Self-selection by organisations	
-They do use human capital information, but not as primary criteria. -The information on human capital is varied across organisations making it difficult for investors to compare these companies for them to select the best. -Investors have to find some way of making sense of this information on their own as it varies across organisations. -Most of this [HC] information might not be used due to inaccessibility. -It does but to a limited extent due to the subjective nature of the information. -Unfortunately the information is currently not comparable, making it difficult to assess different organisations and come to a decision.	Screening capacity	
-If we are disclosing the same information, comparisons will be made easier amongst reporting organisations. -Investors can easily infer the authenticity of such information from one organisation to the other. -It also reduces their time to look for such information from different organisations, making more information being observed.	Signal fit	**Harmonisation facilitates signalling** *-Shared understanding of human capital*

		information is enhanced through harmonisation.
Table 8.1 continued…		
-Harmonisation increases human capital disclosures among organisations as they can benchmark themselves. -Consistency in reporting helps in understanding the information better, making it more relevant and useful. -We will only focus on what is necessary to the users, reducing costs. -It becomes comparable, lessening investors' time in making investment decisions.	Signal diffusion	
-Harmonisation makes it easy for investors to screen and choose the best investment opportunity without much difficulty. -Effective signal helps in the selection of best organisations. -Harmonisation distinguishes organisations as comparisons are easily done.	Screening	**Harmonisation facilitates screening**
-Harmonisation increases the relevance of human capital information. -Harmonisation increases comparability of information. -Harmonisation reduces time taken to make decisions. -Harmonisation increases credibility of the information. -Harmonisation reduces time to look for such information.	Usefulness of harmonised information	**Harmonisation enhances decision usefulness of human capital information.**

Having presented the findings from Group 2 of the preparers of corporate annual reports, the next chapter will present findings from Group 3.

CHAPTER 9

FINDINGS FROM GROUP 3 INTERVIEWS: FOREIGN INVESTORS

9.0 INTRODUCTION

This chapter presents findings from the users of corporate annual reports. This group was named Group 3 and comprised foreign investors in the service sector of Zimbabwe. All the participants in this group confirmed that they had utilised corporate annual reports in their search for investment opportunities into the country. The need to do interviews with this group of users of corporate information arose out of the need of the researcher to understand human capital information disclosure and its usefulness in investment decisions from the perspective of the users themselves.

The researcher undertook interviews with fifteen participants who were investors drawn from four selected sub-sectors in the service sector. Because the researcher used the snowballing technique to identify some of the participants, the concept of data saturation was used to stop at fifteen participants as the overall number utilised for this group. As with the preparers groups, the interview guide for this group contained six major questions in line with the objectives of the study. However, this group had a different interview guide as the follow-up questions provisionally provided were inferring on different issues (see Appendix C).

The findings from these participants are presented below, using the 15 categories inductively drawn from the data. The same presentation layout used with the two groups of preparers was also adopted for this group.

9.1 BACKGROUND INFORMATION ON PARTICIPANTS

Group 3 consisted of fifteen foreign investors. Thirteen of these investors were male participants with only two investors being female. This ratio might reflect the dominance of males in international business. Participants ranged between 40 and

70 years of age, which could provide insights from a wide range of age groups. Findings drawn by the researcher were that most of these investors had at least five years' experience in investment, and most of the participants had investments in their home countries. This suggests that the participants had relevant exposure and experience to discuss the research issues at hand.

Of these 15 investors, three were from the United Kingdom, another three from the United States of America, four from South Africa, two from China, one from Ireland, one from Uruguay and one from Tanzania. This combination of participants reflects the dominance of participants from developed countries which might be a reflection of the ability to invest due to better savings in their more developed countries. The dominance of South African investors might also be due the proximity of the country and also considering that South Africa is considered the most developed country in Africa, with higher levels of investment outflows in Africa. However, having participants from several countries provided the opportunity of obtaining responses from different investing backgrounds.

Most participants in this group were investors from the banking and tourism sub-sectors. This might be due to the fact that investing in these sub-sectors is less restrictive, unlike the insurance and telecommunications industries which are more restrictive and regulated sectors in the specific country. However, the diverse nature of the participants and their investment experiences indicated their capacity to respond to the research questions.

The findings from this group are presented below, using data categories generated from the participants' responses.

9.2 RESEARCH FINDINGS

9 2.1 Overview of the investment decisions

Using the funnel approach which has been adopted during data collection, the overview on investment was done to assess the perceptions of the foreign investors with regard to investment decisions in general. These perceptions provided a

context in which to understand how human capital information disclosure could have influenced their investment decisions into a developing country. The general overview questions were also asked to prepare participants in answering the specific questions related to the objectives of the study.

9.2.1.1 Motives for investing

The findings from the study revealed that the participants' ultimate motives for investment were mainly driven by the need to obtain a better return on their investment. Such motives were therefore furthered by looking for better markets, and cost effective, profitable and less risky investments. However, some participants who explained that besides getting a return on their investments, they also had personal reasons for investing into the country. Some participants explained that with regard to getting a return on investment:

> *We are into this business to get money, so we were driven by the motive to get a return out of our money. We realised that there was a potential market in this country as most local banks were failing to keep up with the economic demands, so we took up on that opportunity (BNK INV4 31:6)*

> *For you to make a decision to invest, one of the most important things is the good return in an investment. So you look at your cost, risk and benefit analysis before deciding to get in. If there is an attractive return, then it will make a case to invest (TLC INV1, 22:12).*

> *You know always in business when a country is coming out of a difficult economic situation, there will be some opportunities for business growth and profitability; we came to exploit such opportunities (INS INV2:13).*

> *We had to spread risk in our investment by moving into SADC region, which we think is politically stable when compared to other African regions (TR INV1, 30:12).*

Those who further argued for personal and social reasons explained*:*

> *Besides the business, I had also my personal agenda as well. Most investors, especially who are coming into this investment environment have other agendas besides that of business (TR INV2, 25:3).*

> *Part of the motive was to make some impact on the local and marginalised society, which is a personal call, though whilst making some money on the business side (INS INV2, 29:5).*

It can therefore be inferred that the main investment motive for foreign investors into a specific location is for them to get the best return for their money. When they make decisions for investment, they focus their efforts on issues that enable them to make investments into business opportunities that give them the best return. However, social and personal reasons were also highlighted as motives for investment.

9.2.1.2 Determinants for investment

Responding to what influenced their decision to ultimately invest into the country in pursuing their investment motives, participants had several reasons but political and industrial stability, good infrastructure, the centrality of the location and human capital were the most dominating attractions. Some participants responded:

> *Here there is some form of peace unlike in some parts of Africa, where there is war after war. So in terms of such a consideration, it was wise to put up an investment here (TR INV3, 30:5).*
>
> *We were also motivated by the level of existing infrastructure and the fact that we could reach most countries from here. In other African countries such as Mozambique, Tanzania, Uganda etc, there is no infrastructure to talk about or any systems that you can follow through on (INS INV1, 28:3).*
>
> *It is a central and a peaceful country with low crime rate than other countries (TR INV5, 35:11).*
>
> *We selected it because of the infrastructure mainly and the peace and stability (BNK INV5, 33:11).*
>
> *Here it was more stable and peaceful. In South Africa, we were also put off by the levels of industrial disharmony and strikes which are always experienced there (TR INV4, 34:14).*
>
> *In general, Zimbabwe has better educated people than their counterparts in most of African countries and as investors we are comfortable in dealing with this market and its human capital. In the service sector, the human capital drives the industry and it drives the market (BNK INV1, 21:27).*
>
> *Then, the other most important thing is the skill of the people to do the business. In this industry, our main product is the service, which is by nature intangible. So it needs really quality skills and people with the correct attitude if we are to remain in business. That is why I said, after seeing the business opportunity, my major concern were the people to help me deliver the service to the customers (TR INV1, 24:7).*

I would say human capital was one of the considerations, but also with other macro factors which have some implication on the business. This type of business we are in, generally want some high level of human capital, especially in terms of the technical aspects which are involved in delivering the service to people (BNK INV3, 26:6).

As I network and getting down understanding the environment here, I discovered that there was a high calibre of individuals which I could work with to do my business. So I was motivated to take that world class business into this developing country. It is this type of human capital which inspired me to look for business opportunities here (TLC INV2, 27:6).

While there might be several factors that influenced the investors to invest into the country, human capital was one of the key factors. This could have been attributed to the type of industry, where the service sector is more reliant on the people to provide the service, as also noted by some of the responses given.

9.2.1.3 Investment challenges

Having explained that their main motive for investment was to get a return on investment, most participants indicated that their major challenge was the lack of adequate information when they make investment decisions. They argued:

The moment you venture into new areas you are not familiar with, you always do face challenges. However, information is the worst challenge we face in these markets (INS INV3. 32:3).

I'm sure a lot of potential investors will be struggling to get such information, and if provided, might help reduce information challenges (TR INV1, 24:27).

It was very difficult to get some information here, I knew a few things before and the bulk of issues came as a shock to me. For instance, we were promised things like tax holidays, but never got any (TR INV2, 25:4).

Usually when you are looking for investment opportunities in a foreign land, you are bound to face such challenges. You need to be prepared to spend some resources and time to really get good information before making the decision to invest. Such decisions are made even more challenging when investing in less developed countries as the systems are not as efficient as the systems from where we come from (BNK INV3, 26:2).

We had to go through a process of thorough due diligence into the specific companies we were interested in, because the information was not easily

accessible (BNK INV2, 23:1).

Some participants also mentioned issues of bureaucratic structures and corruption as challenges which delayed the investment process. They responded:

> *For you to just get an investment license, you spend a lot of time going from one department to the other. You need to be very patient to get that licence. Some investors whom I met during the process had just to go back (TLC INV2, 27:3).*

> *The investment climate was not that conducive and was extremely vague. Starting with the easy to do business, the government departments were not helpful and do not work well together, and I do not think someone in their right mind will come and invest here, purely on raw investment grounds, they should be having some other sort of other interest to attract them here. I, for one, I am into business of course, but what have made me stay here was not the investment per se, I have other calls and purpose (TR INV2, 25:4).*

> *Whether you have an investment license from the authority, immigration will not want you here. I came with other five South Africans who wanted to start businesses here, but because of the tiresome and painful process, before opening the business, all of them left. They found it impossible to stay and do business (TR INV4, 34:2).*

9.2.1.4 Sources of information

With lack of adequate information having been cited as the major challenge when looking for investment opportunities, the participants indicated that their sources of information included private meetings, corporate annual reports, financial advisors, company websites and networking. Most participants mentioned corporate annual reports, private meetings and financial advisors as their main sources of information. Some of those who mentioned the corporate annual reports responded:

> *However, for financial information, we relied more on the corporate annual reports, as this information is available for listed companies. We just had to verify if what was reflected in the financial reports was really authentic (BNK INV1, 21:5).*

> *We mainly relied on the corporate reports as these are easily accessible (INS INV3, 32:7).*

> *We used the corporate reports firstly and had then to do due diligence on the information we could not get from these reports (BNK INV4, 31:9).*

Those responding on private meetings argued:

> *The bulk of the information, we got it through the due diligence process with the individual companies (INS INV1, 28:17).*
>
> *Like I initially said, we had to go through the process of due diligence to get the bulk of the information. You get this information when you sit down with the management to discuss (TLC INV2, 27:13).*
>
> *We also spent a lot of time in private meetings with the senior managers of the companies that we had interest in. Private meetings were very vital as this is where we got to the bottom of the issues that we really wanted to understand. Most of the information you get through these meetings, you will never get such information in published reports (TR INV5, 35:4).*
>
> *We also get this information through private meetings, especially non-financial information. However, this usually takes a long time and might be very costly, especially when we involve analysts to search for more information which will be held privately by the organisations (BNK INV2, 23:18).*

Some participants mentioned financial advisors and contended:

> *We had to engage broking houses and their advisors to do the thorough work for us, as most of the information is found though private sources (TLC INV2, 27:3).*
>
> *However, for in-depth information, which you usually do not get in any of these public sources, we had to rely on the services of analysts, who would then provide us with detailed information on the companies that we would have found interesting (BNK INV3, 26:4).*

There were, however, some participants who mentioned company websites and networking. Their responses were:

> *We had also to go through different company websites, but still, information is limited (INS INV3, 32:5).*
>
> *We also used the websites of companies in the banking sector and also the reports that they were publishing, so as to have some hints on how this companies were performing (BNK INV5, 33:3).*
>
> *Also, I already had friends in Zimbabwe who were running businesses here and in talking to them; I came to the conclusion that it should be Zimbabwe, and specifically into services, as I was already operating in the service industry. As such, most of the information came though the informal channels, as I was networking (TR INV1, 24:9).*

We used networks and private meetings. I would admit that it was more time consuming, but it is through such meetings that you come to understand the operations of the business you want to get into (INS INV2, 29:9).

We mainly got it though our own colleagues which had already invested here. We have a strong linkage when it comes to foreign markets, so we rely on them. There is also our association, where if you visit here, you come to meet a lot of investors, who are already in the market, so we also get information through such platforms (TLC INV1, 22:2).

From these responses, it can be inferred that the corporate annual reports are used especially as the first port of call due to their easy accessibility. However, the perception from these participants is that the corporate reports usually provide more of financial information, where the investors have to rely especially on private meetings and financial advisors to get non-financial information. The sentiments of these participants were that such private sources were also costly and time consuming. Some participants responded:

It's very costly to do the due diligence because you have to hire people to do some private information search (BNK INV3, 26:30).

However, if there is a way of accessing that information easily, that will be great. We incur a lot of costs in trying to uncover some of this information before making investment decisions (BNK INV2, 23:26).

You have to look for this information on your own, which resultantly will be more costly and time consuming (TR INV1, 24:21).

We had to use a lot of money in search of information for us to make an investment decision (INS INV32, 26).

Sometimes it is very frustrating because we will be looking for business opportunities and time lost will never be gained (TR INV4, 34, 27).

The participants were therefore of the opinion that the disclosure of corporate information in public sources like the corporate annual report would be more helpful as it increases the accessibility of such information and at the same time reduces information costs.

9.2.1.5 Information needed by foreign investors

With the main sources of information for decision-making having been explained,

the participants contended that they look for both financial and non-financial information. Some participants responded:

> *We do not only consider financial information, the due diligence process is done to find out especially the hidden information of the non-financial aspects of the organisations. This information is vital in giving forward looking information when we make our investment decisions (BNK INV5, 33:7).*
>
> *Whilst we jump to look into financial as our first consideration, we do not end there, we dig for more information through private sources to understand the key drivers of these financial indicators (TR INV5, 35:9).*
>
> *We consider a lot of information to inform our funding decisions. This information is not only limited to financial information as this mostly provides historic performance of the organisation. We therefore also infer into the futuristic kind of information which is normally found through the value creation capabilities of the organisation. Such information reflects on the future performance of the organisation (TLC INV1, 22:4).*
>
> *We will be looking at the business opportunities and the key drivers of the business, to see its sustainability in terms of profit. These are the things like the growth potential, which you assess through financial and non-financial information (BNK INV3, 26:8).*
>
> *In analysing the company, we first look at the finance, which is the traditional way; however, the credibility of those numbers can only be done by assessing the management behind those numbers, in as much as auditors are also used (TLC INV2, 27:11).*
>
> *The first thing in an investment will be to look into an investment from the financial point of view. We cannot run away from the fact that the major reason behind an investment is a return out of it. However, because this business relies much on the human capital as a key asset, emphasis was also given on the quality and type of human resources to be found in the market (INS INV2, 29:7).*
>
> *However, more flesh of information on the non-financial information like the profile of the top management, succession plans and the industrial outlook must be there as these give some insights on the future performance of the organisation (BNK INV2, 23:15).*
>
> *Whilst financial information gives the quantitative metrics of the current performance of the business, the reality behind these numbers is found in the value creators like human capital (BNK INV2, 23:26).*
>
> *"Enron crisis" for one, will tell you that financial figures alone do not mean a lot. To get a true reflection of the company, we have to look into these soft*

issues as well (BNK INV3, 1:38).

From these findings, it can be said that investors are interested in information which gives both the current performance and future performance of the organisation for them to make informed decisions. With human capital information having been cited as an important capital, the next section covers human capital information and its importance to foreign investors.

9.2.2 Foreign investors' preferences on human capital information

With the understanding that foreign investors look for financial and non-financial information, human capital information was also cited as important in investment decision-making. This section is designed to provide an understanding of the reasons why human capital information is considered important, and also to understand if the human capital information is provided to the satisfaction of these users as they make investment decisions. Focus was on the corporate annual reports, which are considered the main public source of corporate information.

9.2.2.1 Importance of human capital information

Responding to the reason why these foreign investors consider human capital information in their investment decisions, participants argued that human capital information was important as it helps in decision-making and also gives information on the value creation capability of the organisation. Some participants further argued that it also shows the risks associated with the organisation, making this information necessary for making informed decisions. Some of the responses were:

> *I understand the process of disclosure is to provide users with relevant and useful information for making investment decisions. Issues of skills, labour legislation, wages and the level of engagement are the top issues that are key in making investment decisions (TR INV 3, 30:21).*

> *Yes, we want financials to be sound first, but surely, the soundness of these finances can only be good if it is backed by quality skills and good leadership. We therefore carefully look at the totality of the organisation before making decisions (BNK INV2, 23:21).*

> *And then you want to see the decisions that they make, for example you go through the reports and get to know that A, B, C company is retrenching,*

you would want to understand it as an issue that they had over employed, or the product or business is not doing well, so as to inform our final decision (TLC INV1, 22:8).

With regard to the value creation capability, some participants responded:

Because of the business we are in, where we specialise in technology, human capital information is important because it is through the employees that we come to have innovative ideas. Innovation comes with people than any other asset (TLC INV2, 27:15).

That is what my business really wanted for it to survive, as we rely more on people to provide the needed services (TR INV1, 24:12).

I initially said, my major reason for investing here was motivated by the calibre of people I discovered in this country and particularly into the organisation we invested. The business which we are in, by its very nature is reliant on the calibre of the people (INS INV2, 29:16).

In this industry, people are key, especially individual expertise, attitude and commitment. We deal with services, which are not tangible products, and the key asset to transfer that service to our customer is the human asset (TR INV2, 25:14).

Those who alluded to issues of risk being portrayed added:

So when investing in such an environment, information is very vital, especially on the caliber of the people running the organisation. Credibility and transparency of the management becomes key in reducing investment risks (BNK INV4, 31:22).

I would say human capital is important as it will tell you how strong the company is, even in terms of vision even in terms of how they value learning or research and development. As a new investor, you will be eager to have an overview of the potential of the organisation so as to avoid risks of investing in poor performing organisations (BNK INV3, 26:14).

The responses from these participants show that human capital information is an important consideration by the investors, giving them every reason to seek for such information when they make investment decisions.

9.2.2.2 Human capital information needed by foreign investors

Given the importance of human capital information in decision-making, some of the human capital information items highlighted as important were top

management's qualification and experience, skills of key people, industrial relations information, labour laws, succession planning, employee productivity, training, remuneration, staff turnover, staff costs, team work, employee performance and commitment. Some of the responses in regard to this information were:

> *The corporate reports of the organisations that we looked at discussed mostly the board of directors, who are the decision makers, but these people have interest in various organisations, we wanted more* ***information on the top management*** *who would then run the show (TLC INV1, 22:9).*
>
> *We look at the management experience, competence, international exposures and their qualifications. So the thrust is on senior management as they direct the organization, however information on the general welfare and* ***performance of employees*** *is also necessary, for us to have a general idea of these employees (BNK INV1, 21:9).*
>
> *What most managers in these organisations lack is the* ***international exposure****. As an investor, I would want managers who have the global mind and can think beyond the national borders. As we look into the reports, we usually find that those international banks are the ones which usually report on the issue of exposure because their reporting style is also guided by the parent company (BNK INV4, 31, 34).*
>
> *We also emphasise on their* ***affiliation to professional boards, especially international boards, as international exposure*** *is very critical in this business. These are very key when we assess management. We profile the richness and the exposure of such human capital and see whether they are in line with what we want (BNK INV3, 26:10).*
>
> *The* ***qualifications and competences of key people*** *in the organisation are important, and not only to give the directors 'information. This is because directors are actually far remote from an organisation than the people who works at an organisation on a daily basis. Most of the reports concentrate more on a higher level of the organisation (TLC INV1, 22:19).*
>
> *We consider information on the* ***expertise of key people*** *in the industry, their* ***remuneration*** *and general welfare. I would also want to understand their* ***industrial relations*** *or the attitude of the people in the industry, their skills and training levels. This gives confidence on the ability of the staff to provide the services (TR INV1, 24:14).*
>
> *I also expected some disclosures on issues to do with* ***staff turnover ratios****, especially on key staff of the reporting organisations (TLC INV2, 27:11).*
>
> *Information on the* ***availability of skills*** *was a matter of concern as we rely much on the skills of the people. The competences of these individuals either*

make or break the business (TR INV3, 30:16).

*We also looked at the **labour laws**. The labour laws here are quite strong and they promote economic activity and growth (INS INV1, 28:7).*

*We also consider information on **employee turnover**, **attitude and industrial relations,** but these are usually omitted or disclosed in passing with some organisations (BNK INV2, 23:16).*

*Information on the stability and continued going concern status of businesses assisted me in making my location decisions. **Work stoppages and violent strikes** are matters that I look at and these inform my decision-making (INS INV3, 32:21).*

*Issues of **labour legislation**, wages and the level of engagement are the top three issues that are key in making investment decisions. I certainly would want assurances that my investment will not go up in smoke due to bad relations between workers, unions and management (TR INV5, 35:26).*

*We also looked at the **industrial peace**, as we wouldn't want any stoppages to occur in the process (BNK INV5, 33:19).*

*I considered information on **remuneration policies**. This was important as labour builds into the competitiveness and attractiveness of the investment opportunity (INS INV1, 28:9).*

*The capability of the organisation to **retain this staff** will also be critical, as getting to replace such skills can be difficult, especially with the mobility of people nowadays (TLC INV2, 27:16).*

***Employee utilisation** is important to reduce labour costs. We do not want a situation where the organisation is piled up with a lot of management; we want fewer layers and more operational staff (TLC INV1, 22:18).*

*Yes, the figures, part of it and then you also need to, to know maybe **staff composition** (TLC INV1, 22:16).*

*The other issue in this business is the reliance on **team work**. We also look at how the organisation is interlinked in its process. Innovation comes in sharing ideas, and as such, we consider that as important as well (TLC INV2, 27:12).*

*To me it was the level of **commitment, the trainability and level of competence** which could be detected from the few individuals (INS INV2, 29:11).*

*I must hasten to say information on **executive pay and benefits** was provided in bits and pieces. It seems this kind of information was deemed*

sensitive and not readily available for investors in as much as we want it (INS INV1, 28:9).

So I am quickly attracted to the numbers that link well with the financial indicator. These are issues like ***staff costs, executive remuneration, staff ratios and productivity levels.*** *I therefore suggest that if human capital is to be more relevant, then the organisations have to come up with reporting matrices which are linked to the overall financial indicators (INS INV2, 29:13).*

The human capital information highlighted is a reflection of the information that the participants find relevant in making investment decisions. To note is also the fact that several human capital information items are considered important in making investment decisions. Most of the items highlighted have also been reflected in the findings from the checklist sent to the investors (see Chapter 6). The current findings therefore further confirm the importance of human capital information in making investment decisions.

9.2.2.3 Adequacy of human capital information

With the confirmation that human capital is useful in decision-making, most participants were of the opinion that human capital information was difficult to access, where most of the information, if it was to be found, is accessed through private sources. The participants having revealed that such private sources were costly argued that the disclosures done through corporate annual reports were not adequate for making informed decisions. These participants explained:

We could not get most of this information in the corporate annual reports. We had to go through a long process of due diligence to uncover some of the information which we thought was vital in making our decision to invest into the organisation that we ended up investing in (TLC INV2, 27:2).

It must also be accessible, not for us as investors to go at length to find such information (TR INV3, 30:22).

The information was inadequate, that is why we had to look for alternative sources like management meetings, engaging private information seekers and so on. The bulk of this information you will come to know about through a due diligence process. The organisations rarely disclose that information upfront, until they see your seriousness as an investor (BNK INV2, 23:22).

Most of the information which is given at macro level is not adequate

enough for investment decisions, the proxy being used are limited and do not bring the real issues which investors would want. That is why we will have to spend a lot of time doing our own research digging on such information, as it is not easily available (INS INV2, 29:15).

The information on human capital was relevant, but was not adequate. That is why I mentioned that we had to go through due diligence to unveil some of the information. I would say, even after due diligence, you will still feel that you need more information as you might not access that information (TLC INV2, 27:20).

Sentiments expressed by these participants were that the information is supposed to be accessible just like the financial information than for them to make more effort and use resources to unveil such information. The difficulties in accessing this information might therefore mean that most investment decisions are made without this human capital information due to information asymmetry.

There were some participants who argued that information will never be enough; as such their views were that the current provisions of the corporate annual reports were fair enough to make decisions. These participants responded:

The information was fairly adequate. You will never get all the information you would want, as such the information I got from the financial reports gave me some pointers (BNK INV4, 31:20).

The reporting requirements provided some useful information, though I would not say it was adequate, the information was helpful in fulfilling my information needs for investing into the organisation that I was targeting (INS INV1, 28:9).

I did not face a lot of information challenges when I started to scout for investment opportunities in this country. Apart from the information that is available in corporate annual reports, we also relied on management meetings and that is where you get inner circle information pertaining to individual organisations (BNK INV 1, 21:18).

Yes, these reports provided useful information and indicators. I focused on the key indicators in my decisions and this was provided for in the corporate reports (INS INV1, 28:18).

I made sure that I search for the information before I made my decision to invest here (TR INV2, 25:23).

In as much as these few participants revealed that they made investment decisions

through the information provided in the corporate annual reports, the perceptions of most participants were that human capital information provided in the corporate annual reports was not adequate, creating information asymmetry problems.

9.2.2.4 Fragmented disclosure of human capital information

While the inadequacy of human capital information was a concern of these foreign investors, most of the participants further suggested that the information was also difficult to comprehend as it was disclosed in an unsystematic manner from organisation to organisation. Some of the responses from the participants were:

> *The disclosure of this information should be integrated to allow comparisons of like things. As it stands you cannot really utilize this information in differentiating different organisations on the lines of human capability (BNK INV1, 21:35).*

> *The problem with this information is that it is difficult to compare one organisation to the other as they disclose the information differently (TLC INV2, 22:14).*

> *Unlike the financial information which is reported in the same manner, we find it very challenging to use human capital information in choosing the best organisation as the information varies from one organisation to the other (TR INV1, 24:23).*

> *Because the disclosure of this information does not follow any guidelines, it is fragmented and we spend a lot of time trying to synchronise this information (TLC INV2, 27:35).*

> *But as it stands currently, the disintegrated reporting system means you can't compare and benchmark one company with another. The way these companies report make it difficult for us as investors to comprehend the information in a manner which helps in decision-making (INS INV2, 29:49).*

The findings reveal that the fragmented disclosure of such information makes it difficult for users to access, compare and quickly make investment decisions. This results in them incurring extra costs as they go across different organisations to find the best investment opportunity. The perceptions of these users of corporate information were that the fragmentation of human capital information disclosure increases the asymmetric information, thereby reducing the usefulness of human capital information.

9.2.3 Human capital information asymmetry problems

Responding to the effects of such asymmetric information to investment decisions, most participants argued that the inadequate and fragmented disclosure of human capital information increased the risks of investing in bad organisations. Participants were of the opinion that organisations were at liberty to further their interests at the expense of the less informed users.

9.2.3.1 Risks of bad investment selection

Responding to the question of making bad investment decisions, some of the participants' views were:

> *We had to do a though due diligence so as to reduce the risk of investing in a bad organisation. In our due diligence process, we uncovered a lot of unfavourable people issues which led us to avoid some potential organisations. Without that, we could have been regretting our investment decision (BNK INV2, 23:13).*
>
> *Yes we do, but remember you do diligence on information you have been provided for. In the Afro Asia-Kingdom case, investors pulled away later, but they came and did due diligence. It shows skeletons were left in the cupboards and only realised after the investment (BNK INV3, 26:45).*
>
> *The process is an expensive, painful process where you attend hearings, mediation, conciliation all that. It's not a quick arbitration process like the one in my country, and I always feel that they think for labour only without thinking for business as well, as they should always do. All these labour issues you come to know and feel them when you are now already in the business. I went through some corporate reports in my industry and these labour issues were not really reported as issues in the industry (TR INV2, 25:9).*
>
> *We have to carefully scrutinise the information, that is why we made effort to go through the due diligence process, because without that, we might have invested in wrong organisations (INS INV3, 32:17).*
>
> *Bad investments sometimes happen, especially when we invest in these less structured markets. Most unattractive issues related to people only came to the fore when we have already made the decision to invest, so sometimes you would have to deal with the situation when you are already in (BNK INV4, 31:23).*

9.2.3.2 Opportunistic behaviour

Those who suggested that organisations would want to further their own interests

responded:

> *If not careful you will be attracted to wrong organisations, mind you when these organisations are looking for funding, they always portray a good picture. The bad things do not come out easily (TR INV3, 30:26).*
>
> *We therefore had to understand the capacity of the management, looking at their qualifications, experience, loyalty, commitment and transparent levels. We did that to make sure that we were not putting our money where it will be abused (INS INV2, 29:13*).
>
> *So the management sometimes would want to protect themselves, their jobs and so on and will block potential investors as much as possible, especially those investors they think will go against their interests (BNK INV1, 21:25).*
>
> *Whilst the remuneration committee will certainly be there, those committees can be self-serving, so we had to put an eye on them (TLC INV1, 22:32).*

The sentiments from these responses were that the inadequate and unsystematic disclosure of human capital information leads to bad selection of investment opportunities and moral hazard problems. Some of the participants have even experienced these information asymmetry problems while others had to incur expenses to avoid getting into unprofitable investments.

9.2.4 Solutions to information asymmetry problems

Having acknowledged that human capital information asymmetry leads to moral hazard and adverse selection problems, participants contended that the increased disclosure of human capital information was necessary in reducing these information problems. With signalling and screening being known as the main solutions to information asymmetry problems, the study suggests that disclosure of human capital information can assist in reducing asymmetric information problems.

9.2.4.1 Human capital information signals

Responding to why the participants had argued for the increase in the disclosure of human capital information, most participants were of the opinion that human capital information communicates important information to them. Some participants argued that they get to understand the potential of the organisation to perform, which is a good indication of the potential to attain profitability. Responses in this

regard were:

> *The skills and competences of top management helped us to know more about the capacity of the organisation to perform and bring out better results (BNK INV5, 33:20).*
>
> *We also could assess their ability to execute the strategy by going through their qualifications, past success and exposure (BNK INV2, 23:13).*
>
> *We looked at their qualifications, experience and track records to see the potential of the organisation (BNK INV3, 26:9).*
>
> *The board and management profiles helped in assessing the direction and capacity of the management to execute the strategy (TLC INV2, 27:19).*

Other participants argued from the point of costs by articulating that:

> *Our investments rely more on the technical skills, as such, the competences and qualifications of the key staff revealed the training costs implications on the investment (TLC INV1, 22:17*).
>
> *We went through investments in training to see the level of commitment to development the organisation has invested in. We therefore invested in an organisation which was already running and avoided to bottle up our investments in training costs (BNK INV2, 23:43).*
>
> *We also looked into their remuneration policies, staff composition and employee utilisation to understand the implications of such policies on the cost of labour. We wanted a return for our investment, so all costs associated with the investment were scrutinised (BNK INV3, 26:44).*
>
> *Information on the staff composition assisted us in having a general view of the cost structure in terms of the remuneration (TLC INV2, 27:8).*

Some participants suggested that the information communicated important messages on the stability of the organisation, and explained:

> *Employment relations and the general industrial peace quickly points to the stability of the organisation and the industry in general (TR INV1, 24:22).*
>
> *Besides performance indicators that we got from the financial statements, we managed to assess the stability and direction of the organisation, based on the leadership of the company (BNK INV2, 23:12).*
>
> *Information on top management was important as they are the people who point the direction of the organisation. The information assisted in assessing the stability and going concern of the organisation (BNK INV3, 26:20).*
>
> *We therefore looked also at the retention and compensation policies to see*

> *the stability of these people. We also looked at the turnover ratios, where we were focusing mainly on the turnover of key skills. These gave some indications on the stability of the organisation (TLC INV2, 27:17).*

Similarly, continuity of the organisation was understood to be shown in the availability of skills for succession planning. Some participants argued:

> *We came to understand about the continuity of the organisations by looking at their succession plans. We got to understand whether these organisations were ready for unexpected movement of the key people or not (BNK INV3, 26:21).*

> *The skills and competences of the employees will tell you about the going concern and future success of an organisation. In this sector, competitiveness of organisations resides in the capabilities of these employees (TR INV5, 35:23).*

Some participants brought in concerns about risk and argued that:

> *When you come to understand the management credentials, you will be comfortable as your money will be in safe hands (BNK INV5, 33:44).*

> *Such information [human capital) removes some sense of doubt and uncertainty which you will be having as a new player in the market. For us, it actually boosted our confidence in the business that we were partaking (TR INV1, 24:13).*

> *The other thing is the labour law, it is risky hiring people here, because the moment that person get dismissed, you will be in for it, the laws here are pro labour, come what may, so labour laws are to be looked at as sources of risk, on top of these laws being vague also (TR INV2, 25:8).*

> *Management stewardship is easily reflected by the credibility and trust you have in the top management. This reduces fear of risks and uncertainty which are always experienced in investments (INS INV2, 29:19).*

It can be deduced from these responses that human capital information communicates some futuristic information on the potential profitability, risk and costs associated with the investment. Thus, the signalling of this information reduces information asymmetry problems as the investors would be in a position to make informed decisions.

9.2.4.1.1 Effects of the disclosure context

In as much as the participants were of the view that human capital information communicates important information, most of these participants contended that the context and manner in which the human capital information is disclosed influences the impact of the information on their decision-making process. Some participants argued:

> *Yes, we might have some quality human capital here, but if such human capital is not supported by sound policies, then the usefulness of the information to be disclosed on human capital might not be not seen. There should be complementary factors in organisations and as well as in the macro environment, for an investment to take place. The human capital capacity is being weakened by the operating macro-environment (BNK INV3, 26:27).*
>
> *Whilst at face value, human capital information is seen as an attraction, it does not work in isolation, it has to be complemented by a number of other positive factors for it to yield some benefits to us (INS INV2, 29:28).*
>
> *As long as the macro issues are wrong, the impact of human capital information becomes less and less. So human capital information is very important, but it does not work in isolation with other variables (INS INV3, 32:31).*
>
> *We first look into the macro environment, to see if it is worth it to go for the business, information on human capital and other issues become complementary information to support the worthiness of the business. So the more the justification to do business is there, the more relevant the micro information like human capital will be, in the investment process (TLC INV1, 22:11).*
>
> *I might appreciate the human capital as revealed by the information to be given, but if the other operational conditions are not feasible to operate in, the influence of human capital information becomes of little significance. (TR INV 2, 25:15).*

Those who argued in terms of the manner in which the human capital information was communicated further articulated that:

> *Yes, the information is important but the environment in which we operate is controlled by quantitative figures as the language of investment, which is why I emphasised on the financials as the main capital. Human capital information should therefore follow suit if it is to be more valuable in reducing information gaps* (*BNK INV1, 21:35).*
>
> *The disclosures will communicate very useful information if reported in a*

standardised manner. For now, the information is difficult to comprehend as organisations disclose what they want. With financial information, it is easier because the information is standardised across all organisations (INS INV1, 28:22).

What we want more is audited and verifiable information. If human capital information is to move to such levels of disclosure, it will be more significant in communicating the performance of the organisation. With more subjective information, organisations can actually disguise themselves as good investment cases, which even worsen the information gap already there (BNK INV4, 31:28).

We mainly give attention to financial information because of its credibility, so in as much as we believe human capital to be an important asset, the manner in which information concerning this asset is reported reduces our confidence in such information, as it becomes more of subjective opinions voluntarily given by the organisations (TR INV4, 34:26).

From these responses, the perceptions of the participants were that the impact of human capital information disclosure in reducing asymmetric information problems is influenced by the environment and manner in which this information is disclosed. The strength of this communication in reducing asymmetric information problems is therefore affected by the context and manner in which such disclosure is made.

9.2.4.2 Screening through human capital information

Responding to whether the participants used human capital information in the screening process when they made investment decisions, most participants concurred that human capital information was useful in the screening process. Some of the responses from these participants were:

We considered human capital information because it communicated issues of going concern and stability of the organisation that was in question. So you get to know more about that through the type of management that you have, the type of people that you have. We then used that information to look for a better organisation. Mind you, such information has got implications of risk, especially if the management is not that credible (TLC INV1, 22:21).

Human capital is therefore important in reaching a decision to invest or not. With better information from the company with regard to the human resource, you can also screen and select the best company for investment (TR INV3, 30:28).

The information is vital but not organised. We had to go through several

management meetings for other finer details like human capital information, for us to do our final selection of the best company, as the information could not be accessed through the annual report (INS INV3, 32:17).

In this investment, we had to consider human capital information as a differentiating factor, as most aspects were almost similar in the potential banks that we were looking at. So naturally, if other things are fairly the same in these organisations, as in most cases they are, the major differentiating aspect will be the people within the organisation... The challenge is however on getting this information, as organisations rarely disclose it in the same manner. You have to dig deeper to unveil the information (BNK INV4, 31:37).

We also had to go an extra mile to discuss at length with the management, where we also uncovered the immense potential in terms of the leadership and people potential in the organisation, which then attributed to our final decision to invest in this organisation (INS INV2, 29:18).

Sentiments from these responses are that human capital information is important in the selection of the best organisation to invest in. This is because it gives some indication of the future potential of the organisation. Pointers such as risk, costs and value creating abilities are then used to distinguish between good and poor performing organisations. Some participants viewed it as the most differentiating factor amongst organisations, when other variables seem to be the same. With the ability to differentiate the capabilities of different organisation, the information is therefore perceived as useful in reducing asymmetric information problems. However, issues of the inaccessibility and unorganised nature of the human capital information is seen to weaken the selection process.

Some participants were of the opinion that the information was useful, but not the ultimate consideration as a lot of issues come into play. These participants observed:

Though not the only consideration we made, as there is a vast number of things to consider in investment, the information [human capital] helps to point some cost, risk and potential associated with the organisation (BNK INV3, 26:41).

Yes, human capital information aids in the selection of the best company. As we evaluate the potential of these companies for investment opportunities, there are some boxes which we tick to say, was this covered

to our satisfaction. Human capital information is part of it, though there is also a range of issues to be considered (TLC INV 2, 27:25).

The [human capital] information provided in the corporate reports enhanced the selection process as it indicated the level of stability and certainty; however, such information is not considered as a deal breaker (INS INV1, 28:31).

9.2.4.2.1 Self–selection though human capital information

While investors might make some effort to screen the organisations as a way to reduce information asymmetry problems, it was also observed that human capital information disclosure or non-disclosure by these organisations acts as natural selection criteria where these organisations self-screen themselves from potential investment opportunities. Some participants explained:

Lack of information is one of the biggest frustrations when we make investment decisions, so naturally organisations that do not disclose more will also be pushing away investors on their own (TR INV4, 43:20).

They complain that it's too time consuming, it's costly and it's too much work, but mind you, we will be coming from a more disclosure perspective and unfortunately we are usually attracted more to highly disclosing organisations as these reduce the uncertainty risk (BNK INV1, 21:19).

Where we feel that there is risk due to some inadequate information, we usually avoid such investment. It is therefore to the benefit of the organisation to reduce such uncertainties if they are not to push away potential funding (TLC INV2, 27:28).

These organisations seem not to be aware that they deprive themselves of more funding by being less transparent with such information which they can voluntarily disclose on (INS INV3: 32:27).

Sometimes these organisations self-screen themselves by fewer disclosures. As investors, we always question the reasons for fewer disclosures when other organisations in the same industries are disclosing more (BNK INV2: 23:27).

While some participants observed that information on human capital might not be the only screening criterion, most participants felt that the information is very useful in the screening process. The non-disclosure of human capital information by some organisations therefore acts as a separating mechanism between the good and bad organisations.

9.2.5 Harmonisation of human capital information disclosure

With the concern for fragmented human capital information disclosure having been frequently expressed as further perpetuating asymmetric information problems, the researcher drew some inferences on whether the harmonisation of human capital information disclosure across organisations might reduce information asymmetry problems.

9.2.5.1 Harmonisation benefits

The findings from the study revealed that the harmonisation of human capital information disclosure enables comparability, increased accessibility, relevance, credibility and also accelerates the decision-making process. These harmonisation benefits were considered important in enhancing signalling and investment selection. Those who articulated the issue of comparability responded:

> *That will be helpful as we move towards the aspect of integrated reporting and certainly it will allow us to compare like with like in the market. If information is integrated, it brings in better understanding of different investment opportunities (BNK INV1, 21:35).*

> *Harmonisation therefore brings about comparability amongst organisations (INS INV 3. 32:28).*

> *For those of us who really want to invest into the specific organisations, it will be easy to compare potential companies and choose the best (TR INV1, 24:23).*

> *This is because it enables easy comparisons amongst these companies, so as to invest in the best company (TLC INV2, 27:26).*

The perceptions of these participants were that comparability enables them to separate between good and bad organisations, thereby reducing the risk of investing in a bad organisation. Comparability therefore promotes common ground for evaluation where organisations are evaluated using the same criteria. Those who raised the point of increased accessibility argued that:

> *Harmonisation will certainly bring sanity as we will easily get the information, interrogate information and can do comparisons easily because information will be accessible (BNK INV1, 21:38).*

It will certainly increase the level of information being provided. Like I said, the few reports that I went through had nothing really to offer with regard to people issues (TR INV1, 24:42).

It makes the reporting organisations more attractive as you easily get to understand the organisations through the disclosed information without the need to incur extra costs in looking for information to decide whether to invest or not (INS INV1, 28:24).

Information would be easy to access and as such reduces the time taken to make investment decisions. I will recommend that such harmonisation even be done at regional level to enable us to benchmark different organisations and countries in different markets. Like I said, some of us have interest to invest in the region as a whole, and not only in a specific country, so such information will become more useful (TR INV 3, 30:24).

It will also reduce the cost of getting such information, especially when we are to dig through different sources to unearth the information (INS INV3. 32:28).

These participants emphasised that the increased accessibility of human capital information because of harmonisation would reduce information costs and time to be taken in reaching an investment decision. Time and resources are always limited in investment situations, and harmonisation of human capital information is perceived to reduce information asymmetry problems, enabling investors to make timely and less costly investment decisions.

Some participants argued that the harmonisation of human capital information disclosures increases the relevance of the disclosed information, and explained:

I would therefore say harmonisation increases the relevance and usefulness of the information. If we are able to look into several organisations and come to a decision, then it means the information is relevant. But you can hardly make decisions based on scattered information across these organisations (BNK INV3, 26:33).

Information is today's competitive power. If that information is harmonised, the more effective this form of power will be, as the usefulness of the information will be more pronounced (INS INV1, 28:45).

The way these companies report makes it difficult for investors to comprehend the information in a manner which helps in decision-making. As such, the reporting system which is harmonised will be useful in decision-making (INS INV2, 29:49).

Similarly, some participants commented on the increased credibility of the information:

> *If you can see a lot of organisations reporting on the same issues, it gives a true reflection of the investment situation with regard to the disclosed information. So harmonisation of this information does not only give the relevant information needed but might increase the credibility of such information (BNK INV3, 26:34).*

> *If organisations can compare themselves against each other, they can easily benchmark and can make some improvements on their reporting. Such reporting will therefore not only help us as the users of the information, but also improves the credibility of the information given by the organisations themselves (BNK INV4, 31:30).*

> *I also think that such harmonisation will also increase the credibility of the information, if such information is to be seen in several reports of these companies (TR INV1, 24:43).*

Some participants suggested that accelerating the investment selection process would be one of the benefits of harmonised human capital information disclosure:

> *We will not waste time in digging some information, which we are currently getting through private sources, so I believe harmonisation hastens the selection of better opportunities (BNK INV2, 23:49).*

> *It becomes easier to access that information and quickly make some investment decisions, unlike if companies are reporting whatever they feel like reporting (BNK INV3, 26:34).*

> *Information would be fairly uniform and this quickens investment decisions (INS INV1, 28:46).*

> *Information would be comparable, easy to access and as such reduces the time taken to make investment decisions (TR INV5, 35:44).*

> *I think it will reduce the time we spend going from company to company, searching for better investment opportunities (TLC INV2, 27:35).*

These benefits which result from harmonising human capital information are key issues in reducing asymmetric information problems as decisions will be made from an informed position. The harmonisation of human capital information is therefore perceived to increase the worthiness of the information in investment decision-making by reducing information gaps.

There were, however, two participants who argued that the uniqueness of the human capital information and not harmonisation was necessary in the decision-making process:

> *The information that is hard to get sometimes represents the usefulness of such information. So the attractiveness of an investment opportunity might not be determined by the harmonisation of such information, but by that uniqueness of the information provided (TLC INV1, 22:29).*
>
> *The uniqueness in the disclosures of each organisation becomes the differentiating factor in some circumstances. Harmonisation might reduce this uniqueness (BNK INV5, 33:34).*

These responses suggest that harmonisation reduces individual uniqueness of an organisation, as organisations will report on the same issues. While these participants do not put emphasis on harmonisation, their acknowledgement that information that is inaccessible can be very relevant in decision-making. This indicates that human capital, which is said to be usually found through private and costly sources, remains very useful in decision-making. The more such information is accessible, the more useful it will be in reducing information asymmetry problems.

9.2.5.2 Harmonisation challenges

Having discussed the advantages of harmonisation, participants in this group were in agreement that harmonising human capital information disclosure has its own challenges. The most cited challenges were lack of strong professional boards to facilitate the process, organisations having no will to harmonise and lack of some enforcement to enable the harmonisation to take place. Some participants explained:

> *There are no advocates to facilitate the harmonisation process. There seem to be no active professional boards in this area. The financial reports are now standardised because of active professional boards and the HR as a profession can learn from them (INS INV2, 29:20).*
>
> *Professional institutions have that mandate to see that harmonisation takes place but they are not really actively engaging in this area (TR INV3, 30:30).*

The process lacks some form of enforcement to facilitate the harmonisation (BNK INV4, 31:30).

Even these organisations lack some zeal to produce quality reports that is why legal enforcement is sometimes needed. No enforcement, no drive to harmonise (TLC INV2, 27:35).

9.2.5.3 Mandatory / voluntary harmonisation

Having contended that harmonisation of human capital information was necessary in reducing asymmetric information problems which will aid in decision-making, there were mixed feelings on whether such harmonisation should be enforced through legal means or by following best practice. Some participants felt that effective harmonisation would only take place if there are some laws to enforce and direct the implementation process, and they explained:

Some form of enforcement is also needed if companies are to report in that harmonised way (TR INV4, 34:26).

I think there should be some form of enforcement from regulators, if these organisations are to improve their reporting (TLC INV1, 22:21).

Standardised legal framework of reporting worked very well for financial reporting as it was mandatorily required by law as such, reporting guidelines on human capital should follow suit if the information is to become more relevant (INS INV3. 32:28).

I would say companies will only report more if it becomes mandatory. With financial information, we do not struggle to get it because there are some regulations which stipulate the reporting procedures (BNK INV4, 31:30).

On the other hand, some participants felt that best practice was the preferred approach as parties involved would willingly co-operate rather than being coerced though law enforcement, and explained that:

Whilst another option can be that of mandatory guidelines to be followed, I think it will work best if companies are encouraged rather than forced to report in a certain manner (INS INV3, 32:21).

I think it is the role of professional boards to encourage for such harmonisation. In the UK, the CIPD is there to do that. So here, professional bodies can play an active role in pushing for such harmonisation. Companies should be encouraged to adhere to best practice and not necessarily be coerced to disclose this information (INS INV2, 29:20).

> *Cooperation comes easily though consensus than law enforcement, so I think it would be best for organisations to reach a consensus. Mind you this information is currently disclosed on a voluntary basis (BNK INV2, 23:27).*
>
> *Law is law and it can always be broken. Guidelines of voluntary nature always improve the reporting practices of these organisations as they would report willingly (TR INV5, 35:36).*

These participants further articulated that the success of such harmonisation was dependent on the buy-in of the parties involved, and as such, education and sensitisation on the benefits to be achieved through harmonisation was necessary. Harmonisation was therefore seen as effective when voluntarily done, where the needs of parties involved are taken into consideration. The participants argued:

> *It comes back to the issue of educating decision-makers, for them to see the benefits of harmonised human capital reporting and not necessarily to force them to comply with certain regulations (BNK INV1, 21:41).*
>
> *Effort should therefore be on sensitising the organisation on the benefits of such harmonised disclosures. With narrative information, it might not be effective to regulate such disclosures, but guidelines will be necessary (INS INV2, 29:42).*
>
> *I suggest professional institutions can take the initiative to do that, as it is also somehow their mandate if they are to remain relevant in their areas. Dialogue amongst interested parties can also be kick-started to raise the momentum on the area of harmonised reporting (TR INV3, 30:31).*

Sentiments from most of the participants were that, whilst organisations can be compelled through regulations, co-operation through voluntarily following best practice was more effective as the organisations will become partners in the process. The role of professional boards in facilitating harmonisation is also emphasised.

9.2.6 Decision usefulness of harmonised human capital information

In understanding how the harmonisation of human capital information disclosure would facilitate effective decision-making by foreign investors, the researcher sought to obtain the views of the participants with regard to the decision usefulness of harmonised human capital information disclosure.

9.2.6.1 Harmonisation enhances decision usefulness

Participants revealed that harmonisation of human capital information enhance decision usefulness of the information. Those who argued in line with the increase in the credibility of the human capital information explained that multiple and repetitive signals can be sent:

> *I think that such harmonisation will also increase the credibility of the information, if such information is to be seen in several reports of these companies (TR INV1, 24:43).*
>
> *Harmonised information increases confidence in an uncertainty situation. Sometimes a decision is not reached because everything is well, but because of the level of confidence gained through multiple information accessed from several organisations (TLC INV1, 22:22).*
>
> *Credibility and transparency of the management becomes key in reducing investment risks and you usually get such information through human capital disclosures. If the disclosures are harmonised, this credibility is enhanced (BNK INV4, 31:32).*
>
> *Such reporting will therefore not only help us as the users of the information, but also improves the credibility of the information given by the organisations themselves (BNK INV4, 31:30).*

Some participants further suggested that harmonisation increases the relevance of the disclosed information, and explained:

> *I would therefore say harmonisation increases the relevance and usefulness of the information.... you can hardly make decisions based on scattered information across these organisations (BNK INV3, 26:33).*
>
> *Innovation comes with people than any other asset, as such value creation capability and future profitability of the organisation lies in these people than the past performance reflected in the financial information. Without adequate information on the value drivers, then we can hardly predict the future of an organisation. Harmonisation brings together this information in a systematic manner (TLC INV2, 27:45).*
>
> *If that information is harmonised, the usefulness of the information will be more pronounced (INS INV1, 28:45).*

Participants also pointed to the issue of reducing time in decision-making due to comparability and accessibility by saying:

> *Currently, the reporting is not integrated, so we spend a lot of time and resources, searching for the information that we want for us to reach the*

decisions (BNK INV1, 21:36).

Information would be comparable, easy to access and as such reduces the time taken to make investment decisions (TR INV5, 35:44).

Information would be fairly uniform and this quickens investment decisions (INS INV1, 28:46).

Information would be easy to access and as such reduces the time taken to make investment decisions (TR INV 3, 30:24).

It [harmonisation] increases accessibility. You reach a decision based on some information, but if it is not there, then the decision is difficult to make (INS INV3, 32:11).

The findings from this group of participants revealed that harmonisation brings about credible, relevant, accessible and comparable information, facilitating timely decisions. Such characteristics of human capital information rendered it more useful in facilitating investment decision-making.

9.3 CONCLUSION

This chapter presented the findings from interviews which were done with foreign investors as users of corporate annual reports. The major findings from this group were that the macro and corporate information disclosure environment under which the investment opportunities were sought influenced their investment decisions. With the major objective for foreign investments being to look for profit maximisation, the study evidence revealed that these foreign investors face some investment challenges emanating from this environment. Whilst challenges like bureaucracy and corruption were also encountered in their pursuit of investment opportunities, their major challenge was information barriers, especially when investing in less structured markets.

Because of the information barrier, the participants revealed that they encounter asymmetric information problems as they make investment decisions. Most of the asymmetric information problems emanated from the non-financial information which was voluntarily disclosed to the public. While acknowledging the relevance of financial information, the findings from the participants also revealed that human

capital information was voluntarily communicated to enable users to make informed decisions. Human capital information was therefore revealed to communicate futuristic information which was essential to the users. However, the study evidence also revealed that such human capital information was limited and disclosed in a fragmented manner, leading to asymmetric information problems with the foreign investors.

Because of its ability to communicate important information to the investors, the study revealed that human capital information could be used as a solution to information asymmetry problems where it would be used in signalling and screening. However, to increase the effectiveness of the signalling and selection processes, the participants further explained that the harmonisation of human capital information would bring advantages of comparability, accessibility, increased relevance and credibility. These advantages were perceived to facilitate signalling through enhancing signal fit, diffusion and reducing signal erosion. The facilitation of effective signalling was revealed to help in the screening of best investment opportunities. Participants noted that the reduction of asymmetric information related to human capital information would enable foreign investors to make informed investment decisions as harmonised human capital was considered decision usefulness. Table 9.1 below presents a summary of the evidence and emerging themes from the group.

Table 9.1: Summary of evidence and emerging themes from Group 3

Theme evidence	**Theme indicator**	**Emerging theme**
- An extremely hostile environment to do business. - The investment climate extremely vague. - Easy to do business rated low. - The human capital information capacity is being weakened by the operating macro- environment. - As long as the macro issues are wrong, the impact of human capital information becomes less and less. - If the other operational conditions are not feasible to operate in, the influence of human capital information become of little significance. - It was more stable, peaceful with low crime rate. - Zimbabwe has better educated people.	Macro environment disclosure context	**Signalling and screening context** - *Signalling and screening context not conducive for effective human capital information signalling*
- Information was not easily accessible. - Most of the information is found though private sources which are costly. - For financial information, we relied more on the corporate annual reports. - We get non-financial information through private meetings. - We look for key drivers of these financial indicators. - We also infer futuristic kind of information. - Financial and non-financial information is needed. - The environment in which we operate is controlled by quantitative figures as the language of investment.	Corporate information disclosure context	

Table 9.1 continued…		
- We wanted more information on top management. - The information on human capital was relevant, but was not adequate. - The bulk of the information you see is the mandatory financial information. - The organisations rarely disclose that [HC] information upfront. - Human capital is rarely disclosed in the annual reports. - We do not struggle to get financial reports of listed companies, the same should also happen with this information.	Inadequate human capital reporting	**Human capital information asymmetry** *-Inadequate and fragmented disclosures leading to information asymmetry.*
- The information is not reported in the same manner. - They disclose the information differently. - It [HC] is fragmented and we spend a lot of time trying to synchronise this information. - The reporting is not integrated.	Fragmentation	
- We could have been regretting our investment decision. - All these labour issues I came to know and feel them when I was now in the business. - In the Afro Asia-Kingdom case, investors pulled away later, but they came and did due diligence. - Most unattractive issues related to people only came to the fore when we have already made the decision to invest.	Adverse selection	**Human capital information asymmetry problems** *- Humancapital information asymmetry causing bad investment selection and opportunistic behaviour by organisations.*
- The bad things do not come out easily until you put in some funds. - Management protects their interest at the expense of investors. - Those [remuneration] committees can be self-serving, so we had to put an eye on such information when investing. - Organisations disguise themselves as good investment cases even when they are not doing well.	Moral hazard problems	

Table 9.1 continued…		
- The skills and competences of management indicate the capacity of the organisation to perform. - Ability to execute the strategy is shown by qualifications, past success and exposure. - The board and management profiles indicate capacity of the management to execute strategy. - The competences and qualifications of the key staff revealed the training costs. - Remuneration policies, staff composition and employee utilisation show cost of labour. - Employment relations and the general industrial peace quickly points to the stability of the organisation and the industry in general. - The information assisted in assessing the stability and going concern of the organisation. - We came to understand about the continuity of the organisations by looking at their succession plans. - Labour laws indicate some risks involved in the market. - The credibility of management reduces fear of risks and uncertainty.	Human capital information signals	**Signalling human capital information** - *Human capital information signals important information***.**
- We were quite impressed by the management capacity of this organisation and made a decision to invest into this specific organization. - We used that [HC] information to look for a better organisation. - With better information from the company with regard to the human resource, you can also screen and select the best company for investment. - We had to consider human capital information as a differentiating factor, as most aspects were almost similar in the potential banks that we were looking at. - Human capital helps to point some cost, risk and potential associated with an organisation.	Investment selection	**Screening through human capital information** *-Human capital information enhances effective investment selection.*

Table 9.1 continued…		
- Organisations self-screen themselves by fewer disclosures. - Organisations that do not disclose more will also be pushing away investors on their own. - We are usually attracted to highly disclosing organisations as these reduce the uncertainty risk. - Where we feel that there is risk due to some inadequate information, we usually avoid such investment. - They deprive themselves of more funding by being less transparent with such information which they can voluntarily disclose.	Self-selection by organisations	- *Human capital information separate good from bad investment choices.* -*Inadequate and fragmented disclosures reduces effective selection of investment choices.*
- We find it very challenging to use human capital information in choosing the best organisation as the information varies from one organisation to the other. - As it stands you can hardly utilize this information in differentiating different organisations on the lines of human capability. - The challenge is on getting this information. - We spend a lot of time trying to synchronise this information. - The way these companies report, makes it difficult for us as investors to comprehend the information in a manner which helps in decision-making.	Screening capacity	
- It reduces the cost of getting such information as such, most organisations can be accessed. - If we are able to look into several organisations and come to a decision, then it means the information is credible. - If such information is to be seen in several reports of these companies it will be easily observable.	Signals fit	**Harmonisation facilitates signalling** - *Harmonisation facilitates signalling by reducing information costs, increasing information*
- It [harmonization] brings in better understanding of different investment opportunities. - It brings the information together, making it more relevant and understandable across organisations. - Multiple sources of information give more information.	Signal diffusion	

Table 9.1 continued…		*comparability and relevance.*
- It reduces the cost of getting such information as such, most organisations can be accessed. -Comparable information reduces faking. - Reduces uniqueness in reporting by organisations.	Signal erosion	
- It will be easy to compare potential companies and choose the best.	Screening	**Harmonisation facilitates screening**
- It [harmonisation] brings about comparability. - Harmonisation increases the relevance of human capital information. - It [harmonisation] reduces cost of information. - Harmonisation increases credibility of human capital information. - Harmonisation expedites decision-making. - Information would become easy to access.	Usefulness of harmonised information	**Harmonisation enhances decision usefulness of human capital information.**

Having presented the findings from Group 3, Chapter 10, which forms the first chapter of part III, presents a cross-group analysis of the findings from the preparers and the users groups.

PART III

CROSS-SOURCE ANALYSIS, THEORETICAL MODEL AND CONCLUSIONS

Part III consists of Chapters 10, 11 and 12. In Chapter 10, the cross-analysis of themes emerging from the experiences of the participating sample groups presented in Part II is done. In this same chapter, findings are discussed, fused and substantiated with the existing literature. The emerging theoretical model is then explained in Chapter 11, with Chapter 12 providing a summary of the main conclusions, contributions and recommendations. Suggestions for further research will also be made in this chapter.

CHAPTER 10

CROSS–ANALYSIS OF EVIDENCE AND DISCUSSIONS

10.0 INTRODUCTION

This chapter deliberates on the findings across the three groups of study, which are the two groups of preparers and the users group. Corroboration with the findings from corporate annual reports and the human capital disclosure checklist will be done. The analysis is undertaken focusing on the themes derived from the data analysis process as discussed in the methodology chapter. The analysis proceeds in three broad sections as follows: In the first section, a cross-reflection of themes emerging from the participating groups is done in a way to gain insights into the converging and diverging themes (Eisenhardt & Graebner, 2007; Gioia et al., 2012). The cross-group themes are then analysed and discussed in the second section. The third and final section concludes the chapter with a summary of how the harmonisation of human capital information disclosure facilitates investment decision-making by foreign investors. This summary informs the emerging theoretical framework in Chapter 11. The next section presents the cross-group reflection of evidence from the preparers and users groups.

10.1 CROSS-GROUP REFLECTION OF EMERGING THEMES

Table 10.1 presents eight themes across the preparers and users groups. These are:

1. Signalling and screening context
2. Human capital information asymmetry
3. Human capital information asymmetry problems
4. Signalling human capital information
5. Screening through human capital information
6. Harmonisation facilitates signalling
7. Harmonisation facilitates screening
8. Decision usefulness of harmonised human capital information.

Table 10.1: Cross-reflection of emerging themes

Emerging theme and its indicators	Group 1	Group 2	Group 3
Signalling and screening context			
Macro environment	√	√	√
Corporate information disclosure context	√	√	√
Human capital information asymmetry			
Inadequate reporting	√	√	√
Fragmentation	√	√	√
Human capital information asymmetry problems			
Adverse selection	√	√	√
Moral hazard problems	√	√	√
Signalling human capital information			
Human capital information signals	√	√	√
Signal strength	√	√	x
Screening with human capital information			
Investment selection by investors	√	√	√
Self-selection by organisations	√	√	√
Screening capacity	√	√	√
Harmonisation facilitates signalling			
Signal fit	√	√	√
Signal diffusion	√	√	√
Signal erosion	√	x	√
Harmonisation facilitates screening			
Screening	√	√	√
Decision usefulness			
Decision usefulness of harmonised information	√	√	√

While variations exist in some of the theme indicators, the emerging themes are supported by evidence from all the participating groups. The diversity of the views on the theme indicators is necessary in understanding how harmonised human capital information disclosure could facilitate decision-making by foreign

investors. Different views assist in strengthening the emerging theory (Miles & Huberman, 1994) and as such, the different perceptions arising from the different groups were considered important in the cross-group analysis. A detailed analysis of all the seven themes is provided below.

10. 2 CROSS-GROUP ANALYSIS AND DISCUSSION OF THE THEMES

The analysis of themes is systematically done in five steps that include brief explanation of the theme, manifestation of the theme in the evidence, bringing in the extant literature, identifying areas of convergence and divergence between evidence and literature (Eisenhardt, 1989; Knopf, 2006) and concluding with some implications for the new theory development (Eisenhardt & Graebner, 2007). The themes are analysed in the same sequence in which they appear in Table 10.1.

10.2.1 Signalling and screening context

This theme gives a reflection on the context of the study. Context is viewed as a specific array of circumstances surrounding a situation (Rule & John, 2011). These circumstances are inclusive of cultural, legal, social, economic, political and technological factors at macro level, as well as the corporate information disclosure context. In order to understand how the harmonisation of human capital information disclosure might facilitate investment decision-making, an appreciation of these contextual factors was critical. A wider context under which corporate information in general, and human capital information in particular, are disclosed, is critical in understanding harmonisation and its effects on investment decision-making. Thus, reference to this wider context (Rule & John, 2011; Whetten, 1989) is necessary in understanding the study better. Some evidence from the participants with regard to these contextual issues is therefore discussed.

10.2.1.1 Macro environmental context

Looking at the macro environmental context, evidence from the study indicates that participants commented more on the economic, legal, cultural factors and social factors. These are shown in Table 10.2.

Table 10.2 Macro environmental context

Theme Evidence	Theme indicator
- An extremely hostile environment to do business. - The investment climate extremely vague. - Easy to do business rated low. - Human capital capacity weakened by macro-environment. - It (HC) does not work in isolation with other macro variables.	Economic factors which are not conducive for running business successfully
- Financial information is always reported to comply with the regulations. - We are also required to do so through the Companies Act. - Whether we like it or not it's a matter of regulation. - The environment in which we operate is controlled by quantitative figures as these are regulated.	Legal factors which results in mere compliance, with a quantitative bias
- It goes back to a mind-set that is driven by secrecy. - In the Zimbabwean economy and in developing countries in general, there is no culture of giving more information. - The corporate report is surrounded by its own cultural practice and formats that has been with us.	Cultural factors encourages secrecy and minimum information sharing
- It is a stable and peaceful country. - Zimbabwe has a more educated workforce than most of its counterparts. - There is less crime.	Social factors are conducive to manage business successfully

Evidence from the participants reveals that the **economic environment** was not conducive enough to do business. Thus, issues of ease of doing business, vague environment and difficult economic situation sums up the economic environment in which the study was undertaken. Zimbabwe has always been ranked low on the World Bank's Cost of Doing Business Indicators (AFDB, 2013; IFC, 2014; World Bank, 2005). The country's economic problems further made it difficult for the country to attract foreign funding, even though efforts were being made to improve the country's attractiveness to investment. The country has also been rated as one of the most corrupt countries in the world by Transparency International (Langa, 2014.) Consequently, while human capital in the country may be a source of

investment attraction, the economic environment reduces the appeal of this human capital. Evidence suggests that investment decisions are made in the context of several considerations. In such a context, the strength of human capital information signals became dependent on the economic environment in which the information was being communicated.

Looking at the **legal factors**, the evidence suggests that the legal framework guiding the reporting practices will have an impact of the type of the information that is ultimately disclosed to the public. Several legal frameworks guide reporting practices in Zimbabwe. The disclosure requirements of listed organisations are mainly guided by the Companies Act, the International Financial Reporting Standards (IFRS) and the listing regulations specified by the Zimbabwean Stock Exchange. These regulations provide the minimum mandatory information to be contained in the corporate annual reports (Cronje, 2008) and in most cases influence much of what is reported by these listed organisations. The financial information is widely covered by the regulations, leaving most non-financial information unregulated and disclosed on a voluntary basis. The voluntary nature of human capital information disclosure makes it minimally reported as most disclosure focuses on fulfilling the mandatorily required information. Minimal disclosure of human capital information is deemed to be a result of a lack of legal enforcement (Adelowotan et al., 2013; Khan & Khan, 2010). The influence of regulation on corporate information disclosure is also confirmed by the study evidence.

Culture as a contextual factor is reflected as affecting human capital disclosure practices. The study evidence suggests that a culture of secrecy and unwillingness to give more information surrounds the context in which corporate information is disclosed. Because of such secrecy, organisations seem to disclose more of the minimum required information, following stipulated reporting systems. Several studies on developing countries have found these countries to be associated with this culture of secrecy and limited transparency (Hofstede, 1980, 1991; Gray & Vint, 1995; Gray, 1996). Thus, high information asymmetries are usually experienced in such cultures. While some previous researchers argued that factors

such as the legal and tax systems were more direct influences on the corporate reporting environment, with cultural values being considered vague and indirect in understanding the external reporting environment (Nobes & Parker, 2008), the evidence suggests that culture directly influences the reporting practices of organisations in a developing country. In this case, the culture of secrecy and less transparency seems to impede the disclosure of more human capital information to the external users, creating information asymmetry situations. Most human capital information remains internal information for management purposes. A culture of less transparency, where there is high uncertainty avoidance, usually limits disclosure to those stakeholders closely involved with the organisations (Gray, 1988).

Looking at the **social factors**, positive social attributes were revealed. A low crime rate, educated population, and a peaceful environment characterised the social environment. Given the fact that participants came from the services sector where social factors critically impact on the operations of the sector, these social factors seemed to be a major consideration in reaching investment decisions. Peacefulness and low crime rates reflect on the type of human capital a country has. The evidence therefore pointed to a conducive social environment, which enhanced the attraction of investors into the country. Compared to the other sectors, the service sector generally has a higher requirement of human capital, and the labour force in the services is usually highly skilled (Absar et al., 2014). Scholars consider human capital as a more significant factor, especially to the service-based sector than any other sector of a country (Wickramasinghe & Fonseka, 2012). Given such social attributes, the disclosure of human capital information therefore received significant attention, although other macro variables diluted its significance, as previously explained.

10.2.1.2 Corporate information discosure context

As regards the corporate information disclosure context, the study evidence from the three groups reveals the existence of corporate information gaps between the preparers and users of corporate information. Evidence from Groups 1 and 2 reveals

that the main objective of corporate annual reporting is to communicate the corporate information for decision-making purposes. These preparers of corporate annual reports therefore understand the existence of an information gap between them and the users of corporate information, prompting them to communicate such information to reduce the information gap. The use of regulation in corporate reporting, where the two preparers groups argue that they also do corporate reporting to comply with regulations, further suggests that regulators also acknowledge the information asymmetry between users and preparers of corporate information, and promulgate laws to ensure that information gets to the information deficient users.

Similarly, Group 3, which is the users group, also contended that the information barrier is the main challenge they experience when looking for investment opportunities in foreign markets. In attempting to reduce this information barrier, these investors make use of both the private and public sources of information to search for more information before arriving at an investment decision. Whereas the preparers groups view corporate information from the way in which the information is reported, Group 3 views corporate information from the sources where corporate information could be obtained. The use of both private and public information sources by foreign investors is an indication that the public sources alone are not adequately fulfilling the information needs of these investors. This evidence concurs with Group 1 and 2 submissions that mandatory disclosures which are publicly reported are not adequate on their own; as such voluntary information is further disclosed to users in an effort to reduce the information gap. However, evidence from Group 3 indicates that the voluntary form of reporting is not providing much of the needed information, forcing foreign investors to look for information through private sources which are considered costly and less accessible.

In as much as non-financial information is minimally disclosed, the study evidence from all three groups reveals that users of corporate information are interested in both financial and non-financial information. Although financial information has

been articulated to be useful and needed by the foreign investors, evidence from all the groups reveals that non-financial information which gives future indicators of performance is also important information to foreign investors. The arguments for the usefulness of non- financial information is based on the fact that the service industry relies more on the value creation abilities of the intangible assets, and as such, the organisations' performance could also be assessed from the value creation abilities of these assets. The financial performance of an organisation is therefore attributed to the interplay of the financial and non-financial assets, rendering information from non-financial information as important in decision-making.

With the financial information dominating the public domain because of the mandatory manner in which the information is reported, evidence from all groups of participants reveals that investors obtain most of this non-financial information through private sources as there are minimum disclosures of voluntarily disclosed information. These findings suggest that most of the corporate information asymmetry between users and preparers emanates from the non-financial information. With evidence from both the preparers and users of corporate information having revealed that foreign investors are interested in both financial and non-financial information, the nature of corporate information disclosures therefore seems to influence the kind of information disclosure made in corporate annual reports. Experiences and perceptions of the participants are presented in Table 10.3.

Table 10.3: Corporate information disclosures context

Theme evidence	Theme indicator
- Information was not easily accessible. - We struggled to get the information. -We had to spend a lot of time and money on information search.	Information barrier caused by inaccessible information
- To communicate with various stakeholders for the purposes of decision-making. - For compliance reasons. - Besides mandatory reporting, we further disclose for good corporate governance.	Objectives for corporate reporting facilitates corpotare reporting
- Most of the non-financial information is found though private sources which are costly. - We also spent a lot of time in private meetings with the senior managers.	Sources of corporate information makes it difficult to easily acces information
- We therefore also infer into the futuristic kind of information. - Investors are also seriously considering such forward looking information. - Users are now focusing on more than financial information.	Nature of information needed by investors facilitate humn capital disclosures

Information as a barrier to investment is known in the foreign investment literature (Moosa, 2012) and this is confirmed by the study evidence. The major challenge that foreign investors encounter in foreign locations is inadequate information to make informed decisions (He, 2002; Leuz et al., 2010). As with previous studies (Aharoni, 1966; Citroen, 2011; He, 2002), the role of information in the foreign investment decision-making process is acknowledged in this research.

As revealed by the study evidence, the primary objective of corporate reporting is to communicate information to the external stakeholders for them to make informed decisions with regard to the reporting organisation. This reporting objective has also been acknowledged by researchers who recognise the existence of an information gap between the organisation and the external stakeholders. These researchers argue that corporate information disclosure in the annual report is primarily meant to

communicate relevant, useful and reliable economic information to the external users of such information (Binh, 2012; Cronje & Moolman, 2013; Flamholtz et al., 2002). In support of this objective, the stakeholder theory further suggests that it is the right of the stakeholders to be provided with information on how an organisation's activities impact on them, even if they choose not to use it (Deegan, 2001).The need for such information is a reflection of the decision usefulness of corporate information. As such, investors and other stakeholders make reference to the corporate annual report in order to make sound investment decisions (Al-Aljmi, 2009; Chatterjee et al., 2010; Penrose, 2008).

Besides communicating information for decision-making, the study evidence further reveals that corporate reporting is also done to comply with regulations and to adhere to good corporate governance. Issues of corporate governance have been dominant in the findings of content analysis done on corporate annual reports. The influence of regulation on corporate information disclosure is therefore confirmed in this study. Similarly, Adelowotan et al, (2013) concludes that organisations provide some information in response to local and international laws and regulations guiding corporate governance and reporting. This evidence, however, appears to contradict the submissions by Jones (2006) and Lee (1994) who suggest that the annual reports have transformed from being documents to fulfil statutory requirements into being a document used in decision-making and communicating corporate identity. The evidence from the current study suggests that the statutory compliance role of corporate reporting is still pronounced in as much as the decision-making role of corporate information is also recognised. As such, the reporting practices of organisations are also a reflection of the existing regulations in the reporting space.

With regulations playing a vital role in corporate reporting, the study evidence further confirms the existence of both mandatory and voluntary reporting practices in corporate annual reporting. These two kinds of disclosures play a complementary role in order to present full disclosure in corporate annual reports (Cronje, 2008). Whilst acknowledging the complementary role of the mandatory and voluntary

reporting, the study evidence shows the dominance of mandatorily reported financial information in the corporate annual reports, further confirming the influence of regulations on corporate information disclosure. Because of the voluntary nature of most of the non-financial information, this information has been revealed by the study evidence to be minimally disclosed. This finding aligns with previous research where researchers of intellectual capital have called for more disclosure of non-financial information by organisations (Amico; 2012; Huang et al, 2013; Lev, 2001; Mention, 2011; Samudhram et al., 2010).

With the corporate annual report being the most utilised public source of corporate information available to users, the evidence suggests that most of the non-financial information is found though private sources, which are costly to access. Information costs, instead of traditional costs, have however been found to influence the investment decisions of foreign investors (Mariotti & Piscitello, 1995). As such, the nature of corporate information disclosure by listed organisations influences investment decision-making by foreign investors. Increased disclosure of non-financial information by organisations in a host location can therefore substitute the privately held information, which comes at a cost, enabling foreign investors to better identify viable investment opportunities in host locations (Abdioglu et al., 2015).

With the evidence having revealed that foreign investors are also interested in non-financial information, it is evident from these three groups that the context in which information is disclosed influences signalling and screening process by both the organisations and foreign investors respectively. The signalling context affects the visibility of the signals. Findings from the study evidence are that the environment under which the human capital information is disclosed affects the capacity of human capital information to communicate useful information for decision-making. Extant literature's argument that signals are affected by the environment under which they are sent (Connelly et al., 2011; Lester et al, 2006; Park & Patel, 2015) is thus supported by the study evidence. The theme therefore brings in some insights that in as much as the human capital information has the potential to communicate

important information for investment decision-making, the context and manner in which the disclosures are made have an influence on the signalling capacity of human capital information.

10.2.2 Human capital information asymmetry

This theme reflects on the manner in which human capital information is disclosed in the corporate annual reports. The study evidence from the cross-analysis of content analysis and disclosure checklist and the interviews reveal the inadequate disclosure of human capital information in corporate annual reports. The preparers' reasons for such inadequate disclosure ranged from the sensitivity of the information due to its strategic importance, a culture of secrecy in reporting, fear of providing negative information, lack of reporting guidelines and the laws to enforce human capital disclosure. Evidence from the users group further acknowledges that human capital information is rarely disclosed in the corporate annual reports. Such information is therefore found mainly through private sources where the investors have to incur a lot of costs to obtain this information. The users group reveals that because of such costs to be incurred, especially when due diligence is done to get this information, most of the investment decisions are made without adequate human capital information.

Further to the minimum disclosure of human capital information, the study evidence indicates that human capital information disclosure varies from organisation to organisation. Evidence from the preparers Groups 1 and 2 suggests that the lack of guidelines, regulations and the qualitative nature of human capital information contributed to such unsystematic disclosures of human capital information. The study evidence from the users Group 3 concurs that human capital information disclosure is done in an unsystematic manner from organisation to organisation. Participants from this group were of the view that the fragmented reporting makes it difficult for the investors to do comparisons across organisations, thereby making it difficult to screen and choose the best organisations.

With the preparers groups having highlighted the lack of reporting guidelines, lack of regulation enforcement and the qualitative nature of human capital information as contributing to such unsystematic disclosure of human capital information, the lack of reporting guidelines has also been cited by the users group as the major cause for such fragmentation. The same findings of fragmented disclosures were confirmed through the content analysis findings. The overall findings therefore reveal that most human capital information required by foreign investors is inadequately provided in the corporate annual reports, leading to information symmetry. Table 10.4 shows some of the evidence from the participants.

Table 10.4: Human capital information asymmetry

Theme evidence	**Theme indicator**
- There is a lot of [HC] information which is not being provided in the annual reports. - If we were providing such [HC] information they wouldn't ask a lot. - The organisations rarely disclose that [HC] information upfront.	Inadequate reporting
- The information is not reported in the same manner. - There are variations from organisation to organisation as there are no guidelines to refer to. - It [HC] is fragmented and we spend a lot of time trying to synchronise this information.	Information fragmentation

The evidence from the study accords with other past research on human capital information disclosure where researchers contended that the reporting of organisational human capital information, especially in annual reports, remains significantly low (Abhayawansa & Abeysekera, 2008; Adelowotan et al., 2013; April et al., 2003; Lipunga, 2013; Samudhram et al; 2010; Verma & Dewe, 2008). Where such disclosures are made, they vary from organisation to organisation (Chander & Mehra, 2011; Nielsen & Madsen, 2009; Saitua et al, 2015).

In as much as there might be varying reasons for limited human capital information disclosure (Beattie & Smith, 2010; Bozzolan et al., 2003; Samudhram et al; 2010; Verma & Dewe, 2008), the study evidence cited the fear of giving negative information, sensitivity of human capital information and lack of legal enforcement

as the major impeding factors. These findings align well with previous findings which also articulated fear of giving negative information and the strategic nature of human capital information as some of the inhibiting factors to human capital reporting (Samudhram, et al., 2010; Verma & Dewe 2008; Wickramasinghe & Fonseka, 2012).

While the lack of legal enforcement on human capital disclosure is not predominantly mentioned as one of the main reasons for minimal disclosure, the findings suggest that most of the minimal disclosure is linked to the lack of legal enforcement. The use of regulations has been found to enhance human capital disclosure (Adelowotan et. al, 2013; Khan & Khan, 2010). Cost concerns (Beattie & Smith, 2010) and lack of knowledge in human resource measurement and reporting (Samudhram, et al., 2010; Verma & Dewe, 2008), although mentioned, were not given much attention. The implication for these findings indicates that effort should be put into enforcement and changing the mindset of negative and sensitive disclosure.

In understanding the reasons behind the fragmentation of human capital information disclosure, evidence points to the lack of a reporting framework as the main contributing factor for such unsystematic disclosure. Lack of legal enforcement and the qualitative nature of most human capital information were also highlighted. These findings align with extant literature on these areas (Amico, 2012; Chander & Mehra, 2011; Husin et al., 2013; Milne & Gray, 2013). Such fragmentation increases the information asymmetry gap with foreign investors as they try to synchronise and make sense of the diverse information amongst organisations. A harmonised reporting system might therefore be necessary to enhance systematic human capital information disclosure.

10.2.3 Human capital information asymmetry problems

This theme focuses on the effects of human capital asymmetric information situations. Asymmetric information on its own has been found to cause no harm (Spread, 2015). It is that information which is essential in decision-making that

leads to asymmetric information problems when not provided to the less informed party. Because human capital information has the ability to indicate the potential performance of the organisation, cost implications and the risks involved in an investment, the evidence from the preparers Groups 1 and 2 suggests that the non-disclosure of such information leads investors into making bad investment decisions.

The same sentiments were revealed by the users Group 3 where the participants argued that due to the inadequate provision of human capital information, some investors have invested in organisations in which they would not have invested if they were provided with adequate human capital information prior to their investment decisions. Some participants in Group 3 observed that they had to incur high costs to avoid making bad investment decisions. Due diligence is therefore revealed to be performed on human capital information to identify any hidden information that could negatively influence the decisions of the investors.

Citing the issue of moral hazard problems, both the preparers and users groups were in agreement that human capital information asymmetry leads to moral hazard problems. The preparers of corporate information articulated that some of the human capital information could not be disclosed because it would communicate unfavourable information about the organisation. The practice of retaining negative information which was essential to investment decisions is one indication of the abuse of the information advantage by the preparers in furthering their own interests at the expense of the less informed foreign investors. Though in agreement that human capital information leads to moral hazard problems, evidence from the users group seem to dwell more on adverse selection as the main outcome of human capital information asymmetry. The views and experiences of the participants are shown in Table 10.5.

Table 10.5: Human capital information asymmetry problems

Theme evidence	Theme indicator
- Chances of making a wrong decision will also be high due the lack of adequate human capital information. - Investors might invest in poor performing organisations unlike if all the information is furnished to them. - All these labour issues I came to know and feel them when I was now in the business. - In the Afro Asia-Kingdom case, investors pulled away later, but they came and did due diligence. - Most unattractive issues related to people only came to the fore when we have already made the decision to invest.	Adverse selection resulting in bad investment decisions
- We avoid reporting negative information for us to get the funding. - The investment environment is like a game where you use information to your advantage, so as organisations we also do that. - Negative information does not come out easily until you fund those [organisations]. - Management protect their interest at the expense of investors. - Organisation disguise themselves as good investment cases even when they are not doing well.	Moral hazard problems resulting in opportunistic behaviour by organisations

Evidence from the study indicates that human capital information asymmetry causes adverse selection and moral hazard problems. Whilst the preparers of corporate annual reports perceive human capital information to cause adverse selection problems, some of the foreign investors have experienced the negative effects of this asymmetric information situation when they have already taken a decision to invest. In line with these findings, researchers contend that asymmetric information about the organisation's value and potential may cause adverse selection problems (Akerlof, 1970; Samudhram et al. 2010), resulting in foreign direct investors investing in bad business (Greenwald & Stiglitz, 1990; Healy & Palepu, 2001).

Research in the entry mode literature emphasises that investors can encounter adverse selection when conducting acquisitions (Balakrishnan & Koza, 1993; López-Duarte & García-Canal, 2002; Villalonga & McGahan, 2005). The fact that some of the investors had done due diligence but still invested in organisations from

which they later withdrew indicates that even due diligence sometimes cannot uncover some of the privately held information. Foreign investors therefore make bad investment decisions if not furnished with adequate human capital information, as argued by Harding and Javorcik (2012), who explains that information asymmetry problems are a barrier to effective investment decisions. The study evidence further confirms that adverse selection problems are experienced in situations of asymmetric information.

Furthermore, the evidence reveals that preparers of corporate information, being at an information advantage with regard to the organisation's performance, tend to become involved in opportunistic behaviours, where they might withhold negative information to further their own interests. Conditions of asymmetric information have been argued to facilitate opportunistic behaviour (Gefen et al., 2008; Wathne & Heide, 2000). Thus, with inadequate information, foreign investors, being the information disadvantaged party, might not become aware of any moral hazard problems (Kirmani & Rao, 2000). With the preparers of corporate information being at an information advantage, and without any fear of being exposed, their chances of engaging in opportunistic behaviour would also be high. While asymmetric information on its own has been found not to cause any problems (Spread, 2015), the study evidence presented in Table 10.4 above suggests that asymmetric information conditions facilitate moral hazard and adverse selection problems.

The implication for this evidence is that if asymmetric information problems with foreign investors are to be reduced, information asymmetry between preparers of corporate annual reports and foreign investors has to be addressed (Dawson et al, 2016). Information problems have been found to be more prominent in the international context, especially in developing markets which are characterised by scarcity of market information, less comparable organisational information, and less developed institutions (Ahuja & Yayavaram, 2011; Khanna & Palepu, 1997). As such, more effort is required in reducing asymmetric information problems in these markets.

10.2.4 Signalling human capital information

This theme reflects on the ability of human capital information to signal important information so as to reduce information asymmetry problems. With the objective of signalling being to reduce information asymmetry between two parties (Bergh, et al., 2014; Krausert, 2016; Spence, 2002), the evidence from the three groups of participants concurs that human capital information signals important information about the reporting organisation. One of the signals highlighted was the potential to achieve future performance, which was communicated through the capacity of the organisation to execute the strategy. Thus information on board and top management's experiences, international exposure, employee skills and employee productivity was revealed to be some of the indicators of future performance of the organisation.

Risk associated with an investment is another signal revealed to be communicated by human capital information. Thus, organisational stability as shown by information on employment relations, staff turnover and succession plans points to the risk associated with the investment. The likely continuity of an organisation was therefore indicated by the level of stability within the organisation. Information on skills and experiences of the management which show the transparency and credibility of management stewardship further indicated the risk associated with management involved in the operations of the organisation. These revelations from the study evidence suggest that the three groups of participants were in agreement that human capital information signals the risk associated with an investment opportunity.

The cost implications of an investment were perceived to be signalled by human capital information. Thus, information on training and development initiatives, staff costs and staff complement were some of the indicators of the costs to be involved in an investment. The foreign investors were therefore perceived to assess the implication of such costs on the overall profitability of an investment, as they would be assessing the viability of an investment. Study evidence reveals that both the

preparers and the users groups were of the view that human capital information communicates the potential profitability, risk and costs associated with an investment, helping foreign investors to make informed decisions through the reduction of information asymmetry problems.

Although acknowledging the ability of human capital information to signal important information to the foreign investors, participants indicated that the ability of the human capital information to produce affective signals is influenced by the manner in which the information is provided in the corporate annual reports. Issues of minimum and unsystematic disclosure of human capital information and the qualitative nature of the information were highlighted to reduce the signalling strength of the human capital information. The evidence suggests that the increase in disclosures, especially if such disclosures were to be done in the same manner across organisations, would increase the signalling capacity of human capital information. Table 10.6 below provides some of the evidence supporting the theme.

Table 10.6 Signalling human capital information

Theme evidence	Theme indicator
- Qualifications and experience of top management shows the capacity of the management to drive the strategy for profitability. - The credentials of this management point to the security of the investment. - Skills communicate the stability within the organisation in terms of achieving profit. - Employee development initiatives signal costs incurred in training. - Information on employee benefits communicates the transparency levels of the organisation. - Industrial harmony reveals the stability of an organisation. - Individual productivity levels translate into organisational performance. - Conflicts and lack of industrial peace communicates the risk levels of the investment. - Succession planning shows continuity of the organisation.	Human capital information signals important information
- Investors want verifiable and hard facts to inform their decisions. - Human capital information can be more relevant if metrics for quantifying it are developed. - They focus more on the quantitative information which is more objective and easy to assess than narrative information. - We mainly give attention to financial information because of its credibility.	Signal strength of human capital is reduced by incredibility of qualitative information

As shown in Table 10.6, evidence reveals that human capital information communicates some indicators on the profitability, stability, continuity, risk and cost implications of the organisation activities to the investors. Such communication helps foreign investors to assess the future performance and potential value of the organisations and make informed decisions on capital allocation. These findings also support some previous studies that revealed the importance of human capital information in signalling important information to the investors (Chen et al, 2005; Curado et al., 2011; Levie & Gimmon, 2008; Olander et al., 2015; Previs et al., 1994; Rahman et al., 2016; Wyatt & Frick, 2010).

However, while acknowledging the potential signals that can be sent through human capital information disclosures, evidence from the study reveals that some human capital information is more noticeable in communicating the potential of the organisation for investment. Information pertaining to qualifications and competences of key people, succession planning, labour turnover, industrial relations, training and development initiatives seemed dominant in both the disclosure checklist sent to investors and the interviews held with participants. These findings are consistent with studies by Certo (2003) and Ross (1977) who noted the importance of the observability of different signals in the signalling process, while Park and Mezias (2005) supports this view and argues that signals have different signalling strength. The more observable signals are, the better they are positioned to influence decision-making by the signal receivers.

In as much as some of the human capital information items were considered more observable than other human capital information items, the evidence reveals the major weaknesses of human capital information disclosures in signalling important information. Concerns of reduced credibility due to the qualitative and subjective nature of the information, inaccessibility and fragmentation of the information emerged. Evidence points to the preference of financial information due to its credibility in communicating the performance potential of the organisation.

Weak signals have the potential of creating distortions as they communicate multiple meanings (Park & Mezias, 2005). Where signals sent are weak, the credibility of such signals in communicating important information is also questionable, leading to failure in communicating the intended message (Certo et al., 2001). With the concern that most voluntarily provided information might send incredible signals, leading to moral hazard problems (Hughes, 1986), an increase in the frequency of signalling might improve the accurate interpretation of the intended communication (Filatotche & Bishop, 2002; Janney & Folta, 2003). False signals have the disadvantage of facilitating instead of solving information asymmetry problems (Dawson, et al., 2016). The findings therefore reveal that most human capital information remains less observed and less useful due to fears of

false signalling. If issues of credibility are not addressed, the implication might be that the information remains peripheral and not useful for decision-making. Credible signals, being costly to imitate, remain an effective way of reducing asymmetric information problems (Biernaskie et al, 2014; Zhang &Wierlema, 2009) as signal receivers are not easily fooled by incredible signals.

10.2.5 Screening using human capital information

The theme reflects on the extent to which human capital information can be used in the screening process to avoid adverse selection problems. Evidence from both the preparers and users groups indicates that participants were in agreement that human capital information is useful in selection decisions by foreign investors. Their submissions were that, because human capital information communicates information on the profitability, cost and risks associated with an investment, such signals could then be used in making an informed selection of the best investment opportunities. Participants concurred that a natural self-screening of organisations could assist investors in selecting better investments as the human capital information disclosed by organisations could separate good from bad investment opportunities.

However, issues of non-comparability, qualitative nature and inadequate disclosure of human capital information were cited by these groups as negatively affecting the effectiveness of human capital information in aiding the screening process. The argument by the participants was that it was difficult to screen organisations based on different information criteria as the information disclosed by these organisations varied from organisation to organisation. Furthermore, the inadequate disclosures and qualitative nature of human capital information made it difficult for the foreign investors to easily identify better performing and worse performing organisations as each organisation had the leeway to report as they wished.

The fact that foreign investors have to undertake due diligence to identify hidden information makes screening using human capital information more difficulty as such a process is considered costly and time-consuming. Consequently, due

diligence could only be done on a few selected organisations, leaving room for adverse selection, as these investors might only have access to a limited pool of organisations to consider as they make their investment choices. As such, while acknowledging the capacity of human capital to assist investors in selecting the best investment opportunities, the highlighted weaknesses reduce its effectiveness. Addressing these weaknesses may increase the effectiveness of human capital information in the screening process. Table 10.7 shows the theme evidence.

Table 10.7: Screening through human capital information

Theme evidence	Theme indicator
- Through this [HC] information, investors can therefore weigh the capacity of different organisations. - Investors prefer those organisations which have better indicators of profitability, whilst reducing the selection of risk and costly business. - Human capital can be the key differentiating factor, especially when the other information seems to be almost the same. - With better information from the company with regard to the human resource, you can also screen and select the best company for investment. - We had to consider human capital information as a differentiating factor, as most aspects were almost similar in the potential banks that we were looking at. - Human capital helps to identify some cost, risk and potential associated with an organisation.	Human capital information facilitates investment selection
- The fortunate thing is that through such [HC] disclosures, wheat will naturally dominate the chaff. - It will be a natural selection process where better organisations with better human capital will become attractive to these investors. - We know that such [HC] information can naturally make us lose potential funding. - Organisations that do not disclose more will also be pushing away investors on their own. - We are usually attracted to highly disclosing organisations as these reduce the uncertainty risk.	Human capital information help organisations to self select themselves
Unsystematic reporting makes the information less useful for investors to compare and select best organisations. - Investors have to do due diligence to dig more information especially on aspects to do with human capital, but how many companies can you do diligence on? - They do use human capital information, but not as primary criteria. - It does but to a limited extent due to the subjective nature of the information. - We find it very challenging to use human capital information in choosing the best organisation as the information varies from one organisation to the other. - As it stands you can hardly utilize this information in differentiating different organisations along the lines of human capability. - The way these companies report makes it difficult for us as investors to comprehend the information in a manner which helps in decision-making.	Inadequate and fragmented human capital information reduces screening capacity

As the information presented in Table 10.7 suggests, the findings from the study indicate that human capital information is useful in the selection of better investment opportunities. The fact that human capital information signals some profitability, costs and risks associated with an investment, makes this information vital in the screening of better organisations for investment. The evidence further suggests that human capital information can actually be the differentiating factor, especially in cases where other factors may be similar. The theme therefore reveals human capital information to be more distinctive in the screening process.

With human capital being considered rare, specific to an organisation and difficult to imitate (Barney, 1991; Duarte Alonso & Bressan, 2016; Shaw et al., 2013; Wright et al., 1993), this theme suggests that information emanating from this asset remains effective in distinguishing different organisations. These findings are in accordance with previous studies which argue for the use of screening in reducing information asymmetry problems (Riley, 2001; Spread, 2015; Stiglitz, 2000). Focusing specifically on human capital information, Zacharakis and Meyer (2000) contends that experience and management skills are among the most important selection criteria in investment decisions. The same information has also been revealed by the study to be key in investment selection decisions.

While acknowledging the relevance of human capital information in facilitating investment selection, the findings also suggest that the screening capacity of human capital information is dependent on the manner in which the information is signalled by the more informed party. Thus, inadequate, unsystematic and subjective disclosures will affect the screening process. The evidence suggests that inadequate and unsystematic disclosures reduce the usefulness of human capital information in the selection of the best investment opportunity. This supports earlier studies that call for homogeneous presentation of information for easier decision-making (Bradshaw, 2007). Variations and inconsistencies in information provision have been understood to reduce the usefulness of the information and at the same time make it difficult for users to comprehend such information for decision-

making purposes (Amber et al. 2001; Schaffhauser-Linzatti, 2004). For effective screening to take place, the evidence suggests that harmonised disclosure of human capital information is necessary.

With the evidence that screening is affected by the manner in which the information is signalled, the implication is that there is interplay between the signalling and screening processes. Stiglitz and Weiss (1992) argues that signalling and screening usually produce counterintuitive results. Effective screening is therefore a result of the interplay between the screening and the signalling process where one process affects and responds to the other (Dawson et al. 2016). However, whereas the literature suggests that information users take into account the views of management on the quality of the organisation (Schijven & Hitt, 2012; zu Knyphausen-Aufseß et al., 2011) with management also considering the expectations of investors (Benner & Ranganathan, 2012; Grahan et al., 2005), the discrepancies in human capital provision and requirements as revealed by the content analysis and disclosure checklist suggest that there is misalignment of information provision and the expected information from the users' side. Such a situation results in poor signalling, which ultimately negatively affects screening. A shared understanding of signals might therefore be necessary in facilitating effective screening.

10.2.6 Harmonisation facilitates signalling

This theme focuses on the importance of harmonisation in reducing information asymmetry problems. With human capital information asymmetry problems having been found to emanate from the minimum and fragmented disclosure of human capital information, the study evidence reveals that the harmonisation of human capital information disclosure facilitates the reduction of asymmetric information problems by enhancing signalling. The principal benefits of harmonisation as highlighted by both the preparers and users groups of participants were comparability of information, increased relevance, increased access of the information, and increased credibility, with preparers groups further emphasising the ability of disclosing organisations to benchmark and improve on their

disclosures as another benefit of harmonisation. These benefits were seen as necessary in enhancing signal fit and signal diffusion, and reducing signal erosion. Table 10.8 below presents evidence of how harmonisation enhances signal fit.

Table 10.8: Harmonisation enhances signal fit

Theme evidence	**Theme indicator**
- If such information is to be seen in several reports of these companies it will be easily observable. - Increased accessibility of information enhances more signals to be observed and used. - Harmonisation enables multiple signals to be seen across organisations.	Harmonisation enhances signal observability
- If we are able to look into several organisations with the same information and come to a decision, then it means the information is credible. - It [harmonisation] will obviously increase the accessibility of such information, enabling more signals to be sent for authenticity. - Verification can be done across organisations.	Harmonisation enhances signal credibility

The information in Table 10.8 indicates that harmonisation of human capital information disclosure enhances signal fit through increased signal observability and credibility. Through harmonisation, human capital information can be seen in several corporate reports as these organisations would be reporting in the same manner. Harmonisation therefore enables multiple signals to be sent from different organisations, increasing the observability of signals. Signal observability is regarded as a key characteristic that enhances signal fitness (Conelly et al, 2011; Krausert, 2016) and plays an important role in the signalling process (Certo, 2003; Ross, 1977). With multiple signals being sent, the study evidence also suggests that such signals might be combined to improve signal fitness. The findings from the study where several human capital information points to the same signal suggest that various information items could be combined into one meaningful signal. The findings accord with the argument that several under fit signals could be collated to create close fit signals which reflect the quality in question (Krausert, 2016). Harmonisation therefore increases signal fitness.

Regarding signal credibility, the evidence suggests that harmonisation enhances signal credibility. Comparisons could be done across different organisations and the authenticity of the information to be sent by these organisations would be enhanced as verifications could be conducted across organisations. Extant literature acknowledges the importance of signal credibility in enhancing effective signalling. Thus, signals need to be perceived as credible enough in the eyes of the signal receiver. While signal observability is important, it is not enough on its own to achieve effective signalling (Connelly et al., 2011). A combination of signal observability and signal credibility thus is important in achieving effective signalling. The harmonisation of human capital information disclosure therefore brings about both signal observability and signal credibility.

Besides enhancing signal fit, evidence from the study reveals that harmonisation of human capital information disclosure increases signal diffusion. Table10. 9 presents evidence from the participants to support this assertion.

Table 10.9: Harmonisation enhances signal diffusion

Theme evidence	**Theme indicator**
- Harmonisation will also increase disclosures among organisations as they will benchmark against each other. - Multiple sources of information give more information. - We would see more information being disclosed through harmonisation.	Harmonisation increases signal frequency by providing multiple information
- It brings the information together, making it more relevant and understandable across organisations. - The more the information is seen, the more it becomes relevant. - Usefulness of the information is increased through harmonisation.	More information increases signal relevancy
- Harmonisation reduces cost of sending the information. - We will only focus on what is necessary to the users.	Reduced signal cost because of readily available information

As indicated in Table 10.9, the study findings reveal that harmonisation increases signal frequency. As comparisons are enabled by harmonisation, organisations can benchmark and improve their quality and level of disclosure, creating a shared understanding of the disclosed information among these organisations. Increase in disclosure levels increases signal frequency, thereby enabling more information to be seen by the foreign investors. Besides the increase in disclosure levels, the evidence also suggests that multiple signals can be sent through repetitive signalling of the same information by different organisations. Multiple and repetitive signal reduces signal distortions (Filatotche & Bishop, 2002; Janney & Folta, 2003) as the signaller and the signal receiver would have a similar understanding of the information communicated.

Furthermore, harmonisation also increases the relevance of the information by bringing together different signals. Thus, same disclosure frameworks bring together information from different organisations, making it more understandable, unlike fragmented information. The more the information is observed from different organisations, the more it becomes useful. Useful information easily diffuses across organisations and users as it will be easily recognised. Similarly, Krausert (2016) contends that bringing together information brings about a shared meaning, allowing the signals to be diffused.

The study evidence further suggests that as organisations disclose more information, signal diffusion is increased. Harmonisation reduces the cost of preparing and sending information as specific guidelines would be followed. Organisations would therefore concentrate on providing the information which is regarded as relevant, thereby reducing disclosure costs. Costs of providing the information remains one of the reasons behind minimal disclosure of human capital information (Beattie & Smith, 2010), which consequently affects signal diffusion (Krausert, 2016).

However, while Krausert (2016) argues that signal fit influences signal diffusion, evidence from the study suggests that there is reciprocity where shared meaning

amongst communicating parties brings about better observability of the information being communicated, which in turn leads to increased signal diffusion. Thus, the more the information is compared and understood amongst various organisations, the more observable and useful the information becomes in facilitating investment decisions. Simultaneously, the more observable the information is, the more diffused the signals become as a result of shared meaning. It has also been argued in previous literature that the ability of the signal to be emitted, observed and attended to would depend on the shared collective beliefs (Connelly et al., 2011).

Harmonisation of human capital information has been revealed to reduce signal erosion. Table 10.10 below presents the supporting evidence.

Table 10.10: Harmonisation reduces signal erosion

Theme evidence	**Theme indicator**
- Authenticity of information can be easily inferred across organisations. - Comparable information reduces faking.	Harmonisation enhances signal verification
- Several signals reduce miscommunication.	Harmonisation reduces signal distortion
- It [Harmonisation] makes it difficult to fake as benchmarking can be done. - Harmonisation creates a separation mechanism between organisations.	Harmonisation increases cost of faking

As shown in Table 10.10, the findings indicate that signal erosion is reduced as verification of the information can also be done across organisations. Verification of information increases the credibility of the disclosed information, making it difficult to send fake signals. Incredible information has been found to fuel moral hazard problems, as fake signals can be transmitted (Dawson et al., 2016; Hughes, 1986). Comparability therefore increases the reliability of the information whilst reducing signal faking as authenticity of the information can be verified across

different organisations. Distortions are also reduced as several signals can be repeatedly communicated.

As signal faking is reduced though comparability, the study evidence suggests that signal strengthening through increased credibility and observability reduces the risk of signals becoming irrelevant and less observable. The more the signals are credible and become more observed, the more they become difficult to imitate, reducing signal erosion. Previous studies have identified that signal erosion can be experienced if the feasibility and cost of sending fake signals is low (Bangerter et al, 2012; Krausert, 2016; Spence, 1973). The evidence therefore suggests that the harmonisation of human capital information disclosure enhances the credibility of signals, reduces signal erosion and makes signals more effective in communicating the intended message. Credible signals, being costly to imitate, remain an effective way of reducing asymmetric information problems (Biernaskie et al., 2014; Zhang & Wiersema, 2009).

The main challenge outlined by these groups was to do with the reduction of diversity and uniqueness in disclosing human capital information. Such a challenge has been revealed to reduce freedom of control on what to disclose, resulting in resistance and lack of consensus on what and how to disclose the information. Organisations seem to prefer the liberty to voluntarily report on human capital information that they consider useful. Reduced uniqueness and diversity in reporting suggests that harmonisation might actually increase the feasibility of faking, leading to signal erosion.

Given the fact that harmonisation reduces the inhibiting cost of making an additional effort to provide distinctive quality disclosures by better organisations in a way that verifies their worthiness for investment, signal faking could be experienced. As disclosure expectations would be shared amongst the disclosing organisations, resources could be easily re-allocated to ensure that the disclosing organisations are aligned with the expectations of the signal receivers. Extant literature contends that if the cost and feasibility of faking is low, then signal faking

could be experienced (Bangerter et al., 2012; Krausert, 2016; Zhang & Wiersema, 2009). Precaution should therefore be taken to ensure that harmonisation does not reduce cost of faking, which increases the feasibility of sending fake signals (Krausert, 2016). The challenges of resistance to change, lack of consensus on what to disclose as well as politics in reporting further illustrates that harmonisation is not easily achievable. While harmonisation is desirable because of the benefits it might bring, reducing information asymmetry problems though the harmonisation process will require some effort.

On that note, Group 2 participants suggested a mandatory harmonisation of human capital disclosures, in as much as Group 1 and most participants in Group 3 were more inclined to support best practice harmonisation. The argument in following best practice was based on the premise that a voluntary harmonisation process would be effective as flexibility in reporting would be retained to allow individualised interests to be taken into account (Bradshaw, 2007; Canibano & Mora, 2000; Upadhyay, 2015). Such opinions from the participating groups suggest that in as much as voluntary harmonisation may seem to be preferred by most, there are still mixed views on whether human capital information disclosure should take the voluntary or mandatory form of reporting to enhance its usefulness in reducing asymmetric information problems. Because of the challenges in achieving harmonisation, a combination of legal enforcement and best practice might be more effective in facilitating the harmonisation process.

Signal fit, signal diffusion and reduced signal erosion are antecedents of signal correlation (Krausert, 2016). The more the signals are correlated to the quality in question, the more effective the signals become in signalling the intended message to the signal receiver. With the evidence having shown that harmonisation positively influences these three signal characteristics which are vital in facilitating effective signalling, the study reveals that harmonisation of human capital information disclosure facilitates effective signalling.

10.2.7 Harmonisation facilitates screening

The focus of the theme is on understanding how the harmonisation of human capital information disclosure enhances screening in investment selection. Evidence from both groups of preparers and the users groups reveals that the harmonisation of human capital information also enhances the screening process by foreign investors, reducing the likelihood of them investing in poor performing organisations. Table 10.11 below provides information to support how harmonisation enhances screening.

Table 10.11 Harmonisation facilitates screening

Theme evidence	**Theme indicator**
- Comparisons on the same issues can be made and investors can easily identify good and bad organisations. - Harmonisation makes it easy for investors to screen and choose the best investment opportunity without much difficulty as the information is brought together. - Investors can easily infer the authenticity of such information from one organisation to the other. - Non-disclosing organisations separate themselves from disclosing organisations. - Non-compliance with a given framework would mean no capacity to reflect good qualities of the organisation.	Harmonisation facilitates screening

The disclosure of human capital information in a harmonised way will encourage comparability amongst disclosing organisations, thereby assisting investors to select the best investment opportunities. With variations in information having been argued to make information difficult to grasp for decision-making purposes (Amber et al. 2001; Schaffhauser-Linzatti, 2004), harmonisation enables better understanding of the information, enhancing efficient selection of investments (Ali, 2005; Castilla-Polo & Ruiz-Rodríguez, 2017; Upadhyay, 2015). Diversity of reporting guidelines and frameworks results in fragmentation of information provision, which negatively affects the uptake of information by its users (Boedker et al., 2008; Fijalkowska, 2008).

The evidence from participants further reveals that in situations where harmonisation provides a reporting framework, organisations can self-screen themselves through disclosure compliance or non-compliance. Thus, the non-compliance by some organisations with a given framework might be seen as signalling inferiority in performance compared to better reporting organisations.

The evidence suggests that good organisations are always ready to showcase their potential in comparison with poor organisations, and as such, these good organisations could be identified by the quality of disclosure that they present. Fear of giving negative information (Wickramasinghe and Fonseka, 2012; Samudhram, et al., 2010) has been highlighted in both literature and study evidence as one of the main reasons for minimal disclosure of human capital information. Non-disclosure by some organisations would place them in negative standing, screening them out as possible potential organisations for investment selection. Harmonisation of human capital information disclosure therefore assists in investment selection decisions.

10.2.8 Decision usefulness of harmonised human capital information

This theme focuses on the decision usefulness of harmonised human capital information disclosure. Useful information serves as an input in the decision-making process of either (or both) internal management or external parties for capital investment and credit purposes (MERITUM, 2002). Having explained the potential of harmonised disclosure of human capital information in reducing asymmetric information problems, all the participating groups were in agreement that the reduction of asymmetric information problems related to human capital information would increase the decision usefulness of human capital information. Previous theoretical and empirical literature supports the argument that reduced information barriers facilitate investment decisions (Chen et al., 2014).

Study evidence presented in Table 10.12 reveals the decision usefulness of harmonised human capital information. The evidence shows that harmonisation brings about comparability, credibility, consistency, increased relevance, less costly

and timely human capital information. These benefits were deemed essential in enhancing decision-making.

Table 10.12: Decision usefulness of harmonised information

Theme Evidence	Theme indicator
- It [harmonisation] brings about comparability. - Harmonisation increases the relevance of human capital information. - It [harmonisation] brings about consistency in reporting. - Harmonisation increases credibility of human capital information. - Harmonisation expedites decision-making. - Information would become easy to access, reducing cost of information. - Harmonisation enables timely communication of information.	Harmonisation enhances decision usefulness of information because of comparable, credible, consistent, relevant and timely information

Commenting on the characteristics of decision useful information, Cronje (2008) mentions reliability, relevance and comparability as key characteristics. Reliability of information implies that the information must be trustworthy and verifiable*:* The ability of harmonised information to be easily verified across different organisations therefore points to the reliability of harmonised disclosure. While the study evidence questions the objectivity of qualitative information, the fact that the information can be checked across organisations suggests that harmonisation brings with it the credibility of information for decision-making purposes.

Comparability is the ability of the information to be compared over time and across organisations. Consistency in the disclosure practices is important in enhancing comparability of information across organisations (IASB, 2010). Harmonisation has been revealed by the study evidence to be important in bringing consistency to the disclosure practices of organisations. Inconsistencies in human capital disclosure makes it difficult for information users to absorb, compare and analyse information (Amber et al., 2001), resulting in bad decisions being made. The findings reveal that harmonisation brings the information together and makes comparability easier. Comparability is therefore seen as the main advantage of

harmonisation (Ali, 2005; IASB, 2010; Upadhyay, 2015). Variations in information provision reduce the usefulness of information by its users (Schaffhauser-Linzatti, 2004) and as such, evidence suggests that harmonisation increases the usefulness of the information for decision-making purposes.

Relevant information is that information which fulfils the expectations of decision-makers. Relevance is seen though the significance, understandability and timeliness of information (MERITUM, 2002). With evidence having revealed that harmonisation brings timely information, it can be inferred that harmonisation thus enhances the relevance of information. Commenting on how the collation of information increases the relevance of information, Krausert (2016) argues that meaning is diffused across stakeholders, bringing some common understanding on the information communicated. Harmonisation therefore enhances understanding of information across users as systematic presentation of information eases the overall process of decision-making (Bradshaw, 2007). Harmonisation also reduces information asymmetry (Baiman & Verrecchia, 1996) as information becomes easy to access and understand. Such advantages increase the decision usefulness of human capital information.

Decision useful information facilitates effective decision-making; as such these participating groups suggest that harmonisation of human capital information disclosure will enhance investment decision-making by foreign investors.

10.3 CONCLUSION

The findings from the participating groups shows that while there are some variations of perception amongst the preparers and users groups in some concepts within a given theme, the main themes across the groups are the same. The similar themes derived from the groups reflect some degree of general consensus on most of the issues raised. In summary, evidence from the participating groups reveals that there is corporate information asymmetry between preparers and users of corporate information. The nature of corporate reporting where the financial

information is regulated with non-financial information being voluntarily reported leads to non-financial information being minimally reported.

With human capital information being one of the non-financial assets voluntarily reported in the corporate annual reports, the disclosures of human capital information is considered limited and lacking coherence, leading to human capital asymmetric information for foreign investors as users of corporate information. The study findings reveal that human capital information asymmetry contributes to information asymmetry problems, leading foreign investors to making bad investment decisions, where the reporting organisations can then utilise the situation to promote their own interests.

Although the increased disclosure of human capital information is seen as a solution in reducing information asymmetry problems, the findings reveal that if human capital information disclosure is done in a harmonised manner, the effectiveness of the signals sent through such disclosures will be increased, enabling effective screening of investment opportunities. Harmonised human capital information disclosure has been found to enhance signal strength and signal diffusion, while reducing signal erosion which might be caused by fake signals. The harmonisation of human capital information disclosure is therefore perceived to aid in signalling and screening, enabling foreign investors to make informed investment selection decisions. Harmonisation therefore enhances the decision usefulness of human capital information. However, while appreciating the benefits of harmonisation, the findings also revealed that the environment under which the information is disclosed influences the effectiveness of such information in influencing investment decisions. Thus, a complementary external environment is necessary to reduce information asymmetry problems. A summary of study evidence is provided in Table 10.13 below.

Table.10.13: Summary of study evidence

Theme evidence	Theme indicator	Emerging theme
- An extremely hostile environment in which to do business. - Ease of doing business rated low. - Human capital capacity weakened by macro-environment. - We are also required to do so through the Companies Act. - Whether we like it or not it's a matter of regulation. - The environment in which we operate is controlled by quantitative figures as these are regulated. - It goes back to a mind-set that is driven by secrecy. - In the Zimbabwean economy and in developing countries in general, there is no culture of giving more information. -The corporate report is surrounded by its own cultural practice and formats that has been with us. - It is a stable and peaceful country. - Zimbabwe has a more educated workforce than most of its counterparts. - There is less crime rate.	Macro environmental context	**Unconducive signalling and screening context reduces the signalling and screening effectiveness of human capital information**
- Information was not easily accessible. - We had to spend a lot of time and money on information search. - We disclose information to for the purposes of decision-making. - Besides mandatory reporting, we further disclose for good corporate governance. Most of the non-financial information is found though private sources which are costly. - We also spent a lot of time in private meetings with the senior managers. - We also infer into the futuristic kind of information. - Attention given to financial information because of its credibility. - Investors are also seriously considering such forward looking information.	Corporate information disclosure context	

Table 10.13 continued…		
- To communicate with various stakeholders for the purposes of decision-making. - For compliance reasons. - Besides mandatory reporting, we further disclose for good corporate governance.	Inadequate human capital reporting	**Inadequate and fragmented reporting creates human capital information asymmetry**
- Most of the non-financial information is found though private sources which are costly. - We also spent a lot of time in private meetings with the senior managers.	Fragmentation	
- We therefore also infer into the futuristic kind of information. - Investors are seriously considering such forward looking information. - Users are now focusing on more than financial information.	Adverse selection	**Human capital information asymmetry leads to bad investment selection and opportunistic behaviour problems**
- We avoid reporting negative information for us to get the funding. - In investments you use information to your advantage. - Negative information only comes out after funding them. - Management protect their interests at the expense of investors. - Bad organisation disguises themselves as good investment cases.	Moral hazard problems	
- Qualifications and experience shows capacity to drive the strategy. - Credentials of management points to the security of investment. - Skills communicate the stability within the organisation. - Employee development initiatives signal costs incurred in training. - Information on employee benefits communicates the transparency levels. - Industrial harmony reveals the stability of an organisation. - Individual productivity levels translate to organisational performance. - Conflicts and lack of industrial peace communicates the risk levels of the investment. - Succession planning shows continuity of the organisation. - Labour laws indicate some risks involved in the market. - The credibility of management reduces fear of risks and uncertainty.	Human capital information signals	**Human capital information signals important information to investors**
- Investors want verifiable and hard facts to inform their decisions. - Focus is more on quantitative information which is more objective. - We mainly give attention to financial information because of its credibility.	Signal strength	

Table 10.13 continued…		
- Investors can weigh the capacity of different organisations. - Human capital can be the key differentiating factor. - With better information on HC you can select the best company. - HC points to some cost, risk and potential associated with an investment.	Investment selection by investors	**Human capital information facilitates effective investment selection**
- Wheat will naturally dominate the chaff. - It will be a natural selection process where better organisations will become attractive to these investors. - Organisations that do not disclose more push away investors.	Self-selection by organisations	
- Unsystematic reporting makes the information less useful. - It does but to a limited extent due to subjectivity. - The information varies from one organisation to the other. - It is difficult to comprehend information for decision-making purposes.	Screening capacity	
- It [harmonisation] increases credibility of the information unlike in situations where individual organisations disclose what they want. - Information can be easily verified. - It [harmonisation] will obviously increase the accessibility of such information, making information to be more observed. - Multiple sources of information give more information. - We would see more information being disclosed through harmonisation.	Signal fit	**Harmonisation facilitates signalling in reducing information asymmetry problems**
- Harmonisation will also increase disclosure among organisations, as they will benchmark when reporting in the same manner. - Harmonisations will mean that information is repeatedly seen in several organisations. - The more observed the information is, the more it will become more relevant to several users. - Harmonisation enables focused reporting, reducing costs of sending the information.	Signal diffusion	
- Several signals reduce miscommunication. - It [Harmonisation] makes it difficult to fake as benchmarking can be done. - Authenticity of information can be easily inferred across organisations. - Comparable information reduces faking. - Harmonisation might reduce diversity in reporting.	Signal erosion	

Table 10.13 continued…		
- Comparisons enable easily identification of good and bad organisations. - Non-disclosing organisations screen themselves. - Non-compliance to a given framework would mean no capacity to reflect good qualities of the organisation. - Investors can easily infer the authenticity of such information from one organisation to the other. - Non-disclosing organisations separate themselves from disclosing organisations. - Non-compliance to a given framework would mean no capacity to reflect good qualities of the organisation.	Screening	**Harmonisation facilitates screening in reducing information asymmetry problems**
- It [harmonisation] brings about comparability. - Harmonisation increases the relevance. - It [harmonisation] brings about consistency. - Harmonisation increases credibility of human capital information. - Harmonisation expedites decision-making. - Information would become easy to access, reducing cost of information. - Harmonisation enables timely communication of information.	Decision usefulness	**Harmonisation enhances decision usefulness of human capital information in investment selection**

Having presented a cross- analysis of themes emerging from the evidence from participating sample groups, the next chapter presents the emerging theoretical model.

CHAPTER 11

EMERGING THEORETICAL MODEL

11.0 INTRODUCTION

One of the significant contributions of the study is to propose a theoretical model on how the harmonisation of human capital information disclosure facilitates investment decision-making through the reduction of information asymmetry problems. This chapter discusses the emerging theoretical model as previously outlined in chapter 1. The chapter is arranged in four sections: the first section presents a framework that illustrates how harmonisation facilitates investment decision-making by foreign investors. The second section presents the emerging theoretical model, with section three making an analysis of the emerging theories. The fourth and final section concludes with a summary of the chapter.

11.1 HARMONISATION FACILITATING INVESTMENT DECISION-MAKING

The framework in Figure 11.1 illustrates how the harmonisation of human capital information disclosure facilitates decision-making by foreign investors. The framework makes a summary of the emerging themes summarised in Table 10.11 of the previous chapter. The framework is a powerful tool for revealing the study evidence and showing theoretical insights (Gioia et al., 2012) that are essential for new theory development. As shown by the framework, all the emerging themes have linkages with many theme indicators, revealing the interconnectedness of the emerging themes.

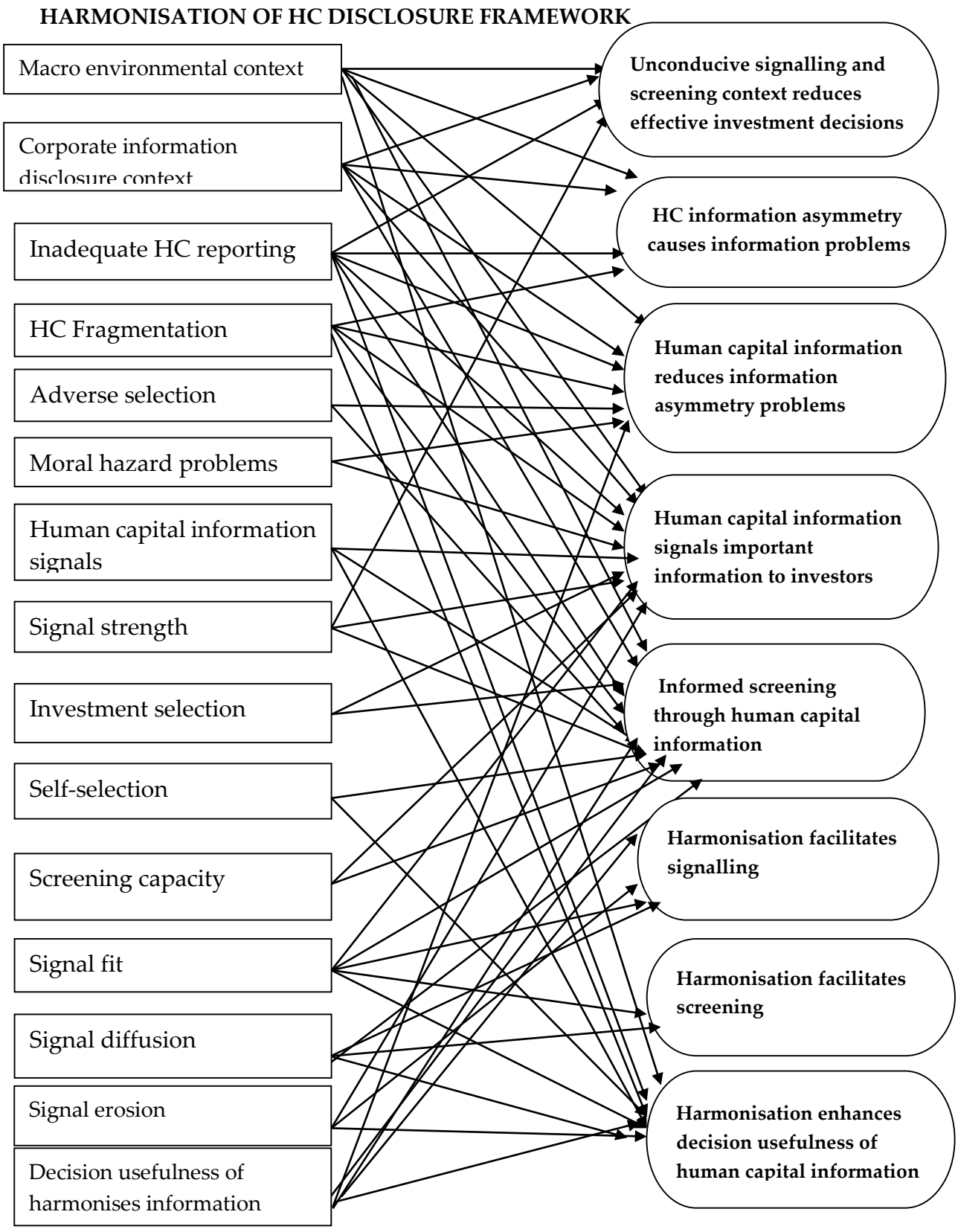


Figure 11.1 Framework on harmonisation of HC facilitating foreign investments

Figure 11.1 brings together all the theme indicators analysed in Chapter 10, emerging themes drawn from the asymmetric information theory (Akerlof, 1970; Spence, 1973; Stiglitz, 1975) and evidence from the study. This was done to attain a logical, all-embracing and discrete (Dubin, 1969; Langley, 1999; Sudday, 2010) framework that elaborates how harmonisation of human capital information disclosure facilitates investment decisions into a developing country through the reduction of information asymmetry problems.

Although information asymmetry does not always lead to information asymmetry problems (Spread, 2015), the presence of human capital information asymmetry problems suggests the existence of human capital information asymmetry. The thematic dimensions of human capital information asymmetry and human capital information asymmetry problems are therefore combined in the theoretical model. Furthermore, while harmonisation of human capital information disclosure ultimately facilitates signalling in reducing information asymmetry problems, the manner in which signalling is enhanced though harmonised disclosure is explicitly indicated on the model. Thus, signal fit, signal strength and signal erosion which are antecedents of effective signalling would be incorporated in the theoretical model.

The theoretical model explains how harmonised disclosure of human capital information enhances decision-making by reducing information asymmetry problems related to human capital information disclosures. Whilst signalling (Connelly et al., 2011; Krausert, 2016; Spence, 1973) and screening (Stiglitz, 1975, 2000) are known as direct solutions to information asymmetry problems, this study further proposes for the harmonisation of information disclosure in enhancing signalling and screening. The model therefore places emphasis on harmonisation and its effects on the overall investment decision-making process. The emerging themes illustrated in Table 11.1 are rearranged and linked to bring out the theoretical model, which is presented in the next section.

11.2 PROPOSED THEORETICAL MODEL

The theoretical model accounts for the relationships among the themes (Gioia et al., 2012; Whetten, 1989) and also provides some theoretical insights into how the harmonisation of human capital information disclosure facilitates investment decision-making into a developing country (Dubin, 1969). The theoretical model incorporates all the themes summarised in Figure 11.2 below.

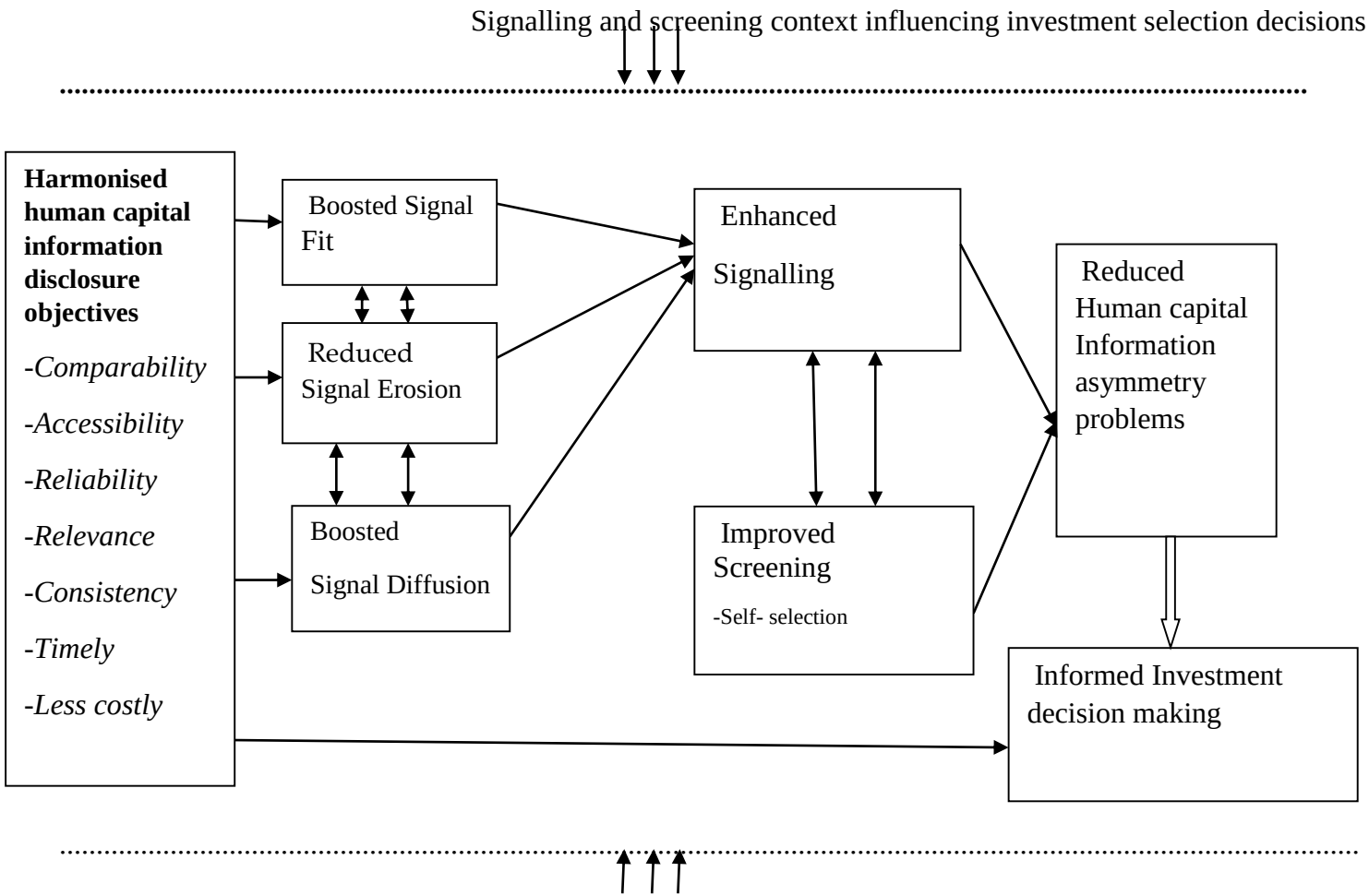


Figure 11.2: Proposed theoretical model
(Own source)

11.2.1 Harmonisation facilitating sound investment decision making

The theoretical model presented in Figure 11.2 above shows that the harmonisation of human capital information disclosure facilitates sound investment decision-making. Thus, although acknowledging the role of signalling (Connelly et al., 2011; Krausert, 2016; Spence, 1973) and screening (Riley, 2001; Stiglitz, 1975, 2000) in reducing information asymmetry problems, the evidence has revealed that harmonisation enhances signalling and screening in reducing information asymmetry problems. The advantages of comparability, consistency, increased credibility, increased relevance, accessibility, reduced time and cost of information are important in facilitating signalling and screening. Mere increase in human capital information disclosure as called for by previous researchers (Huang et al., 2013; Lev, 2001; Samudhram et al., 2010) might not be sufficient to reduce information asymmetry problems. Rather, it is the systematic and harmonised disclosure of this information that is likely to contribute to reducing human capital information asymmetry problems amongst organisations and foreign investors.

11.2.2 Enhanced signalling

The theoretical model recognises the effects of harmonisation on signal fit, signal diffusion and signal erosion in facilitating effective signalling. These three signal characteristics are the antecedence of signalling (Krausert, 2016). Harmonisation facilitates signalling by boosting signal fit and signal diffusion and reducing signal erosion. While previous research suggests that signal fit affects signal erosion, with both signal fit and signal erosion influencing signal diffusion (ibid), evidence from the study reveals the interrelationship among these three signal characteristics where each signal characteristic has an influence on the other. The theoretical model therefore shows the interdependence of each signal characteristic through the double arrows.

11.2.3 Improved screening

As revealed by the study, the harmonisation of human capital information disclosures facilitates screening through enhanced signalling. It is the effectiveness of the signals sent that would determine the ability of foreign investors to screen

and select the best investment opportunities from a pool of possible organisations. The model therefore shows the interconnections of signalling and screening, where effective signalling influences effective screening, with the feedback on screening also returning as a signal to the disclosing organisations. This finding from the study confirms the existing literature that signalling and screening usually produce counter-intuitive results (Connelly et al., 2011; Stiglitz & Weiss, 1992). Thus, information sent by disclosing organisations would be used by foreign investors in their investment selection whilst the decisions these investors make give signals on the information to focus on when seeking foreign funding. Investors therefore take cognisance of the perceptions of managers with regard to an investment opportunity (Schijven & Hitt, 2012; zu Knyphausen-Aufseß et al., 2011), with managers also responding to the views and expectations of these investors (Benner & Ranganathan, 2012; Graham et al., 2005). However, the study evidence might be contrary to some previous arguments which suggest that screening can be done directly without responding to some initially sent signals (Riley, 1979; Rothschild & Stiglitz, 1976; Stiglitz, 1975), implying that screening can be initiated first before signalling.

11.2.4 Reduced information asymmetry problems facilitate sound investment decision making

The theoretical model also shows that effective signalling and screening facilitated by the harmonised disclosure of human capital information disclosure results in reduced information asymmetry problems. With the study evidence having revealed bad investment selection by foreign investors and opportunistic behaviour by organisations to be major asymmetric information problems, the theoretical model shows that signalling and screening, when effectively done, will reduce information asymmetry problems. Although signalling and screening reduces information asymmetry problems (Connelly et al. 2011, Spence, 1973; Spread, 2015; Stiglitz, 2000), it is the manner in which signalling is done that will affect the screening process in reducing information asymmetry problems. Quality signals reduce signal distortions (Filatotche & Bishop, 2002; Janney & Folta, 2003), enhancing the ability of foreign investors to make informed decisions. The reduction of

information asymmetry problems enhances effective decision-making by foreign investors (Huang et al., 2013; Marquez-Ramos, 2011) as also revealed by the study findings. Harmonisation of human capital information disclosure therefore facilitates investment decision-making through the reduction of information asymmetry problems.

11.2.5 Signalling and screening context

While acknowledging the benefits to be brought by harmonised human capital information disclosure in reducing information asymmetry problems, the model shows that the context under which human capital information is disclosed influences investment decision-making processes. Thus, signalling and screening is also dependent on the macro environment and corporate information disclosure context. The macro factors revealed by the study findings include the economic, legal, cultural and societal factors whereas the corporate information disclosure context includes the voluntary nature of human capital information disclosure, the limited recognition given to non-financial information, the private sources under which most non-financial information is sourced and the mandatory manner in which most of the information is disclosed. If effective decision-making is to be achieved through the reduction of information asymmetry problems, these contextual issues should be taken into consideration as they affect the observability and credibility of signalled information. Harmonised human capital information disclosures, albeit with potential to reduce information asymmetry problems, may be affected by the environment in which the information is being communicated.

11.3 DISCUSSION OF THE THEORETICAL MODEL

The theoretical model has been presented in the previous section. The focus of this section is to undertake an exploration of the theoretical relationships emerging from the model. As previously explained in chapter 5, a theory is a set of ideas that attempts to explain events or a phenomenon of interest (Corley & Gioia, 2011; Hofstee, 2009; Miles & Huberman, 1994; Rule & John, 2011). Researchers further describe theory as a statement of concepts and the relationships among these concepts, which show how and/or why a phenomenon occurs (Birks & Mills, 2011;

Corley & Gioia, 2011; Rule & John, 2011; Whetten, 1989). These conceptual ideas are modified to formulate propositions that explain and interpret events or phenomena of interest (Bradley et al., 2007; Corley & Gioia, 2011). Propositions therefore represent statements about the relationships among the thematic dimensions (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

To formulate a robust theory, the concepts used in the theory should be clearly defined, with the model used in explaining the theory being logical (Arend, Sarooghi & Burkemper, 2014; Dubin, 1969). Logic clearly expresses the causal nature of the relationships (Whetten, 1989). Coherence (Sudday, 2010), interconnectedness and explicit directionality (Bergh, 2003; Corley & Gioia, 2011; Mintzberg, 2005) among the propositions (Dubin, 1969; Eisenhardt, 1989) also characterise a dynamic theory. The discussion is arranged as follows:

1. Harmonisation facilitates signalling.
2. Harmonisation facilitates screening.
3. Harmonisation reduces information asymmetry problems.
4. Decision usefulness of harmonised human capital information.
5. Signalling and screening context affects effective investment decision making.

11.3.1 Harmonisation facilitates signalling

Signalling is understood as a deliberate process of communicating some information by the more informed party to the less informed party (Connelly et al., 2011; Spence, 2002). The major objective of signalling is to reduce information asymmetry between two parties (Bergh et al., 2014; Krausert, 2016; Spence, 2000); with regard to a quality of interest that forms the basis of their decisions (Stiglitz, 2000, 2002). Signalling is therefore considered one of the ways of dealing with information asymmetry problems.

Evidence from the study indicated that human capital information signals important information about the disclosing organisations. Previous studies revealed the

importance of human capital information in signalling important information to investors (Curado et al., 2011; Levie & Gimmon, 2008; Olander et al., 2015; Rahman et al., 2016; Wyatt & Frick, 2010). However, concerns of less credibility of most human capital information, less observability, inaccessibility and fragmentation of the information emerged from the study as key weaknesses of human capital information disclosure. Most information emanating from such disclosure is therefore considered weak in communicating the performance position of organisations. Weak signals have the potential of creating distortions as they communicate multiple meanings (Park & Mezias, 2005). The credibility of such signals is questionable, leading to failure in communicating the intended message (Certo et al., 2001).

The theoretical model proposed by the study therefore incorporates harmonisation in reducing information asymmetry problems posed by the abovementioned weaknesses in human capital information disclosure. Harmonisation enables a flexible homogeneous reporting with no logical conflict by providing a set of standards, practices and framework for reporting (Upadhyay, 2015). With no single human resource signal containing all the characteristics required for effective signalling, pieces of human capital information items could be brought together to enhance signal fitness (Krausert, 2016). Given the fact that corporate information users combine different signals when assessing investment opportunities (Kuperman, 2003; Mouri et al., 2012), the study evidence reveals that the harmonisation of human capital information signals facilitate signalling by enhancing signal fit. Harmonisation enables multiple signals to be sent from different organisations, increasing the observability of signals. Signal observability is regarded as a key characteristic that enhances signal fitness (Connelly, et al, 2011; Krausert, 2016) and is important in the signalling process (Certo, 2003; Ross, 1977).

The study findings further suggest that harmonisation also enhances signal credibility. Comparisons could be done across different organisations and the authenticity of the information to be sent by these organisations would be enhanced

as verifications could be done across organisations. Similarly, extant literature also acknowledges the importance of signal credibility in enhancing effective signalling, contending that observability is not enough on its own to achieve effective signalling (Connelly et al., 2011). A combination of signal observability and signal credibility enhances effective signalling (Connelly et al., 2011; Krausert, 2016). The harmonisation of human capital information disclosure therefore brings about signal observability and signal credibility in facilitating signalling. Based on the study evidence and extant literature, it is proposed that:

Proposition 1: Harmonisation of human capital information facilitates effective signalling by enhancing signal fit.

Besides enhancing signal fit, the study findings also revealed that harmonisation of human capital information disclosure increases signal diffusion. Bringing together information creates a shared meaning, allowing the signals to be diffused (Krausert, 2016). The benefit of comparability which is derived from harmonisation (Ali, 2005; IASB, 2010; Upadhyay, 2015) increases shared collective beliefs. As comparisons become feasible, organisations can benchmark and improve their quality and level of disclosure, creating a shared understanding of the disclosed information among these organisations. Increase in disclosure levels increases signal frequency, enabling more information to be seen by the foreign investors.

Evidence also suggests that multiple signals can be sent through repetitive signalling of the same information by different organisations. The more the information is compared and understood amongst various organisations, the more observable and useful the information becomes in facilitating investment decisions. Useful information easily diffuses across organisations and users as it will be easily recognised. The ability of the signal to be emitted, observed and attended to, would depend on the shared collective beliefs (Connelly et al., 2011). Harmonisation therefore enhances signal diffusion by creating a shared meaning amongst investors and disclosing organisations. It is therefore proposed that:

Proposition 2: Harmonisation of human capital information disclosures facilitates signalling by enhancing signal diffusion.

Harmonisation of human capital information disclosure also reduces signal erosion. Comparability increases the reliability of the information while reducing signal faking as authenticity of the information can be verified across different organisations. As signal faking is reduced though comparability, the study findings also suggest that signal strengthening through increased credibility and observability reduces signals from becoming irrelevant and less observable. The more the signals are credible and become more observed, the more they become difficult to imitate, reducing signal erosion.

Signal erosion can be experienced if the feasibility and cost of sending fake signals is low (Bangerter et al., 2012; Krausert, 2016; Spence, 1973). Evidence therefore suggests that the harmonisation of human capital information disclosure reduces signal erosion by increasing the cost of faking, which reduces the feasibility of faking. Harmonisation also enhances the credibility of signals, reduces signal erosion and makes signals more effective in communicating the intended message. Credible signals, being costly to imitate, remain an effective way of reducing asymmetric information problems (Biernaskie et al., 2014; Zhang & Wiersema, 2009).

However, diversity and uniqueness in disclosing human capital information are revealed to be reduced by harmonisation. With harmonisation reducing the inhibiting cost of making additional efforts to provide distinctive quality disclosures by better organisations in a way that will prove their worthiness for investments, signal faking could be experienced. Low cost and feasibility of faking attracts signal faking (Bangerter et al., 2012; Krausert, 2016; Zhang & Wiersema, 2009). Considering that those disclosure expectations would be shared amongst the disclosing organisations and users of corporate information, bad organisations might reallocate resources to make sure that they are in line with the expectations of the signal receivers. Harmonisation might therefore result in signal faking, enhancing signal erosion, which negatively affects effective signalling.

Regardless of this challenge that might be posed by harmonisation, human capital

as an asset is considered difficult to imitate (Banney, 1991; Duarte Alonso & Bressan, 2016; Shaw et al., 2013; Wright et al., 1993) and as such, information emanating from this capital cannot be easily faked by different organisations. The feasibility and cost of faking human capital related signals can be considered higher, thereby inhibiting signal erosion. Harmonisation of human capital information therefore creates an auditing platform where benchmarks are present to avoid fake signals. A separating mechanism (Connelly et al, 2011; Stiglitz, 1985) is thus created, which inhibits the creation of fake signals. The study therefore maintains that:

> ***Proposition 3: Harmonisation of human capital information disclosure facilitates signalling by reducing signal erosion.***

The findings indicate that harmonisation of human capital information disclosure positively influences the three signal characteristics (signal fit, signal diffusion, signal erosion) which are necessary to facilitate effective signalling. The study reveals that harmonisation of human capital information disclosure influences the effectiveness of signalling in reducing information asymmetry problems. Although Krauser (2016) argues that signal fit influences erosion, with signal erosion influencing signal diffusion, evidence from the study suggests some reciprocity among these signal characteristics. Thus, the effect on one of them through harmonisation results in influencing the other signal characteristics in enhancing signalling.

11.3.2 Harmonisation facilitates screening

Screening is a process where the less informed party elicits relevant information vital for decision-making that might be withheld or distorted by the more informed party (Stiglitz, 2002). It is another way of dealing with information asymmetry problems. Findings of the study reveal that human capital information is useful in the selection of better investment opportunities. Because of the difficulties in easily imitating human capital (Barney, 1991; Shaw et al., 2013; Wright et al., 1993), evidence suggests that human capital information can actually be the differentiating

factor among organisations, especially in cases where other factors could be the same.

However, the findings also suggest that the screening capacity of human capital information was being affected by issues of inadequate, unsystematic and subjective disclosure being done by organisations. Variations and inconsistencies in information provision make it difficult for users to comprehend such information for decision purposes (Amber et al., 2001; Schaffhauser-Linzatti, 2004). For effective screening to take place, the emerging theory recognises the importance of harmonised disclosure of human capital information. The theoretical model therefore incorporates harmonisation as an enhanced solution in dealing with variations and inconsistencies in human capital information disclosure.

The study findings revealed that harmonisation of human capital information disclosure by organisations assists in separating weak and strong signals, thereby creating a screening point for different organisations with different capabilities. Harmonisation of information also reduces signal faking by making it possible that all organisations are evaluated with the same criteria. The use of harmonised human capital information disclosure increases signal diffusion, enabling the uninformed investors to have the same understanding with the more informed disclosing organisations. Through harmonisation, signals are diffused and a shared collective understanding of signals is enhanced. Harmonisation enables better understanding of the information, enhancing efficient selection of investments (Ali, 2005).

Effective screening is therefore a result of the interplay between the screening and the signalling process where one process affects and responds to the other (Dawson et al. 2016). Literature suggests that information investors take into account the views of management on the quality of the organisation (Schijven & Hitt, 2012; zu Knyphausen-Aufseß et al., 2011) with management also considering the expectations of investors (Benner & Ranganathan, 2012; Grahan et al., 2005). With harmonisation having been revealed to facilitate signalling, it is proposed that:

> ***Proposition 4: Harmonisation facilitates screening through enhanced signalling.***

Self-selection being part of the screening process (Spread, 2011) is also boosted by harmonisation. As organisations communicate their human capital information to the potential foreign investors, these organisations reveal their suitability as favourable opportunities for investment or otherwise. Thus, comparability which is brought by harmonisation enables the organisations to self-screen themselves. With harmonisation bringing in shared collective beliefs, the evidence suggests that harmonisation brings in a set of expectations between users and providers of human capital. The non-disclosure of the expected human capital information items by some organisations while others are disclosing the information might convey the non-suitability of the non-disclosing organisations. Such a situation creates a self-screening mechanism between those organisations with the quality in question and those without. It is further proposed that:

> ***Proposition 5: The harmonisation of human capital information disclosure facilitates self-selection in investment screening.***

11.3.3 Harmonisation reduces information asymmetry problems

Information asymmetry problems result from asymmetric information situations (Akerlof, 1970; Connelly, 2011; Stiglitz, 2005,). Although information asymmetry on its own is not a problem (Spread, 2015), the study findings revealed that information asymmetry situations create adverse selection and moral hazard problems. The emerging theory therefore recognises the need to reduce human capital information asymmetry situations in enhancing effective investment decisions. While signalling and screening are the known solutions to information asymmetry problems, the emerging theory suggests that harmonisation of human capital information disclosure facilitates the reduction of information asymmetry problems. It is proposed that:

> ***Proposition 6: Harmonisation of human capital information disclosure mediates signalling and screening in reducing information asymmetry problems.***

11.3.4 Decision usefulness of harmonised human capital disclosure

Decision useful information serves as an input in the decision-making process of both internal management and external stakeholders for capital investment purposes (MERITUM, 2002; Adelowotan et al., 2013). With the evidence having shown that harmonised disclosure of human capital information reduces asymmetric information problems, the emerging theory acknowledges the relevance of harmonisation in increasing decision usefulness of human capital information. Reduced information asymmetry problems facilitate investment decisions (Chen et al., 2014; Healy & Palepu, 2001; Riley, 2001).

Harmonisation brings about comparable, credible, consistent, relevant, less costly and timely human capital information. Such quality of information is vital in enhancing decision-making. Commenting on the characteristics of decision useful information, Cronje (2008) mentions reliability, relevance and comparability as key characteristics of useful information. Based on the study evidence and extant literature, it is proposed that:

> ***Proposition 7: Harmonisation of human capital information disclosure facilitates investment decision-making though the reduction of information asymmetry problems.***

11.3.5 Signalling and screening context

Context is a range of circumstances surrounding a situation (Rule & John, 2011). The context in which human capital information is disclosed is critical in understanding harmonisation and its effects on investment decision-making. The study evidence reveals that both the macro environmental context and corporate information disclosure circumstances influenced the manner in which human capital information was signalled and used in the selection of investment opportunities. Although social factors were conducive in enhancing the signalling of human capital information to the investors, other contextual variables inclusive of the economic, legal and cultural factors did not create a supportive environment for effective signalling and screening in reducing information asymmetry problems.

The context contributed to vagueness and uncertainty, leading to less credibility of the human capital information communicated. This context was further perpetuated by the corporate disclosure circumstances where human capital information was voluntarily disclosed with no legal enforcement. Such a context resulted in reduced significance of the information regardless of it being considered important in investment decisions. Extant literature contended that signalling context affects the effectiveness of signals in communicating the intended information (Connelly et al., 2011; Lester et al., 2006; Park & Patel, 2015). While the harmonisation of human capital information disclosure might be important in reducing information asymmetry problems, the theory also maintains that the context under which such information is disclosed plays an important role. With this information, the study proposes that:

> ***Proposition 8: The more conducive the signalling and screening context is, the higher the effectiveness of harmonised human capital information facilitating effective investment decisions.***

11.4 CONCLUSION

The chapter explored how the harmonisation of human capital information facilitated investment decision-making through the reduction of information asymmetry problems. The study proposes for the harmonisation of human capital information disclosure a theoretical model that shows how harmonisation facilitates signalling and screening in the reduction of information asymmetry problems between organisations and foreign investors. Whilst signalling and screening are the known solutions to information asymmetry problems, the study prioritises harmonised disclosure over simply increasing human capital information disclosures.

The next chapter concludes the study by examining the extent to which the study has answered the research questions. Contributions made by the study, limitations for the study as well as suggestions for further research are also provided in this concluding chapter.

CHAPTER 12

CONCLUSIONS, CONTRIBUTIONS AND RECOMMENDATIONS

12.0 INTRODUCTION

The aim of the study was to develop a theoretical model that explores how the harmonisation of human capital information disclosure facilitates foreign investment decisions into a developing country, through the reduction of information asymmetry problems. As discussed earlier in Chapter 1 and other preceding chapters, the study was anchored in information economics where information asymmetry was used as the theoretical lens of the study. The study evidence as presented in Chapter 10 shows that the harmonisation of human capital information disclosure facilitates signalling and screening in reducing information asymmetry problems. Such reduction in asymmetric information problems enhances sound investment decision-making by foreign investors. Chapter 11 presented the proposed theoretical model that embraced harmonisation of human capital information disclosure, signalling and screening as solutions to information asymmetry, while the study evidence from participating organisations selected in Zimbabwe, a developing county.

This chapter provides conclusions of the study by showing whether the main research questions and its sub-questions have been answered. The study's contribution to the existing body of knowledge (Bergh, 2003; Corley & Gioia, 2011; Rynes, 2002), its limitations and suggestions for further research will also be done in this concluding chapter.

12.1 SUMMARY OF THE MAIN CONCLUSIONS

The conclusions drawn from this study are summarised in this section with the aim of answering the research questions posed by the study. To avoid unnecessary repetition, the main issues will be summarised, with reference being made to the relevant sections for more information.

12.1.1 Answering the main research question

Can the harmonisation of human capital information disclosure in corporate annual reports facilitate investments by reducing information asymmetry problems?

The main research question is answered by the theoretical model presented in Chapter 11. The model shows that the ability of harmonised human capital information disclosure to facilitate signalling by influencing signal fit, signal diffusion and signal erosion is key in the reduction of information asymmetry problems. Effective signalling in turn enhances screening in facilitating decision-making. The benefits of comparability, accessibility, relevance and increased credibility of the information to be brought by harmonisation therefore leverage signalling and screening in reducing information asymmetry problems. The reduction of human capital information asymmetry problems results in effective investment decision-making, thereby facilitating foreign investments. However, to be more effective in reducing information asymmetry problems, harmonised human capital information disclosure should be complemented by a conducive signalling and screening environment.

12.1.2 Answering the first sub-question

Are there disparities between human capital information provision and information requirements in corporate annual reports?

The aim of this question was to establish if human capital information asymmetry was in existence between the participating organisations and foreign investors as users of corporate information. The comparative analysis of information provision and requirements presented in Chapter 6 and the interview evidence presented in section 10.2.2 of Chapter 10 provide answers to this question. Two major conclusions have emerged in answering this question.

First, there is inadequate disclosure of human capital information considered important by the foreign investors. While most human capital information items are considered important by foreign investors in their investment decision-making, most of this information is either minimally disclosed or not disclosed at all. However, certain information which is considered as unimportant is disclosed, leading to mismatch between information provision and requirements. The study therefore concludes that there is no shared understanding between the provided and the expected information, leading to human capital information asymmetry.

Second, further to limited disclosure, the information is fragmented across the disclosing organisations. The expectation would be that the human capital information disclosure by the least disclosing organisations would be covered by the most disclosing organisations; however, findings reflected the opposite. Some disclosures by the least disclosing organisations were not covered by the most disclosing organisations. While increased disclosure might assist in bridging some of the information asymmetry, such fragmentation might perpetuate these information asymmetry situations. The proposed model therefore recognises the need for harmonisation of such disclosures in reducing these information discrepancies.

12.1.3 Answering the second sub-question

What information problems are caused by human capital information asymmetry?

Adverse selection and moral hazard problems emerged as major information problems encountered as a result of human capital information asymmetry. Section 10.2.3 of Chapter 10 provides answers to this research question. Evidence from the study indicates that the non-disclosure of human capital information leads to investors making bad investment decisions. Due to the inadequate provision of human capital information, some investors have even invested in organisations which they would not have invested in if they were provided with adequate human capital information prior to their investment decisions. Although very costly, thorough information search through the process of due diligence is performed on

human capital information to uncover any hidden information that could be detrimental to the decisions of the investors. Adverse selection is therefore experienced as a result of human capital information asymmetry.

Evidence further reveals that conditions of asymmetric information facilitate opportunistic behaviour, leading to moral hazard problems. Preparers of corporate information, being at an information advantage with regard to the organisation's performance, have a tendency to withhold some negative information whilst utilising superior information to further their own interests. Although asymmetric information on its own has been found not to cause any problems (Spread, 2015), the study concludes that asymmetric information conditions facilitate moral hazard and adverse selection problems.

12.1.4 Answering the third sub-question

Can the harmonisation of human capital information disclosure assist in signalling important information to foreign investors when making investment decisions?

The aim of the question was to understand the influence of harmonisation in signalling human capital information. This question was important given the limitations of minimum and fragmented disclosure of human capital information in communicating important information to foreign investors. Answers to this sub-question are reflected in section 10.3.6 of Chapter 10.

The study findings indicated that harmonisation of human capital information disclosure facilitates the reduction of asymmetric information problems by enhancing signalling. Harmonisation brings about several advantages to the signalling process. Comparability, credibility, increased relevance, consistency, timely and less costly information were the major benefits highlighted by the study. These benefits have been revealed to influence signal fit, signal diffusion and signal erosion in enhancing effective signalling. Through harmonisation, human capital information becomes more credible and observable, resulting in enhanced signal fit when communicating vital information to foreign investors. Harmonised human

capital information disclosure also enables the communicated information to be easily understood as the information sent would be comprehended in the same manner. Through comparability, consistency, and increased disclosure, human capital information is easily diffused across disclosing organisations and foreign investors, making the signalling process more effective. Whilst precautions should be taken in ensuring that harmonised disclosure does not result in signal erosion due to reduced distinctiveness in disclosure practices, harmonisation has also been revealed to reduce signal erosion by increasing the cost of faking as the information can be compared and verified. It is therefore concluded that harmonisation facilitates signalling in reducing information asymmetry problems.

12.1.5 Answering the fourth sub-question

Can the harmonisation of human capital information disclosure facilitate screening by foreign investors when making investment decisions?

The fourth sub-question was aimed at understanding the influence of harmonisation in the selection of investment opportunities. With screening being one of the solutions to information asymmetry problems, this question was important in offering some insights on how harmonisation affects the screening capacity of human capital information. Answers to this sub-question are reflected in section 10.3.7 of Chapter 10.

Evidence from the study reveals that human capital information was useful in the selection of better investment opportunities. Human capital information signalled some profitability, costs and risks associated with an investment, making this information necessary in the screening of better organisations for investment. However, variations and inconsistencies in information provision reduced the usefulness of the information, making it difficult for users to comprehend the information for decision purposes (Amber et al. 2001; Schaffhauser-Linzatti, 2004). Harmonisation of the information therefore enables better understanding of the information, helping in the selection of better investments (Ali, 2005).Because of easy comparability, the study also revealed that a natural screening mechanism is created by harmonisation where good and bad investment opportunities can be

detected. Harmonisation of human capital information disclosure therefore facilitates investment selection decisions.

12.1.6 Answering the fifth sub-question

How does the harmonisation of human capital information enhance the decision usefulness of human capital information?

The question sought to establish the manner in which the harmonisation of human capital information disclosure facilitates investment decisions by foreign investors, and section 10.3 8 of Chapter 10 provides the answers to this question. The findings show that harmonisation brings about comparability, credibility, consistency, increased relevance, less costly and timely human capital information. These information characteristics are considered crucial in facilitating signalling and screening, which are the key solutions to information asymmetry problems. The reduction of information asymmetry problems contributes to informed decision-making. Harmonisation therefore facilitates investment decision-making through the reduction of information asymmetry problems. Besides reducing information asymmetry problems, harmonised disclosure of human capital information directly influences decision-making by increasing the relevance, comparability and credibility of the information communicated. These characteristics bring about decision useful information. The study therefore concludes that harmonisation of human capital information disclosure enhances investment decision-making.

From the analysis presented in this section, it is clear that the study has answered the research questions. The next section presents the study's contributions to new knowledge.

12.2 CONTRIBUTIONS OF THE STUDY

With the study having been carried out in the context of a developing country in Africa, the study makes contributions to knowledge creation through theory development, empirical contributions, methodological contribution and providing practical recommendations. Africa has mainly participated in the primary stages of

knowledge production by gathering primary data, but with minimal participation in the development of new theories (Hountondji; 2002). Calls have therefore been made for African scholars to contribute to new knowledge creation by developing theories (Badenhorst, 2010; Corley & Gioia, 2011) and proposing theory applications (Hountondji, 2002; Remenyi & Bannister, 2012). In line with this imperative, the study:

1. Has made a theoretical contribution by putting forward a theoretical model that explains how the harmonised disclosure of human capital information facilitates foreign investments through the reduction of information asymmetry problems.
2. Makes a methodological contribution by triangulating research methods.
3. Makes an empirical contribution by exploring the relationships between harmonised human capital information disclosure and asymmetric information problems, in a developing country context.
4. Provides practical recommendations to ZSE-listed organisations under study, investors, human resource professionals and policymakers in Zimbabwe.

12.2.1 Theoretical contribution

The theoretical contribution should provide some insights into how the phenomenon under study is understood by the researchers and practitioners, revision or extension of the existing theory and the usefulness of the contributions to the practising managers (Bergh, 2003; Corley & Gioia, 2011; Mintzberg, 2005; Whetten, 1989). The contributions should therefore be valuable, imitable, interesting and unexpected (Bergh, 2003). Given these requirements, the study has made the following contributions.

1. The study's major contribution is the theoretical model that proposes the harmonisation of human capital information disclosure in reducing information asymmetry. The model explores how harmonised human capital information disclosure facilitates signalling and screening in the reduction of information

asymmetry problems associated with foreign investment in a developing country. The theory is premised on the notion of reducing information asymmetry by increasing comparability, accessibility, relevance and credibility of information by reducing fragmentation and information gaps in the disclosure of human capital information. The increase in the quality and quantity of information disclosure enhances signal fitness and signal diffusion while reducing signal erosion, thereby positively affecting signalling and screening in reducing information asymmetry problems.

2. The theoretical model emphasises harmonisation as an extended solution to information asymmetry problems. The study found compelling evidence on the importance of harmonisation in the reduction of information asymmetry problems in investment decision-making. While extant literature emphasises signalling (Connelly et al., 2011; Krausert, 2016; Spence, 2000) and screening (Stiglitz, 1975; 2000) as the major solutions to information asymmetry, the current study recognises harmonised disclosure of human capital information as being essential in enhancing signalling and screening. Mere disclosure of human capital information might not be adequate in dealing with information problems, especially arising from fragmentation of information. Harmonisation of human capital information is therefore important as an extended solution to information asymmetry problems in foreign investments.

3. Signalling fit, signal diffusion and signal erosion have also been found to play a reciprocal role in influencing each other. While earlier research suggests that signal fit affects signal erosion, with both signal fit and signal erosion influencing signal diffusion (Krausert, 2016), the findings reveal the interrelationship among these three signal characteristics where each signal characteristic has an influence on the other. The theoretical model therefore makes a contribution to the interdependent nature of the three signal characteristics in influencing the signalling process.

4. The study has found that there are disparities between human capital information provision and requirements in the corporate annual reports of the selected

organisations. Extant literature suggests that asymmetric information on its own does not lead to information problems as the more informed party will readily provide the information (Spread, 2015). However, the findings indicate that asymmetric information situations facilitate information asymmetry problems, and as such, efforts should be made in reducing human capital information asymmetry situations if information asymmetry problems are to be reduced.

12.2.2 Methodological contribution

The study contributes to research methodology by using a multiple sample, multiple source interpretive qualitative research design where results have also been inductively analysed. The use of this methodological design emerged as a response to calls by Dumay (2016), to extend the methodologies in exploring the area of intellectual capital disclosures. Most researchers in human capital information disclosure and intellectual capital in general, rely mostly on content analysis of corporate annual reports (Abeysekera, 2008; Castilla-Polo & Ruiz-Rodríguez, 2017; Guthrie et al., 2004) without doing triangulation. Few researchers have met this demand for triangulation (Husin et. al., 2012). The use of a combination of content analysis, disclosure checklist and interviews, with information being sought from different sample groups, provided greater insight into human capital information disclosure in corporate annual reports. The 'how' and 'why' questions pertaining to human capital disclosure, which could not be answered by content analysis alone, have been addressed through data source triangulation.

The methodology also covered different sub-sectors in the service sector, a triangulation process that has not been widely used in previous human capital information disclosure studies. The study utilised a multi-level analysis by adopting both organisations and individuals in the organisations as units of analysis. Thus, the experiences of foreign investors and management in the participating organisations and the nature of disclosure by the organisations were explored. Most previous studies used fund managers and investment analysts to represent the investment community, and as such, the use of foreign investors also brought more insight into the study. The convergence of the views from these participants has

enhanced the validity of the empirical findings, particularly given the variation of participating samples.

12.2.3 Empirical contributions

The study makes an empirical contribution by exploring the relationships between harmonised human capital information disclosure and asymmetric information problems in foreign investment decisions into a developing country. Empirical studies on the influence of harmonisation of human capital information disclosure on information asymmetry problems have not been done. Continuous calls for systematic disclosure of human capital information to reduce fragmented disclosure have been made (Chander & Mehra, 2011; Saitua et al., 2015; Verma & Dewe, 2008). In corporate reporting, however, the concept of harmonisation of a reporting system has been predominantly discussed and explored in the area of financial reporting (Sinha et al., 2012). Other studies focused on having intellectual disclosure frameworks (Bassi, et al., 2015; GRI, 2013; IIRC, 2013). The domain is therefore still evolving (Bassi et al., 2015).

The current study has contributed to the body of empirical literature on human capital information disclosure by promoting an improved understanding of the perceptions and views of participants with regard to harmonisation of human capital information disclosure. This is particularly significant at a time where the intellectual capital disclosure and human capital information disclosure are becoming more significant in investment decision-making processes (Bassi, et al., 2015; Fonseca et al., 2014; IIRC, 2013 Lennartsson, 2015; 2016).

Existing studies on human capital information disclosure have remained focused on calling for the systematic disclosure of human capital information, without bringing out insights into the advantages to be realised by such harmonisation. This study therefore makes a contribution in proposing the harmonisation of human capital information disclosure with a view to bringing out the benefits to be gained from the process. The study evidence shows that harmonisation of human capital information is important in facilitating the reduction of information asymmetry

problems though enhancing signalling and screening. The experiences of the participating preparers and users of corporate information provide rich empirical data that others can learn from, especially on the benefits to be accrued by harmonised disclosure of human capital information in reducing information asymmetry problems.

12.2.4 Practical implications of the study

Theory must be useful to other researchers and practising managers (Bergh, 2003; Corley & Gioia, 2011; Remenyi & Bannister, 2012; Whetten, 1989). The current study makes valuable practical contributions to ZSE listed organisations, investors, human resource professionals and policymakers in Zimbabwe, particularly in relation to reducing information asymmetry problems as a way of influencing foreign investment decisions into the country.

12.2.4.1 Zimbabwean Stock Exchange Listed organisations

The study has provided insights into the kind of information and the information challenges that foreign investors face in their investment decisions. An understanding of the nature of human capital information requirements by foreign investors, as achieved in this study, is an important step towards interrogating the disclosure practices of organisations. Insisting on increased disclosure without understanding the kind of disclosure preferences of investors might not resolve issues of information asymmetry problems. Listed organisations should therefore prioritise understanding the information requirements of users instead of simply disclosing what they perceive to be important. There should be a concerted focus on enhancing collective beliefs such that information is diffused across the users and providers of information to effectively reduce information problems.

The findings indicate that the participating organisations were reluctant to disclose more human capital information, since there is already a strong focus on financial information which is legally enforced. Failure by organisations to adjust to best reporting practices negatively affects how their disclosure transparency and reputation is viewed by potential funders. There is a need to understand the

changing disclosure requirements of investors in the context of a knowledge economy. Therefore, reporting practices that focus mainly on financial information might be at variance with the current information needs of foreign investors, where non-financial information is given precedence.

It is therefore important for the organisations to consider adopting a more comprehensive approach to providing relevant and vital information for investment decision-making purposes; otherwise the provision of inadequate and less relevant information might increase information costs while perpetuating information asymmetries. There has to be a paradigm shift in the disclosure of human capital information at all levels in the organisation with the human resource department represented at the board level to champion such human capital information disclosure.

The study revealed a lack of knowledge on how best to disclose human capital information for external reporting and also suggests that education and training be undertaken on human capital information disclosure. Decision-makers and those directly involved in the provision of human capital information should be sensitised to the benefits to be derived from transparency and quality disclosure of human capital information. Organisations should therefore be encouraged through such training to move away from the culture of secrecy that may often prevail around the provision of essential information for decision-making purposes.

Given the challenge of human capital information being regarded as lacking credibility, it is recommended that such information should under auditing to ensure appropriate quality for investors. Financial information is audited to provide greater assurance to investors, and if this could be done with human capital information, it might increase its usefulness in decision-making.

12.2.4.2 Foreign investors

Findings revealed the lack of a shared understanding on the information requirements of foreign investors, with most of the human capital information

considered important being both fragmented and difficult to access. Investors, being the users of human capital information, may need to insist on quality disclosure in corporate information disclosure. This is particularly important in light of the increased relevance of intangible assets in understanding organisational value. The awareness of the benefits of harmonised human capital disclosure in reducing asymmetric information problems might therefore prompt investors to demand improved human capital information disclosure in corporate annual reporting.

12.2.4.3 Human resource professionals

Given the growing importance of human capital information in investment decisions as revealed by the study, the human resource profession needs to respond accordingly to become the source of the needed information. This provides an opportunity for human resource professionals to review and upgrade their strategic importance within organisations. As a profession, human resource practitioners must agree on a set of human capital reporting metrics for easy dissemination to users. Human resource professionals need to develop their own set of measures that contribute to meaningful reporting that investors can relate to. The disclosure metrics should also embrace a quantitative form so as to influence business strategies and attract foreign investment, given the challenges of objectivity in relation to the current human capital information being disclosed.

Business means numbers, systems and controls, and as such there has to be a link between human capital information and the business bottom line that is beyond doubt, if the information is to be relevant in decision-making. The realisation that human capital is a key driver of organisational performance will encourage organisations to prioritise the kind of human capital information they report, so as to communicate relevant and useful information to the users, which will ultimately benefit the organisations.

Furthermore, human resource professionals should reflect and learn from the experiences of the financial accounting professionals. Financial reporting became influential because of its ability to influence strategic business decisions. The

financial accounting field has made continuous efforts to harmonise their financial disclosure so that such disclosure become accepted and disseminated amongst different users. The human resource professionals can emulate this approach. All institutions with some human capital bearing should collaborate to develop minimum standards on what should be disclosed in terms of human capital information. With financial statements, users can make comparisons across different organisations, which have contributed to financial information remaining relevant in influencing investment decisions. Human capital disclosure can be done in the same manner. Professional institutions should take the initiative as part of their mandate if they are to remain relevant in their areas of endeavour.

12.2.4.4 Policy makers

Corporate disclosure transparency and a favourable operating environment are necessary to successfully attract foreign investments into developing countries (Chen et al, 2010; Marquez-Ramos, 2011, Sechei & Kinyondo, 2012). Foreign investors are often deterred by information costs, opaque policies and the cost of doing business (AFDB, 2013; He, 2002; IFC, 2014; Leuz, et al., 2010). Policy makers should therefore implement policies that reduce uncertainty and investment risks while encouraging investments so as to achieve sustainable economic development.

Efforts to promote investments into the country should focus on addressing the cost of information and ease of doing business, given that it is costly and difficult for foreign investors to make investment decisions into Zimbabwe without adequate and relevant information. An appreciation of the benefits to be accrued through harmonised disclosure of human capital information in corporate annual reports will assist policy makers to reflect on the current policies on corporate reporting and begin to develop appropriate policy interventions that promote quality and useful disclosures in corporate reporting.

12.3 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Limitations in empirical research identify possible areas for further research (Margolis & Molinsky, 2008; Price & Murnan, 2004). As data analysis was done inductively, the outcome of the study was a descriptive theory (Birks & Mills, 2011; Carlile & Christensen, 2004). Further research may be undertaken to move the study towards the development of normative theory that will assist managers, investors and policy makers in better understanding the relationship between harmonised human capital information disclosure and investment decision-making. It is suggested that the theory be subjected to further empirical analysis, possibly using quantitative data analysis methods that demonstrate causal relationships.

Harmonisation of human capital information disclosure is necessary in reducing information asymmetry problems as it plays a mediation role in the signalling and screening process. However, little has been done to explore this issue, particularly given the prominence which is being given to non-financial assets in the new knowledge economy. Although awareness of fragmentation in human capital information disclosure is acknowledged (Chander & Mehra, 2011; Saitua et al., 2015; Verma & Dewe, 2008), not much has been done on how best to resolve these challenges. While the current study proposes the harmonisation of human capital information disclosure as an extended solution to information asymmetry problems, the study did not explore how the harmonisation process can be achieved. This area therefore warrants further research.

The study has established that harmonisation can facilitate signalling in reducing information asymmetry problems. However, the focus of the study was on intentional signalling. Unintentional signals have been acknowledged as being of assistance in reducing information asymmetry problems (Connelly et al., 2011; Krausert, 2016). There is therefore a need to further examine the effects of harmonised signals, on unintended signals.

Best practice voluntary harmonisation seems to be more appropriate in achieving effective harmonisation of human capital information disclosure as suggested by

the study findings. However, the role of regulations in corporate information disclosure has also been established (Adelowotan et. al, 2013; Khan & Khan, 2010). The need for some form of legal enforcement to enhance effective disclosure cannot be disregarded. Best practice harmonisation may be complemented by some legal enforcement on disclosure of some of the human capital information. Study findings suggest that financial information was more prominent because it had become legally standardised. Further research can therefore establish how best practice and legal enforcement may be combined in achieving harmonised human capital information disclosure.

Lack of clear distinction between harmonisation and standardisation appeared evident in both existing literature and responses from participants. The distinctions given in extant literature, especially focusing on financial reporting may not be appropriate when dealing with non-financial information. There is, therefore, a need for future research to devise appropriate definitions and differences that recognise different contexts within which harmonised disclosure of information is applied.

The study also focused on a single sector and single country experience which makes it difficult to generalise the findings to different contexts. Although the results remain credible, future research may extend this study by adopting a multi-sector and country analysis.

This study only focused on stock exchange listed organisations that have the legal requirement to disclose corporate information to the public. The transferability of the study findings could be further strengthened by extending the participants to include unlisted private organisations so as to gain a more comprehensive understanding of the issues suggested by public listed organisations. Triangulating the data in this manner could identify the themes and perceptions that resonate within the greater corporate disclosing community. Furthermore, the study might also introduce a sample of local investors as a comparison group to better understand the unique aspects of the foreign investors in a developing country.

12.4 CONCLUSION

The study shed light on the experiences of foreign investors and selected listed organisations in a developing country context. The ability of these information providers and users to reduce information asymmetry problems in investment decision situations is essential in promoting foreign investment into developing countries. It is therefore important that both the information providers and receivers remain cognisant that the reduction of information asymmetry problems in enhancing effective investment decisions is not a one-sided role but a combined effort in which the policy makers, researchers, users and providers of corporate information should all participate.

REFERENCES

ABC Holdings Limited (2014). Annual Report. Zimbabwe.

Abdioglu, N., Basmati, V., Cavusgil, S. T., Khurshed, A., & Stathopoulos, K. (2015). Information asymmetry, disclosure and foreign institutional investment: An empirical investigation of the impact of the Sarbanes-Oxley Act. *International Business Review*, 24, 902-915

Abeysekera, I. (2008). Motivations behind human capital disclosure in annual reports. *Accounting Forum, 32*, 16-29.

Abeysekera, I. (2013). A template for integrated reporting. *Journal of Intellectual Capital*, 14(2), 227-245.

Abeysekera, I., & Guthrie, J. (2004). Human capital reporting in a developing nation. *The British Accounting Review*, *36*(3), 251-268.

Abhayawansa, S., & Abeysekera, I. (2008). An explanation of human capital disclosure from the resource based perspective. *Journal of Human Resource Costing &Accounting, 12(1),* 51-64.

Abhayawansa, S., & Guthrie, J. (2014). Importance of intellectual capital information: A study of Australian analyst reports. *Australian Accounting Review*, 68 (24), 66-83.

Aboody, D., & Lev, B. (2000). Information asymmetry, R&D, and insider gains. *The Journal of Finance*, *55*(6), 2747-2766.

Absar, M. M. N., Amran, A., & Nejati, M. (2014). Human capital reporting: evidences from the banking sector of Bangladesh. *International Journal of Learning and Intellectual Capital*, *11*(3), 244-258.

Adelowotan, M.O; Cronje, C.J., & Wingard, C.H. (2013). The significance of human capital disclosures in corporate reports of top South African listed companies: evidence from the financial directors and managers. *African Journal of Business Management*, 7 (34), 3248-3258.

AFDB. (2013). *Zimbabwe: Country brief 2013-2015*: African Development Bank Group.

Afiouni, F. (2013). Human capital management: a new name for HRM? *International Journal of Learning and Intellectual Capital* 10(1), 18–34.

African Sun Limited (2014). Annual Report. Zimbabwe.

Aghion, P., & Stein, J. C. (2008). Growth versus margins: Destabilizing consequences of giving the stock market what it wants. *The Journal of Finance*, *63*(3), 1025-1058.

Aharoni, Y. (1966). *The foreign investment decision process*. Boston, Division of Research, Graduate School of Business Administration: Harvard University.

Ahmed, K., & Ali, M. J. (2015). Has the harmonisation of accounting practices improved? Evidence from South Asia. *International Journal of Accounting & Information Management*, *23*(4), 327-348.

Ahuja, G., & Yayavaram, S. (2011). Perspective—Explaining influence rents: The case for an institutions-based view of strategy. *Organization Science*, *22*(6), 1631-1652.

Akerlof, G.A. (1970). The Market for 'Lemons': Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 84(3), 488-500.

Al Mamun, S. A. (2009). Human Resource Accounting (HRA) disclosure of Bangladeshi companies and its association with corporate characteristics. *BRAC University Journal* 1(1), 35-43.

Al-Ajmi, J. (2009). Investors' use of corporate reports in Bahrain. *Managerial Auditing Journal*, 24(3), 266-289.

Ali, A., & Hwang, L. (2000). Country-specific factors related to financial reporting and the value relevance of accounting data. *Journal of Accounting Research* 38(1), 1-21.

Ali, M. J. (2005). A synthesis of empirical research on international accounting harmonization and compliance with international financial reporting standards. *Journal of Accounting Literature*, *24*, 1- 52.

Allison, G. T. (1969). Conceptual models and the Cuban missile crisis. *The American Political Science Review*, 63(3) 689-718.

Amber, T., Barwise, P., & Higson, C. (2001). *Market metrics: what should we tell the shareholders?* Available at: www.icaew.co.uk

América, A. (2015). Corporate response to human resource disclosure recommendations. *Social Responsibility Journal*, 11(2), 306 – 323.

América, A. D, (2011). The impact of human resource disclosure on corporate image. *Journal of Human Resource Costing & Accounting*, 15(4), 279 – 298.

Amico, P. A. (2012). *Corporate Reporting of Intangible Assets: A Progress Report.* Paris: OECD.

An, Y., Davey, H., & Eggleton, I. (2011). Towards a comprehensive theoretical framework for voluntary IC disclosure. *Journal of Intellectual Capital*, 12(4), 571 – 585.

Anderson, R., & Epstein, M. (1995). The Usefulness of Annual Reports: Australian shareholders want more information in annual reports and clearer explanations of what the numbers mean. *Australian Accountant, 65*, 25-25.

Andriessen, D. (2004). IC valuation and measurement: classifying the state of the art. *Journal of intellectual capital*, *5*(2), 230-242.

April, K.A., Bosma, P., & Deglon, D.A. (2003)**.** Intellectual capital measurement and reporting: establishing a practice in SA mining. *Journal of Intellectual Capital*, V 4(2), 165-180.

Arend, R. J., Sarooghi, H., & Burkemper, A. (2015). Effectuation as ineffectual? Applying the 3E theory-assessment framework to a proposed new theory of entrepreneurship. *Academy of Management Review*, *40*(4), 630-651.

Arrighetti, A., Landini, F., & Lasagni, A. (2014). Intangible assets and firm heterogeneity: Evidence from Italy. *Research Policy*, *43*(1), 202-213.

Arvidsson, S. (2003). *Demand and supply of information on intangibles – the case of knowledge-intensive companies.* Ph.D. dissertation, University of Lund: The Institute of Economic Research.

Arvidsson, S. (2011). Disclosure of non-financial information in the annual report; a management-team perspective. *Journal of Intellectual Capital*, 12(2), 277-300.

Ashton, R.H. (2005). Intellectual capital and value creation: a review. *Journal of Accounting Literature*, 24, 53-134.

Attride-Stirling, J. (2001). Thematic Networks: an analytical tool for qualitative research. *Qualitative Research*, 1(3), 385-405.

Ax, C., & Marton, J. (2008). Human capital disclosures and management practices. *Journal of Intellectual Capital*, *9*(3), 433-455.

Babbie, E. (1995). *The practice of social research* (7th Ed.). Belmont, CA: Wadsworth.

Backhuijs, J.B., Holterman, W.G.M., Oudman, R.S., Overgoor, R.P.M., & Zijlstra, S.M. (1999). *Reporting on intangible assets.* Paper presented at the International Symposium Measuring and Reporting Intellectual Capital: Experiences, Issues, and Prospects, OECD, Amsterdam, June.

Badenhorst, C. (2010). *Dissertation writing a research journey* (2nd Ed.). Pretoria: Van Schaik Publishers.

Bailey, C.A. (1996). *A guide to field research.* Thousand Oaks, CA: Pine Forge.

Baiman, S., & Verrecchia, R. (1996). The relation among capital markets, financial disclosure, production efficiency and insider trading. *Journal of Accounting Research* (Spring 1), 1-22.

Balakrishnan, S., & Koza, M. P. (1993). Information asymmetry, adverse selection and joint-ventures: Theory and evidence. *Journal of economic behavior & organization*, *20*(1), 99-117.

Bangerter, A., Roulin, N., & König, C. J. (2012). Personnel selection as a signaling game. *Journal of Applied Psychology*, 97, 719–738.

Bansal, P., & Corley, K. (2011). From the editors. The coming of age of qualitative research: Embracing the diversity of qualitative methods. *Academy of Management*, 54(2), 233-237.

Barclays Bank of Zimbabwe Limited (2014). Annual Report. Zimbabwe.

Barker, C., Pistrang, N. & Elliott, R. (2002). *Research methods in clinical psychology: An introduction for students and practitioners*, (2nd Ed.) Chichester, England: John Wiley and Sons.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal ofManagement*, 17, 99–120.

Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1), 31−46.

Barney, J., Wright, M., & Ketchen Jr, D. J. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, *27*(6), 625-641.

Baron, A. (2011). Measuring human capital. *Strategic HR Review*, *10*(2), 30-35.

Barry, C. A. (1998). Choosing qualitative data analysis software: Atlas/ti and Nudist compared. [*Online]*. *Sociological Research Online*, 3(3).

Barry, C. B., & Brown, S. J. (1986). Limited information as a source of risk. *The Journal of Portfolio Management*, *12*(2), 66-72.

Bartlett, S. A., & Chandler, R. A. (1997). The corporate report and the private shareholder: Lee and Tweedie twenty years on. *The British Accounting Review*, *29*(3), 245-261.

Bas, M. A., & Stone, R. W. (2014). Adverse selection and growth under IMF programs. *The Review of International Organizations*, *9*(1), 1-28.

Bassi, L. J., Lev, B., Low, J., McMurrer, D. P., & Siesfeld, G. A. (2000). Measuring corporate investments in human capital. the new relationship: *Human Capital in the American Corporation*, 334-381.

Bassi, L., Creelman, D., & Lambert, A. (2014). *The smarter annual report: How companies are integrating financial and human capital reporting*. Retrieved 2016-0209 from: http://www.mcbassi.com/wp/resources/pdfs/The_Smarter_Annual_Report.

Bassi, L., Creelman, D., & Lambert, A. (2015). Advancing the HR Profession: Consistent Standards in Reporting Sustainable Human Capital Outcomes. *People & Strategy*, 38(2), 71-75.

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: study design and implementation for novice researchers. *The Qualitative Report*, 13(4), 544-559.

Beattie, V. & Smith, S.J. (2010). Human capital, value creation and disclosure. *Journal of Human Resources Costing and Accounting*, 14(4), 262-285.

Beattie, V. & Smith, S.J. (2013). Value Creation and Business Models: Refocusing the Intellectual Capital Debate. *British Accounting Review*, 45(4), 243-254.

Beattie, V. (2014). Accounting narratives and the narrative turn in accounting research: Issues, theory, methodology, methods and a research framework. *The British Accounting Review*, *46*(2), 111-134.

Beattie, V., & Thomson, S. J. (2007, June). Lifting the lid on the use of content analysis to investigate intellectual capital disclosures. In *Accounting Forum* 31, (2), 129-163.

Beaver, W. (1998). *Financial Reporting: An Accounting Revolution (*3rd. Ed). Upper Saddle River, NJ: Prentice Hall.

Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: progress and prospects. *Academy of management journal*, *39*(4), 779-801.

Becker, G. S. (1964). *Human capital theory*. Columbia, New York: Columbia University Press

Bellora, L., & Guenther, T. W. (2013). Drivers of innovation capital disclosure in intellectual capital statements: Evidence from Europe. *The British Accounting Review*, *45*(4), 255-270.

Benbasat, I., Goldstein, D. K., & Mead, M. (1987). The case research strategy in studies of information systems. *MIS Quarterly*, 11(3), 369-386.

Bence, D., Hapeshi, K., & Hussey, R. (1995). Examining investment information sources for sophisticated investors using cluster analysis. *Accounting and Business Research*, *26*(1), 19-26.

Benner, M. J., & Ranganathan, R. (2012). Offsetting illegitimacy? How pressures from securities analysts influence incumbents in the face of new technologies. *Academy of Management Journal*, 55, 213–233.

Bergh, D. D., Connelly, B. L., Ketchen, D. J., & Shannon, L. M. (2014). Signalling theory and equilibrium in strategic management research: An assessment and a research agenda. *Journal of Management Studies*, *51*(8).

Bergh, D.D., & Gibbons, P. (2011). The stock market reaction to the hiring of management consultants: a signalling theory approach. *Journal of Management Studies,* 48 (3), 544-67.

Bidwell, M. (2011). Paying more to get less: the effects of external hiring versus internal mobility. *Administrative Science Quarterly*, *56*(3), 369-407

Biernaskie, J. M., Grafen, A., & Perry, J. C. (2014). The evolution of index signals to avoid the cost of dishonesty. *Proceedings of the Royal Society of London B: Biological Sciences*, *281:*1790.

Binh, T. Q. (2012). Voluntary disclosure information in the annual reports of non financial listed companies: the case of Vietnam. *Journal of Applied Economics and Business Research,* 2(2), 69-90.

Bird, R., B., & Smith, E. A. (2005). Signaling theory, strategic interaction, and symbolic capital. *Current anthropology*, *46*(2), 221-248.

Birks, M., & Mills, J. (2011). Grounded Theory: A practical guide. London: Sage.

Black, A. Wright, P. & Bachman, J.E. (1998). *In search of shareholder value - managing drivers of performance*. Great Britain: Pitman Publishers.

Black, E. L., Carnes, T. A., Jandik, T., & Henderson, B. C. (2007). The Relevance of Target Accounting Quality to the Long-Term Success of Cross-Border Mergers. *Journal of Business Finance & Accounting*, *34*(1-2), 139-168.

Black, T.R. (1999). *Doing quantitative research in the social sciences: An integrated approach to research design, measurement and statistics*. London: Sage.

Blake, J. (1990). Problems in international accounting harmonisation. *Management Accountancy*, 68(2), 28-31.

Blaxter, L., Hughes, C., & Tight, M. (2009). *How to research* (3rd Ed.) England: Open University Press.

Bluhm, D. J., Harman, W., Lee, T. W., & Mitchell, T. R. (2011). Qualitative research in management: A decade of progress. *Journal of Management Studies*, *48*(8), 1866-1891.

Boedker, C. Mouritsen, J., & Guthrie, J. (2008).Enhanced business reporting: international trends and possible policy directions. *Journal of Human Resource Costing & Accounting*, 12 (1), 14 – 25.

Bontis, N. (1998). Intellectual capital: an exploratory study that develops measures and models. *Management decision*, *36*(2), 63-76.

Bontis, N. (2003). Intellectual capital disclosure in Canadian corporations. *Journal of Human Resource Costing & Accounting*, 7(1), 9-20.

Bontis, N., Dragonetti, N. C., Jacobsen, K., & Roos, G. (1999). The knowledge toolbox: a review of the tools available to measure and manage intangible resources. *European Management Journal*, *17*(4), 391-402.

Botosan, C.A., & Plumlee, M.A. (2002). A re-examination of disclosure level and the expected cost of equity capital. *Journal of Accounting Research*, 40(1), 21-40.

Bowen, G. A. (2008). Naturalistic inquiry and the saturation concept: a research note. *Qualitative Research*, 8(1), 137-152.

Boyd, C.O. (2001). Phenomenology - the method. In P.L. Munhall (Ed.). *Nursing research: A qualitative perspective* (3rd Ed., pp. 93-122). Sudbury, MA: Jones and Bartlett.

Bozzolan, S., Favotto, F., & Ricceri, F. (2003). Italian annual intellectual capital disclosure. *Journal of Intellectual Capital*, 4(4), 543-58.

Bradley, E. H., Curry, L. A., & Devers, K. J. (2007). Qualitative Data Analysis for Health Services Research: Developing Taxonomy, Themes and Theory. *Health Research and Educational Trust*, 1758 - 1772.

Bradshaw, M. T., & Miller, G. S. (2007). Will harmonizing accounting standards really harmonize accounting? Evidence from non-U.S. firms adopting U.S. GAAP. Working paper, Harvard Business School.

Bradshaw, M. T., Bushee, B. J., & Miller, G. S. (2004). Accounting Choice, Home Bias, and US Investment in Non-US Firms. *Journal of Accounting Research*, *42*(5), 795-841.

Brennan, N. (2001). Reporting intellectual capital in annual reports: evidence from Ireland. *Accounting, Auditing & Accountability Journal*, *14*(4), 423-436.

Brockington, R. (1995). *Accounting for intangible assets*. Boston: Addison-Wesley Publishing Company.

Brüggen, A., Vergauwen, P., & Dao, M. (2009). Determinants of intellectual capital disclosure: evidence from Australia. *Management decision*, *47*(2), 233-245.

Brummet, R. L., Flamholtz, E. G., & Pyle, W. C. (1968). Human Resource measurement- a challenge for accountants. *The Accounting Review*, *43*(2), 217-224.

Bueno, E., Salmador, M. P., Rodríguez, Ó., & Martín De Castro, G. (2006). Internal logic of intellectual capital: a biological approach. *Journal of Intellectual Capital*, *7*(3), 394-405.

Bukh, P. N., Nielsen, C., Gormsen, P., & Mouritsen, J. (2005). Disclosure of information on intellectual capital in Danish IPO prospectuses. *Accounting, Auditing & Accountability Journal*, *18*(6), 713-732.

Burrell, G., & Morgan, G. (1979). *Sociological paradigms and organisational analysis*. London: Heinemann Educational Books.

Busco, C. (2014). Integrated reporting from concept to practice. *Accountancy Ireland,* 46(2), 32-34.

Bushee, B. J. (1998). The Influence of Institutional Investors on Myopic R&D Investment Behaviour. *The Accounting Review*, 73(3).

Bushee, B., & Noe, C. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. *Journal of Accounting Research,* 38(3), 171-202.

Campbell, B. A., Saxton, B. M., & Banerjee, P. M. (2014). Resetting the shot clock: The effect of comobility on human capital. *Journal of Management, 40*(2), 531-556.

Campbell, D. (2004). A longitudinal and cross-sectional analysis of environmental disclosure in UK companies—a research note. *The British Accounting Review*, *36*(1), 107-117.

Campbell, J. M., & Park, J. (2017). Extending the resource-based view: effects of strategic orientation toward community on small business performance. *Journal of Retailing and Consumer Services*, *34*, 302-308.

Cañibano, L., & Mora, A. (2000). Evaluating the statistical significance of de facto accounting harmonization: A study of European global players. *European Accounting Review*, 9(3), 349−369.

Cañibano, L., Garcia-Ayuso, M., & Sanchez, P. (2000). Accounting for intangibles: a literature review. *Journal of Accounting Literature*, *19*, 102.

Carlile, P. R., & Christensen, C.M. (2004). *The cycles of theory building in management research*. Harvard Business School Working Paper Series: (05-057).

Castilla-Polo, F. & Ruiz-Rodríguez, C. (2017). Content analysis within intangible assets disclosure: a structured literature review. *Journal of Intellectual Capital,* (just accepted), 00-00.

Caves, R. (1971). International corporations: the industrial economies of foreign investment, *Economica*, 38, 1 –27.

CBZ Holdings Limited (2014). Annual Report. Zimbabwe.

Central African Stock Exchanges Handbook (2016). Harare: New Zanj Publishing House.

Certo, S. T. (2003). Influencing initial public offering investors with prestige: Signaling with board structures. *Academy of Management Review*, 28, 432-446.

Certo, S. T., Covin, J. G., Daily, C. M., & Dalton, D. R. (2001). Wealth and the effects of founder management among IPO-stage new ventures. *Strategic management journal*, *22*(6-7), 641-658.

Chander, S., & Mehra, V. (2011). A study on intangible assets disclosure: an evidence from Indian companies. *Intangible Capital*, 7(1), 1-30.

Charmaz, K. (2006). *Constructing Grounded Theory. A practical guide through qualitative analysis.* London: SAGE.

Chatterjee, B., Mirshekary, S., Farooque, O. A. & Safari, M. (2010). Users' information requirements and narrative reporting: the case of Iranian Companies. *Australasian Accounting, Business & Finance Journal*, (4)2, 79-96.

Chatzkel, J. (2004). Moving through the crossroads. *Journal of Intellectual Capital*, *5*(2), 337-339.

Chen, C.J., Ding, Y., & Xu, B. (2014). Convergence of Accounting Standards and foreign direct investments. *International Journal of Accounting*, 49(1), 53-86.

Chen, M. C., Cheng, S. J., & Hwang, Y. (2005). An empirical investigation of the relationship between intellectual capital and firms' market value and financial performance. *Journal of intellectual capital*, *6*(2), 159-176.

Chenail, R. J. (1995). Presenting qualitative data. *The qualitative report*, *2*(3), 1-9.

Cheng, M., Green, W., Conradie, P., Konishi, N. & Romi, A. (2014). The International Integrated Reporting Framework: Key Issues and Future Research Opportunities. *Journal of International Financial Management & Accounting*, 25(1), 90-119.

Choi, F.D.S., Frost, C.A., & Meek, G.K. (1999). *International accounting* (3rd Ed). UK, Prentice Hall.

Choo Huang, C., Luther, R., & Tayles, M. (2007). An evidence-based taxonomy of intellectual capital. *Journal of Intellectual Capital*, *8*(3), 386-408.

Christensen, H. B., Nikolaev, V. V., & Wittenberg-Moerman, R. E. (2016). Accounting information in financial contracting: The incomplete contract theory perspective. *Journal of accounting research*, *54*(2), 397-435.

Cinquini, L., Passetti, E., Tenucci, A., & Frey, M. (2012). Analyzing intellectual capital information in sustainability reports: some empirical evidence. *Journal of Intellectual Capital*, *13*(4), 531-561.

Citroen, C. L. (2011). The role of information in strategic decision-making. *International Journal of Information Management*, *31*(6), 493-501.

Claessen, E. (2005). Strategic use of IC reporting in small and medium-sized IT companies: a progress report from a Nordic project. *Journal of Intellectual Capital*, *6*(4), 558-569.

Coff, R. W. (1997). Human assets and management dilemmas: Coping with hazards on the road to resource-based theory. *Academy of Management Review*, *22*(2), 374-402.

Coffey, A., & Atkinson, P. (1996). *Making sense of qualitative data: Complementary research strategies*. London: Sage Publications, Inc.

Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management*, *37*(1), 39-67.

Cook, T. D., & Campbell, D. T. (1976). *The design and conduct of quasi-experiments and true experiments in field settings. Handbook of industrial and organizational psychology*. Chicago: Rand McNally.

Core, J. E. (2001). A review of the empirical disclosure literature: discussion. *Journal of Accounting and Economics*, *31*(1), 441-456.

Corley, K. G., & Gioia, D. A. (2011). Building theory about theory building: what constitutes a theoretical contribution? *Academy of Management Review*, 36(1), 12-32.

Corrado, C., Hulten, C., & Sichel, D. (2009). Intangible capital and US economic growth. *Review of Income and Wealth*, *55*(3), 661-685.

Creswell, J. W. (2009). Research design: *Qualitative, quantitative, and mixed methods approaches* (3rd Ed.) United Kingdom: Sage.

Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th Ed.). United Kingdom: Sage.

Creswell, J. W., & Miller, D. L. (2000). Determining validity in qualitative inquiry. *Theory into practice*, *39*(3), 124-130.

Cronje, C.J. (2008). Corporate annual reports (CARs): Accounting practices in transition. Saarbrücken, Germany: VDM Verlag Dr Müller.

Cronje, C.J., & Moolman, S. (2013). Intellectual Capital: measurement, recognition and reporting. *South African Journal of Economic and Management Sciences*, 16(1) 1- 12.

Crook, T. R., Todd, S. Y., Combs, J. G., Woehr, D. J. Ketchen, D. J. (2011). Does human capital matter? A meta-analysis of the relationship between human capital and firm performance. *Journal of Applied Psychology*, 96(3) 443-456.

Cuganesan, S. (2006). Reporting organisational performance in managing human resources intellectual capital or stakeholder perspectives. *Journal of Human Resource Costing & Accounting* 10(3), 164-188.

Cunliffe, A. L. (2010). Crafting qualitative research: Morgan and Smircich 30 years on. *Organisational Research Methods*, 1-27.

Curado, C., Henriques, L. & Bontis, N. (2011). Intellectual capital disclosure payback. *Management Decision*, 49 (7), 1080-98.

Danish Ministry of Science, Technology and Innovation (DMSTI) (2003). *Intellectual Capital Statements.* The New Guideline, Copenhagen, available at: www.vtu.dk/icaccounts

Daske, H. (2006). Economic benefits of adopting IFRS or U.S. GAAP. Have the expected costs of equity capital really decreased? *Journal of Business Finance and Accounting*, 33, 329-373.

Dawson, G., Watson, R., Carey, W.P., T., Boudreau, M., & Pitt, L.F (2016). A Knowledge-centric Examination of Signaling and Screening Activities in the Negotiation for Information Systems Consulting Services. *Journal of the Association for Information Systems*, 17(2), 77-106.

De George, E. T., Ferguson, C. B., & Spear, N. A. (2012). How much does IFRS cost? IFRS adoption and audit fees. *The Accounting Review*, *88*(2), 429-462.

De Silva, T., Stratford, M., & Murray, C. (2014). Intellectual capital reporting: a longitudinal study of New Zealand companies. *Journal of Intellectual Capital*, 15(1) 157-172.

Deegan, C. & Rankin, M. (1996). Do Australian companies report environmental news objectively? An analysis of environmental disclosures by firms prosecuted successfully by the Environmental Protection Authority. *Accounting, Auditing & Accountability Journal*, 9(2), 50-67.

Deegan, C. & Unerman, J. (2006). *Financial Accounting Theory*. Sydney: McGraw-Hill Education.

Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures–a theoretical foundation. *Accounting, Auditing & Accountability Journal*, *15*(3), 282-311.

Delgado-Gómez, J. M., Ramírez-Alesón, M., & Espitia-Escuer, M. A. (2004). Intangible resources as a key factor in the internationalisation of Spanish firms. *Journal of Economic Behavior & Organization*, *53*(4), 477-494.

Delios, A., & Beamish, P. W. (2001). Survival and profitability: The roles of experience and intangible assets in foreign subsidiary performance. *Academy of Management Journal*, *44*(5), 1028-1038.

Denscombe, M. (2010a). *The Good Research Guide for small-scale social research projects* (Fourth ed.). UK: McGraw Hill Open University Press.

Denscombe, M. (2010b). *Grounded Rules for Social Research: Guidelines for Good Practice* (2nd Ed). UK: McGraw Hill Open University Press.

Denzin, N. K., & Lincoln, Y. S. (2002). *The Qualitative Inquiry Reader*. London: Sage Publications.

Denzin, N.K. (1994). The art and politics of interpretation, in: Denzin, N.K & Lincoln, Y.S (eds): *Handbook of qualitative research*. Thousand Oaks, CA: Sage, 500-529.

Deshpande, R. (1983) Paradigms lost: on theory and method in research in marketing. *Journal of Marketing*, 47(Fall), 101-110.

Diamond, D.W., & Verrecchia, R.E. (1991). Disclosure, liquidity, and the cost of capital. *The Journal of Finance*, 46(4), 1325-1359.

Dictionary, O. E. (2003). Oxford English Dictionary.

Dikova, D.; Sahib, P.R., &Witteloustuijn, A.A. (2010). Cross-border acquisition abandonment and completion: The effect of institutional differences and organisational learning in the international business service industry, 1981- 2001. *Journal of International Business Studies*, 41, 223-240.

Donkin, R. (2005). Human-capital measuring at the Royal Bank of Scotland: HR transformed into a statistics-led discipline. *Human Resource Management International Digest*, *13*(7), 22-24.

Dooley, D. (1995). *Social research methods* (3rd Ed) New Jersey: Prentice Hall.

Dooley, L. M. (2002). Case study research and theory building. *Advances in Developing Human Resources,* 4(3), 335-354.

Drucker, P.F. (1993). *Post-Capitalist Society*. New York: HarperCollins.

Drucker, P.F. (1999). *Management Challenges for the 21st Century*. New York: HarperCollins.

Duarte Alonso, A., & Bressan, A. (2016). A resource-based view of the firm and micro and small Italian wine firms. *International Journal of Wine Business Research*, *28*(4).

Dubin, R. (1969). *Theory building*. New York: The Free Press.

Dumay, J. (2016). A critical reflection on the future of intellectual capital: from reporting to disclosure. *Journal of Intellectual Capital*, 17(1), 168 – 184.

Dumay, J. C. (2009). Intellectual capital measurement: a critical approach. *Journal of Intellectual Capital*, *10*(2), 190-210.

Dumay, J., & Cai. (2015). Using content analysis as a research methodology for investigating intellectual capital disclosure: A critique. *Journal of Intellectual Capital,* 16(1), 121-155.

Dunning, J. H. (1998). Location and the multinational enterprise: a neglected factor? *Journal of International Business Studies*, 29 (1) 45-66.

Dunning, J.H., (2013). The role of foreign direct investment in a globalizing economy. *PSL Quarterly Review,* 1, 125-144.

Durrheim, K. (2012). Research design. In M T Blanche, K. Durrheim & D. Painter (Eds.), *Research in practice: Applied methods for the social sciences* (Second ed., pp. 33-59). South Africa: University of Cape Town Press.

Dutta, N., & Osei- Yeboah, K. (2013). A new dimension to the relationship between foreign direct investment and human capital: the role of political and civil rights. *Journal of International Development,* 25(2), 160-179.

Easley, D. & O'hara, M., (2004). Information and the cost of capital. *Journal of Finance,* 59(4), 1553-1583.

Easton, K. L., McComish, J. F., & Greenberg, R. (2000). Avoid common pitfalls in qualitative data collection and transcription. *Qualitative Health Research,* 10, 703-708.

Eccles, R. G., & Krzus, M. P. (2015). *The integrated reporting movement: meaning, momentum, motives, and materiality.* New Jersey: John Wiley & Sons, Inc.

Econet Wireless Zimbabwe Limited (2014). Integrated Annual Report. Zimbabwe.

Edmondson, A. C., & Mcmanus, S. E. (2007). Methodological fit in management field research. *Academy of Management Review,* 32(4), 1155-1179.

Edvinsson, L., & Malone, M. S. (1997). *Intellectual capital: The proven way to establish your company's real value by finding its hidden brainpower*. Piatkus.

Edvinsson, L., & Sullivan, P. (1996). Developing a model for managing intellectual capital. *European management journal*, *14*(4), 356-364.

Eisenhardt, K. M. (1989). Building theories from case study research. *The Academy of Management Review,* 14(4), 532-550.

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of Management Journal*, 50(1), 25-32.

Elitzur, R., & Gavious, A. (2003). Contracting, signaling, and moral hazard: A model of entrepreneurs, "angels," and venture capitalists. *Journal of Business Venturing*, 18, 709-725.

Elliot, R., & Timulak, L. (2005). Descriptive and interpretive approaches to qualitative research. In *A handbook of research methods for clinical and health psychology*, 147-159).

Elo, S., & Kyngas, H. (2007). The qualitative content analysis process. *Journal of Advanced Nursing*, 62(1), 107-115.

Engstrom, T.E.J., Westnes, P. & Westnes, F.S. (2003). Evaluating intellectual capital in the hotel industry. *Journal of Intellectual Capital*, 4(3), 287–303.

European Union. (2002). Guidelines for managing and reporting on intangibles. Meritum Project, TSER Programme.

Farooq, O. & Nielsen, C. (2014). Intellectual capital disclosure and analyst following: Evidence from Danish biotechnology firms. *Journal of Intellectual Capital*, 15 (1), 142-156.

Fazio, S. (2007). *The harmonisation of international commercial law*. The Netherlands: Kluwer Law International.

FBC Holdings Limited (2014). Annual Report. Zimbabwe.

Fereday, J., & Muir-Cochrane, E. (2006). Demonstrating rigor using thematic analysis: a hybrid approach of inductive and deductive coding and theme development. *International Journal of Qualitative Methods*, 80-92.

Fidelity Life Assurance of Zimbabwe Limited (2014). Annual Report. Zimbabwe.

Fijafkowska, J. (2008). Review of guidelines for the intellectual capital statement - how to manage and communicate the company's knowledge. *Portuguese Journal of Management Studies*, Xiii (3), 327-339.

Filatotchev, I., & Bishop, K. (2002). Board composition, share ownership, and "underpricing" of U.K. IPO firms. *Strategic Management Journal*, 23(10), 941-955.

Firer, S., & Williams, M.S. (2003). Intellectual capital and traditional measures of corporate performance**.** *Journal of Intellectual Capital*, 4(3), 348-360.

First Mutual Holdings Limited (2014). Annual Report. Zimbabwe.

Fitz-Enz, J. (2009). *The ROI of human capital: measuring the economic value employee performance* (2nd Edition). New York: AMACOM.

Flamholtz, E. G., Bullen, M .L., & Hua, W. (2002). Human resource accounting: a historical perspective and future implications. *Management Decision*, 40(10), 947-954.

Flamholtz, E.G. (1999). *Human Resource Accounting, Advances in Concepts, Methods and Applications*, (Third ed.). Norwell: Kluwer Academic.

FMEL - Federal Ministry of Economics and Labour (2004). *Intellectual capital statement made in Germany*. Federal Ministry of Economics and Labour, Berlin.

Fonseca, A., McAllister, M. L., & Fitzpatrick, P. (2014). Sustainability reporting among mining corporations: a constructive critique of the GRI approach. *Journal of Cleaner Production*, 84(1), 70-83.

Foong, K., Yorston, R., & Gratton, L. (2003). *Human Capital Measurement and Reporting: a British Perspective*. London: London Business School.

Foss, N.J. (1996). Research in Strategy, economics and Michael Porter. *Journal of Management Studies*, 33(1), 1-24.

Francis, J., & Schipper, K. (1999). Have Financial Statements Lost Their Relevance? *Journal of Accounting Research, 37*(2), 319-352.

Friese, S. (2013). ATLAS.ti 7 user guide and reference. ATLAS.ti Scientific Software.Development GmbH, Berlin.

Friese, S. (2014). *Qualitative data analysis with ATLAS.ti*. London: Sage.

Fulmer, I. S., & Ployhart, R. E. (2014). "Our Most Important Asset" A Multidisciplinary/Multilevel Review of Human Capital Valuation for Research and Practice. *Journal of Management*, *40*(1), 161-192.

Gamerschlag, R. (2013). Value relevance of human capital information. *Journal of Intellectual Capital*, *14*(2), 325-345.

Gamerschlag, R., & Moeller, K. (2011). The positive effects of human capital reporting. *Corporate Reputation Review*, 14(2), 145-155.

García-Meca, E. & Martínez, I. (2007). The use of intellectual capital information in investment decisions: an empirical study using analyst reports. *The International Journal of Accounting*, 42 (1), 57-81.

Garcia-Meca, E., Parra, I., Larran, M. & Martinez, I. (2005). The explanatory factors of intellectual capital disclosures to financial analysts. *European Accounting Review* 14(1), 63–94.

Gates, S. & Langevin, P. (2010). Human capital measures, strategy and performance: HR managers' perceptions. *Accounting, Auditing and Accountability Journal*, 23, (1), 111–132.

Gefen, D., Wyss, S., & Lichtenstein, Y. (2008). Business familiarity as risk mitigation in software development outsourcing contracts. *MIS Quarterly*, 32(3), 531-551.

Gentry, R. J., & Shen, W. (2013). The impacts of performance relative to analyst forecasts and analyst coverage on firm R&D intensity. *Strategic Management Journal*, 34, 121–130.

Gephart, R. P. (2004). From the editors. Qualitative Research and the Academy of Management Journal. *Academy of Management*, 47(4), 454-462.

Giacosa, E., Ferraris, A., & Bresciani, S. (2017). Exploring voluntary external disclosure of intellectual capital in listed companies: An integrated intellectual capital disclosure conceptual model. *Journal of Intellectual Capital*, *18*(1), 149-169.

Gibbert, M., Ruigrok, W. & Wicki, B. (2008). Research notes and commentaries. What passes as a rigorous case study? *Strategic Management Journal*, 29, 1465-1474.

Gibbs, G. R. (2007). Media review: Atlas. ti software to assist with the qualitative analysis of data. *Journal of Mixed Methods Research*, *1*(1), 103-104.

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2012). Seeking qualitative rigour in inductive research: Notes on the Gioia Methodology. *Organisational Research Methods*, 16(1), 15-31.

Giorgi, A. (1975). *An application of phenomenological method in psychology*. In A. Giorgi, C. Fisher & E. Murray (eds). *Duquesne Studies in Phenomenological Psychology*, Vol. 2. Pittsburgh, PA: Duquesne University Press.

Giorgi, A. (2010). Phenomenology and the practice of science. *Existential Analysis*, 21, 3-22.

Giuliani, M. & Marasca, S. (2011). Construction and valuation of intellectual capital: a case study. *Journal of Intellectual Capital*, 12(3), 377 – 391.

Glaser, B. G., & Strauss, A. (1967). T*he discovery of grounded theory: Strategies for qualitative research*. Chicago, IL: Aldine.

Goh, P.C., & Lin, K.P. (2004). Disclosing intellectual capital in annual reports. Evidence from Malaysia. *Journal of Intellectual Capital*, 5(3), 500-510.

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The Qualitative Report*, 8(4), 597-607.

Gompers, P. A., & Metrick, A. (2001). Institutional investors and equity prices. *The quarterly journal of Economics*, *116*(1), 229-259.

Gordon, L.A., Loeb, M., & Zhu, W. (2012). The impact of IFRS adoption on foreign direct investment. *Journal of Accounting and Public Policy*, 31, 374-398.

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The economic implications of corporate financial reporting. *Journal of Accounting and Economics*, 40, 3–73.

Grasenick, K., & Low, J. (2004). Shaken, not stirred: defining and connecting indicators for the measurement and valuation of intangibles. *Journal of Intellectual Capital, 5*(2), 268-281.

Gratton, L. & Ghoshal, S. (2003). Managing personal human capital: new ethos for the 'volunteer' employee. *European Management Journal*, 21(1),1-10.

Gray, R., Adams, C. A., & Owen, D. (2014). *Accountability, Social Responsibility and Sustainability: Accounting for Society and the Environment*. Edinburgh: Pearson Education Ltd.

Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate, social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal*, *8*(2), 47-77.

Gray, S. J. (1988). Towards a theory of cultural influence on the development of accounting systems internationally. *Abacus, 24*(1), 1-15.

Gray, S.J (1996). International comparisons of business performance: measurement and disclosure issues. *International Review of Business*, 1(1), 1-15.

Gray, S.J. & Vint, H.M (1995). The impact of culture on accounting disclosures: some international evidence. *Asia-Pacific Journal of Accounting*, 2, 33-43.

Gray, S.J. (2014). *International accounting and transnational decisions*. Oxford: Butterworth-Heinemann.

Greenwald, B.C., & Stiglitz, J.E. (1990). Asymmetric information and the new theory of the firm: financial constraints and risk behaviour. *The American Economic Review*, 80(2), 160-165.

Greig, A., & Taylor, J. (1999). *Doing research with children*. London: Sage

GRI (Global Reporting Initiative). (2013). *G4 Sustainability Reporting Guidelines.* Retrieved March 08, 2016, from: https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf

Grimaldi, M., Cricelli, L., & Rogo, F. (2013). A theoretical framework for assessing managing and indexing the intellectual capital. *Journal of Intellectual Capital, 14*(4), 501-521.

Groenewald, T. (2004). A phenomenological research design illustrated. *International Journal of Qualitative Methods*, 3(1), Article 4. Retrieved on 24/02/2016) from http.//www.ualberta.ca

Guba, E. G., & Lincoln, Y. S. (1994). Competing paradigms in qualitative research. In N. K. Denzin & Y. S. Lincoln (Eds.), *Handbook of qualitative research* (pp. 105-117). Thousand Oaks, CA: Sage.

Guest, G., Bunce, A., & Johnson, L. (2006). How many interviews are enough? An experiment with data saturation and variability. *Field methods*, *18*(1), 59-82.

Gunawan, J. (2015). Corporate social disclosures in Indonesia: stakeholders' influence and motivation. *Social Responsibility Journal*, *11*(3), 535-552.

Guthrie, J. (2001). The management, measurement and the reporting of intellectual capital. *Journal of Intellectual capital*, *2*(1), 27-41.

Guthrie, J., & Abeysekera, I. (2006). Content analysis of social, environmental reporting: what is new? *Journal of Human Resource Costing & Accounting*, *10*(2), 114-126.

Guthrie, J., & Murthy, V. (2009). Past, present and possible future developments in human capital accounting. *Journal of Human Resource Costing & Accounting*, 13(2), 125-42.

Guthrie, J., & Petty, R. (2000). Intellectual capital: Australian annual reporting practices. *Journal of Intellectual Capital*, 1(3), 241-251.

Guthrie, J., Petty, R. & Ricceri, F. (2004). *External intellectual capital reporting: contemporary evidence from Hong Kong and Australia*. Paper presented at the International IC Congress, Helsinki. (2 3 September).

Guthrie, J., Petty, R., Ferrier, F., & Wells, R. (1999, June). There is no accounting for intellectual capital in Australia: a review of annual reporting practices and the internal measurement of intangibles. In *OECD Symposium on Measuring and Reporting of Intellectual Capital, Amsterdam* (pp. 9-11).

Guthrie, J.; Petty, R. & Ricceri, F. (2006). The voluntary reporting of intellectual capital: Comparing evidence from Hong Kong and Australia. *Journal of Intellectual Capital*, 7(2): 254-271.

Guthrie, J.; Petty, R.; Yongvanich, K., & Ricceri, F. (2004). Using Content Analysis as a research method to inquire into intellectual capital reporting. *Journal of Intellectual Capital*, 5(2): 282-293.

Habib, M., & Zurawicki, L. (2001). Country-level investments and the effect of corruption—some empirical evidence. *International Business Review*, *10*(6), 687-700.

Hai-Ming. C & Ku-Jan, L. (2003). The measurement of human capital and its effects on the analysis of financial statements. *International Journal of Managemen*t, 20(4), 470–478.

Hall, R. (1992). The strategic analysis of intangible resources. *Strategic Management Journal*, *13*(2), 135-144.

Hamzah, N., Hassan, M. S., Mohamed, Z. M., Ahmad, A., & Saad, S. (2013). Annual reporting practices: human capital information by Malaysian Services Companies. *Jurnal Pengurusan*, *37*, 53-62.

Harding, T., & Javorcik, B. S. (2012). Investment promotion and FDI inflows: Quality matters. *CESifo Economic Studies*, *59*(2), 337-359.

He, C. (2002). Information costs, agglomeration economies and the location of foreign direct investment in China1. *Regional Studies*, *36*(9), 1029-1036.

Healy, P., & Palepu, K. (2001). Information asymmetry, corporate disclosure and the capital markets: a review of the empirical disclosure literature. *Journal of Accounting and Economics*, 31(1-3), 405-40.

Heil, O., & Robertson, T. S. (1991). Toward a theory of competitive market signaling: A research agenda. *Strategic Management Journal*, *12*(6), 403-418.

Hermanson, R. H. (1964). *A Method for Reporting All Assets: And the Resulting Accounting and Economic Implications*. Ann Arbour, MI: University Microfilms.

Hoarau, C. (1995). International accounting harmonisation: American hegemony or mutual recognition with benchmarks. *European Accounting Review*, 4(2), 217-234.

Hofer, C. W., & Bygrave, W. D. (1992). Researching entrepreneurship. *Entrepreneurship Theory and Practice*, 16(3), 91-100.

Hofstede, G. (1980). Motivation, leadership, and organization: do American theories apply abroad? *Organizational dynamics*, *9*(1), 42-63.

Hofstede, G. (1984). Cultural dimensions in management and planning. *Asia Pacific journal of management*, *1*(2), 81-99.

Hofstede, G.H. (1991). *Cultures and Organisations: Software of the Mind*. London: McGraw-Hill.

Hofstee, E. (2009). *Constructing a good dissertation: A practical guide to finishing a Master's, MBA or PhD on schedule.* Sandton: EPE.

Holland, J. (1998). Private disclosure and financial reporting. *Accounting and Business Research*, 28(4), 255-269.

Holland, J. (2001). Financial institutions, intangibles and corporate governance. *Accounting, Auditing & Accountability Journal*, *14*(4), 497-529.

Holland, J., & Johanson, U. (2003). Value-relevant information on corporate intangibles–creation, use, and barriers in capital markets–"between a rock and a hard place". *Journal of Intellectual Capital*, *4*(4), 465-486.

Holloway, I. (1997). *Basic concepts for qualitative research*. Oxford: Blackwell Science.

Holmen, J. (2011). Using Intellectual Capital Disclosure as a Framework for Nonfin Ancial Disclosures: The Danish Experience. *Academy of Accounting and Financial Studies Journal*, *15*(4), 141- 154.

Holmen, J. (2014). Cultural differences of nations and the reporting of intellectual capital. *Global Journal of Business and Social Science* 1(7), 10-17.

Hooks, J., Coy, D. & Davey, H. (2002). The information gap in annual reports. *Accounting, Auditing & Accountability Journal*, 15(4):501-522.

Horak, H. & Dumancic, K. (2014). Regulation of non-financial reporting-corporate governance new developments or old requirements? *Economic and Social Development: 7th International Scientific Conference Book of Proceedings*, 596, New York City.

Hountondji, P. J. (2002). Knowledge appropriation in a post-colonial context, in; C.A. Odora Hoppers (Ed.) *Indigenous knowledge and the integration of knowledge systems (Claremont, South Africa, New Africa Books).*

Huang, C.C., Luther, R., Tayles, M., & Haniffa, R. (2013). Human capital disclosures in developing countries: figurehead and value creators. *Journal of Applied Accounting Research*, 14(2), 180-196.

Hughes, P. J. (1986). Signalling by direct disclosure under asymmetric information. *Journal of Accounting and Economics*, *8*(2), 119-142.

Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, *38*(3), 635-672.

Husin, N.M., Ahmad, N. & Sapingi, R. (2013). Intellectual capital: a focus on human capital reporting practices of top Malaysian listed companies. *The South East Asian Journal of Management*, 5(1), 51–72.

Husin, N.M., Hooper, K., & Olesen, K. (2012). Analysis of intellectual capital disclosure .an illustrative example. *Journal of Intellectual Capital*, 13(2), 196-220.

Hussey, J., & Hussey, R. (1997). *Business research: A practical guide for undergraduate and postgraduate students*. New York: Palgrave.

Husted, B. W., & Allen, D. B. (2007). Corporate social strategy in multinational enterprises: Antecedents and value creation. *Journal of Business Ethics*, 345-361.

IASB (1997). Segment reporting. http: //www.iasb.org.> Accessed 2 July 2014.

IASB (2009). Related party disclosure. http: //www.iasb.org.> Accessed 21 April 2014.

IASB (2010). The Conceptual Framework for Financial Reporting 2010. <http: //www.iasb.org.> Accessed 25 June 2016.

IASB. (2011). International Financial Reporting Standards (IFRSs). 2011: including International Accounting Standards (IASs) and Interpretations as at 30 November 2010, 1A. London: IASB

IFAC. (1998). *The measurement and management of intellectual capital: an introduction*. New York: International Federation of Accountants.

IFC. (2014). *Doing business: doing business in a more transparent world.* Washington, DC: The World Bank & International Finance Corporation.

IIRC (International Integrated Reporting Committee). (2013). The International <IR> Framework, 2013. Retrieved March 07, 2016, from: http://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

Imoudu, E. C. (2012). The impact of foreign direct investment on Nigeria's economic growth; 1980-2009: evidence from the Johansen's Co. integration Approach. *International Journal of Business and Social Science*, 3(6), 122-134.

Inderfurth, K., Sadrieh, A., & Voigt, G. (2013). The impact of information sharing on supply chain performance under asymmetric information. *Production and Operations Management*, *22*(2), 410-425.

Islam, M. (2006). Compliance with disclosure requirements by four SAARC Countries—Bangladesh, India, Pakistan and Sri Lanka. *Journal of American Academy of Business*, 10(1), 349–356.

Ittner, C. D., & Larcker, D. F. (1998). Are non-financial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research,* 36 (Supplement):1-36.

Janney, J. J., & Folta, T. B. (2003). Signaling through private equity placements and its impact on the valuation of biotechnology firms. *Journal of Business Venturing*, 18:361-380.

Johanson, U., Mårtensson, M., & Skoog, M. (1999). Measuring and managing intangibles: eleven Swedish qualitative exploratory case studies. In *IN OECD (Ed.) Internation Symposium on Measuring and Reporitng Intellectual Capital: Experience, Issues and Prospects*.

Johnson, D. A., & Pany, K. White, R. (1983). Audit reports and the loan decision: actions and perceptions. *Auditing: A Journal of Practice & Theory*, *2*(2), 38-51.

Jones, M. (2006). *Accounting.* (2nd Ed.). Chichester: Wiley.

Jones, M., & Smith, M. (2014). Traditional and alternative methods of measuring the understandability of accounting narratives. *Accounting, Auditing & Accountability Journal*, 27(1), 183-208.

Kamath, G.B. (2008). Intellectual capital and corporate performance in Indian pharmaceutical industry. *Journal of Intellectual Capital*, *9*(4), 684-704.

Kang, J., & Stulz, R.M. (1997). Why is there a home bias? An analysis of foreign portfolio equity ownership in Japan. *Journal of Financial Economics*, 46(1), 3-28.

Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: translating strategy into action*. Boston: Harvard Business Press.

Kaufmann, L., & Schneider, Y. (2004). Intangibles: a synthesis of current research. *Journal of Intellectual Capital*, *5*(3), 366-388.

Keong Choong, K. (2008). Intellectual capital: definitions, categorization and reporting models. *Journal of Intellectual Capital*, 9(4), 609-638.

Khan, M.H., & Khan, M.R. (2010). Human capital disclosure practices of top Bangladeshi companies. *Journal of Human Resource Costing and Accounting,* 14, (4), 329–349.

Khanna T., & Palepu K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review* 75, (4): 41–50.

Kinoshita, Y., & Mody, A. (2001). Private information for foreign investment in emerging economies. *Canadian Journal of Economics/Revue canadienne d'économique*, *34*(2), 448-464.

Kirmani, A., & Rao, A. R. (2000). No pain, no gain: A critical review of the literature on signaling unobservable product quality. *Journal of Marketing,* 64(2), 66-79.

Klein, T. J., Lambertz, C., & Stahl, K. O. (2016). Market transparency, adverse selection, and moral hazard. *Journal of Political Economy*, *124*(6), 1677-1713.

Knopf, J. W. (2006). Doing a literature review. *PS: Political Science & Politics*, *39*(1), 127-132.

Kong, E. & Farrell, M. (2010). The role of image and reputation as intangible resources in non-profit organisations: a relationship management perspective. In Proceedings *of the 7th International Conference on Intellectual Capital, Knowledge Management and Organisational Learning (ICICKM 2010)* (pp. 245-252). Academic Publishing.

KPMG, T. (2013). *International Survey of Corporate Responsibility Reporting*. Amsterdam, The Netherlands: KPMG International.

Krausert, A. (2016). HRM signals for the capital market. *Human Resource Management*, 55(6), 1025–1040.

Kravet T.; & Muslu, V. (2013). Textual risk disclosures and investors' risk perceptions. *Review of Accounting Studies*, 18(4), 1088-1122.

Krippendorff, K. (2004). Reliability in content analysis: some common misconceptions and recommendations. *Human Communication Research*, 30(3), 411-433.

Krippendorff, K. (2013). *Content analysis. An introduction to its methodology* (3rd Ed). California, CA: Sage Publications.

Kruger, D. (1988). *An introduction to phenomenological psychology* (2nd Ed). Cape Town, South Africa: Juta.

Kuepper, J. (2016). www.thebalance.com

Kuperman, J. C. (2003). Using cognitive schema theory in the development of public relations strategy: exploring the case of firms and financial analysts following acquisition announcements. *Journal of Public Relations Research*, 15, 117–150.

Lado, A.A., & Wilson, M.C. (1994). Human resource systems and sustained competitive advantage: A competency-based perspective, *Academy of Management Review*, 19(4): 699-727.

Langa, V. (2014). Zimbabwe: one of the most corrupt countries. *Newsday*. December 04. Retrieved from https://www.newsday.co.zw

Langley, A. (1999). Strategies for theorising from process data. *Academy of Management*, 24(4), 691-710.

Larkin, M., Watts, S., & Clifton, E. (2006). Giving voice and making sense in interpretative phenomenological analysis. *Qualitative Research in Psychology, 3, 102-120.*

Leadbetter, C. (2000). *New Measures for the New Economy*. London: Institute of Chartered Accountants in England & Wales.

Lee, P. (2001). What's in a name .com? The effects of ".com" name changes on stock prices and trading activity. *Strategic Management Journal*, 22, 793-804.

Lee, T. (1994). The changing form of the corporate annual report. *Accounting Historians Journal*, *21*(1), 215-232.

Lee, T.W. (1999). *Using qualitative methods in organizational research*. Thousand Oaks, CA: Sage.

Lennartsson, R. (2015). Integrerad redovisning driver affärsutveckling. *Balans*, 41 (6), 26-27.

Lennartsson, R. (2016). Företagens rapportering: Europeiskt branschinitiativ ska sätta fart på debatten. *Balans*, 42 (2), 28-29.

Lester, R. H., Certo, S. T., Dalton, C. M., Dalton, D. R., & Cannella, A. A. (2006). Initial public offering investor valuations: An examination of top management team prestige and environmental uncertainty. *Journal of Small Business Management*, 44, 1-26.

Leuz, C., Lins, K. V., & Warnock, F. E. (2010). Do Foreigners Invest Less in Poorly Governed Firms? *Review of Financial Studies*, 23(3), 3245-3285.

Lev, B. (2001). *Intangibles: management, measurement and reporting*. Washington, DC: The Brookings Institution.

Lev, B. (2011). How to win investors over. *Harvard Business Review*, 89(9), 53–62.

Lev, B., & Daum, J. H. (2004). The dominance of intangible assets: consequences for enterprise management and corporate reporting. *Measuring Business Excellence*, *8*(1), 6-17.

Levie, J., & Gimmon, E. (2008). Mixed signals: why investors may misjudge first time high technology venture founders. *Venture Capital*, *10*(3), 233-256.

Liebowitz, J., & Suen, C. Y. (2000). Developing knowledge management metrics for measuring intellectual capital. *Journal of Intellectual Capital*, *1*(1), 54-67.

Lin, L., Huang, I., Du, P & Lin, T. (2012). Human capital disclosure and organizational performance. *Management Decision*, 50(10), 1790 – 1799.

Lin, Y. & Wu, L. Y. (2014). Exploring the role of dynamic capabilities in firm performance under the resource-based view framework. *Journal of Business Research*, *67*(3), 407-413.

Linsley, P., & Shrives, P.J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, 38(4), 387-404.

Lippman, S. A., & Rumelt, R. P. (1982). Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *The Bell Journal of Economics*, 418-438.

Lipunga, A. M. (2013). Human resources disclosure practices by commercial banks. a case from Malawi. *International Journal of Applied Research in Business Administration and Economics*, 2(5), 3-17.

Litchman, M. (2006). *Qualitative Research in Education: A User`s Guide*. California: Sage Pulications.

Liu, K., Li, J., Hesterly, W., & Cannella, A. (2012). Top management team tenure and technological inventions at post-IPO biotechnology firms. *Journal of Business Research,* 65, 1349–1356.

Lizarazo, S. V. (2013). Default risk and risk averse international investors. *Journal of International Economics*, *89*(2), 317-330.

Lofland, J. & Lofland, L. H. (1999). Data logging in observation: Fieldnotes. In A. Bryman & R. G. Burgess (Eds.), *Qualitative research* (Vol. 3). London: Sage.

Loh, J. (2013). Inquiry into issues of trustworthiness and quality in narrative studies: A perspective. *The Qualitative Report*, *18*(65), 1-15.

López-Duarte, C., & García-Canal, E. (2002). Adverse selection and the choice between joint ventures and acquisitions: Evidence from Spanish firms. *Journal of Institutional and Theoretical Economics JITE*, *158*(2), 304-324.

Low, M., Samkin, G., & Li, Y. (2015). Voluntary reporting of intellectual capital. Comparing the quality of disclosures from New Zealand, Australian and United Kingdom universities. *Journal of Intellectual Capital*, 16(4), 779-808.

Madill, A., Jordan, A., & Shirley, C. (2000). Objectivity and reliability in qualitative analysis: Realist, contextualist and radical constructionist epistemologies. *British Journal of Psychology*, *91*(1), 1-20.

Madzivire, A. B. (2011). *Organisations that transform: addressing the challenges in the emerging economy of Zimbabwe.* Harare: MaCoTra Publications.

Maier, C. (2002). *Leading diversity - A conceptual framework*. Switzerland: Institute for Leadership and HR Management.

Malatesta, D., & Smith, C. R. (2014). Lessons from resource dependence theory for contemporary public and nonprofit management. *Public Administration Review*, *74*(1), 14-25.

Margolis, J. D., & Molinsky, A. (2008). Navigating the bind of necessary evils: psychological engagement and the production of interpersonally sensitive behaviour. *Academy of Management*, 51(5), 847-872.

Mariappanadar, S., & Kairouz, A. (2017). Influence of human resource capital information disclosure on investors' share investment intentions: an Australian study. *Personnel Review*, 46(3), 551-571.

Mariotti, S., & Piscitello, L. (1995). Information costs and location of FDIs within the host country: empirical evidence from Italy. *Journal of International Business Studies*, *26*(4), 815-841.

Márquez-Ramos, L. (2011). European accounting harmonization: consequences of IFRS adoption on trade in goods and foreign direct investments. *Emerging Markets Finance and Trade*, 47(5), 42-57.

Marr, B, G., Gray, D., & Neely, A. (2003). Why do Firms measure their intellectual Capital*? Journal of intellectual Capital*, 4(40), 441-457.

Marrocu, E., Paci, R., & Pontis, M. (2012). Intangible capital and firms' productivity. *Industrial and Corporate Change, 21*(2), 377-402.

Marshal, C., & Rossman, G.B. (1995). *Designing qualitative research* (2nd Ed.). California: Sage.

Martín, G., Delgado, M., López, P. & Navas, J.E. (2011). Towards an intellectual capital-based view of the firm: origins and nature. *Journal of Business Ethics*, 98(4), 649-662.

Maxwell, J. A. (2004). *Qualitative Research Design: an integrative approach*. UK: Sage Publications.

Maxwell, J. A. (2010). Using Numbers in Qualitative Research. *Qualitative Inquiry, 16*(6), 475 – 482.

Maxwell, J.A. (2013). *Qualitative Research Design: an integrative approach.* Los Angeles, CA: Sage.

Mention, A.L. (2011). Exploring voluntary reporting of intellectual capital in the banking sector. *Journal of Management Control*, 22, (3), 279–309.

MERITUM (2002). *Guidelines for Managing and Reporting on Intangibles (Intellectual Capital Report),* Madrid: Airtel-Vodafone Foundation.

Merriam, S. B. (2002). Introduction to qualitative research. In S. B. Merriam & Associates (Eds.), *Qualitative research in practice: Examples for discussion and analysis*. San Francisco, CA: Jossey-Bass.

METI (2005). White Paper on SMEs in Japan.

Micah, L.C., Ofurum, C.O., & Ihendinihu, J.U. (2012). Firms' financial performance and human resource accounting disclosure in Nigeria. *International Journal of Business and Management, 7* (14), 67-75.

Michalisin, M., Kline, D.M., Smith, R.D. (2000). Intangible strategic assets and firm performance – a multi-industry study of the resource-based view. *Journal of Business Strategies*, 17(2), 91–117.

Miles, M. B., & Huberman, A. M. (1984). Drawing valid meaning from qualitative data: Toward a shared craft. *Educational researcher, 13*(5), 20-30.

Miles, M. B., & Huberman, M. A. (1994). *Qualitative data analysis (2nd* Ed.). United Kingdom: Sage Publications.

Milgrom, P., & Roberts, J. (1992). *Economics, organisation and management*. New Jersey: Prentice Hall.

Miller, K. (1992). A framework for integrated risk management in international business, *Journal of International Business Studies,* 23, 311–31.

Miller, M., DuPont, B.D., Fera, V., Jeffrey, R., Mahon, B., Payer, B.M. & Starr, A. (1999). *Measuring and reporting intellectual capital from a diverse Canadian industry perspective.* Paper presented at the International Symposium Measuring Reporting Intellectual Capital: Experiences, Issues, and Prospects, OECD, Amsterdam, June.

Mills, J., & Birks, M. (2014). *Qualitative methodology. a practical guide*. London: Sage.

Milne, M.J. & Gray, R. (2013). W(h)ither ecology? The triple bottom line, the global reporting initiative, and corporate sustainability reporting. *Journal of Business Ethics*, 118(1), 13-29.

Milne, M.J., & Adler, R.W. (1999). Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing & Accountability Journal,* 12(2) 237-256.

Mincer, J. (1989). Human capital and the labor market: A review of current research. *Educational Researcher*, *18*(4), 27-34.

Mintzberg, H. (2005). Developing theory about the development of theory. In K. G Smith & M.A Hitt (Eds.) *Great minds in management: The process of theory development*, 355-372.

Möller, K., Gamerschlag, R., & Guenther, F. (2011). Determinants and effects of human capital reporting and controlling. *Journal of management control*, *22*(3), 311-333. Oxford: Oxford University Press.

Mondal, A. & Ghosh, S.K. (2013). Intellectual capital reporting trends in India: An empirical study on selected companies. *International Journal of Financial Management,* 3(1), 9-18.

Monterio, B. J. (2015). Integrated reporting: A chat with the experts. *Strategic Finance,* 96(8), 35-39.

Moosa, I.A. (2012). *Foreign direct investment: theory, evidence and practice*. London: Palgrave.

Morgan, D. L. (1997). *The focus group guidebook* (Vol. 1). Sage publications.

Morgan, G., & Smircich, L. (1980). The case for qualitative research. *Academy of Management Review*, 5(4), 491-500.

Mouri, N., Sarkar, M. B., & Frye, M. (2012). Alliance portfolios and shareholder value in post-IPO firms: The moderating roles of portfolio structure and firm-level uncertainty. *Journal of Business Venturing*, 27(3), 355-371.

Mouritsen, J. (2003). Intellectual capital and the capital market: the circulability of intellectual capital. *Accounting, Auditing and Accountability Journal*, 16(1), 18- 30.

Muradzikwa, S. (2003). Foreign Direct Investment in SADC. *Developing Policy Research Unit*, Working Paper, 02/67.

Myres, K. (2009). *Venture creation: developing theory from South African case studies.* Doctoral Thesis (DBA). Pretoria: University of Pretoria.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23 (2), 242-266.

Narayan, R. (2010). Human resource accounting: A new paradigm in the era of globalization. *Asian Journal of Management Research*, 237-244.

Neu, D., Warsame, H., & Pedwell, K. (1998). "Managing public impressions: Environmental disclosures in annual reports." *Accounting, Organizations and Society*, 23, (3), 265–282.

New Zimbabwean (2016). Chinamasa vows more reforms to attract FDI. *The Zimbabwean*. February 10. Retrieved from http://www.thezimbabwean.co.zw

Newson, M., & Deegan, C. (2002). Global expectations and their association with corporate social disclosure practices in Australia, Singapore, and South Korea. *The International Journal of Accounting*, *37*(2), 183-213.

Nicolai, T. N., Schulz, A., & Thomas, T. W. (2010). What Wall Street wants: Exploring the role of security analysts in the evolution and spread of management concepts. *Journal of Management Studies*, 47, 162–189.

Nicoz Diamond Insurance Limited (2014). Annual Report. Zimbabwe.

Nielsen, C., & Toft Madsen, M. (2009). Discourses of transparency in the intellectual capital reporting debate: moving from generic reporting models to management defined information. *Critical Perspectives on Accounting*, 20(7) 847 – 854.

Niemark, M.K. (1995). *The hidden dimensions of annual reports: Sixty years of social conflict at General Motors*. Princeton, New Jersey: Markus Wiener.

NMBZ Holdings Limited (2014). Annual Report. Zimbabwe.

Nobes, C. W. (2014). Harmonization of accounting within the European communities: The fourth directive on company law. *International Accounting and Transnational Decisions*, 111.

Nobes, C., & Parker, R. H. (2008). *Comparative international accounting*. London: Pearson Education.

Nobes, C.W. & Parker, R. (2000). *Comparative International Accounting*, (6th Ed). London: Financial Times-Prentice Hall.

Nobes, C.W. & Parker, R., (2004). *Comparative International Accounting*, (8th Ed). London: Financial Times-Prentice Hall.

Noorbakhs, F., Paloni, A., & Youssef, A. (2001). Human capital and FDI inflows to developing countries: new empirical evidence. *World Development*, 29(9)1593-1610.

Nordic Industrial Fund (2001). Intellectual capital managing and reporting http://www.nordicinnovation.org/Global/Publications/Reports/2001/nordika report (accessed: 17.04.2015).

OECD (1999). *Guidelines and instructions for OECD Symposium, International Symposium Measuring Reporting Intellectual Capital: Experiences, Issues, and Prospects,* June, Amsterdam, OECD, Paris.

OECD (2006). Investment for development investment policy co-operation with non-oecd economies. Paris: OECD Publishing.

OECD (2012). Annual report on the OECD guidelines for multinational enterprises. Paris: OECD Publishing.

Olander, H., Hurmelinna-Laukkanen, P. & Heilmann, P. (2015). Human resources – strength and weakness in protection of intellectual capital. *Journal of Intellectual Capital*, 16(4), 742-762.

Old Mutual Plc (2014). Annual Report & Accounts. Zimbabwe.

Olsson, B. (2001). Annual reporting practices: information about human resources in corporate annual reports in major Swedish companies. *Journal of Human Resource Costing & Accounting*, *6*(1), 39-52.

Onwuegbuzie, A. J., & Leech, N. L. (2007). A call for qualitative power analyses. *Quality and Quantity*, 41, 105-121.

Ordóñez de Pablos, P. & Edvinsson, L. (Eds) (2015). *Intellectual Capital in Organizations: Non-Financial Reports and Accounts.* New York*:* Routledge.

Ordonez de Pablos, P. (2003). Intellectual Capital Reporting in Spain: a comparative view**.** *Journal of Intellectual Capital*, 4(1), 61-81.

Orlitzky, M., & Benjamin, J. D. (2001). Corporate social performance and firm risk: A meta-analytic review. *Business & Society*, *40*(4), 369-396.

Ousama, A. A., Fatima, A., & Hafiz Majdi, (2011).Usefulness of Intellectual Capital Information: Preparers' and Users' Views. *Journal of Intellectual Capital*, 12(3), 430 – 445.

Park, H. D & Patel, P.C. (2015). How does ambiguity influence IPO underpricing? The role of the signalling environment. *Journal of Management Studies*, 52(6), 796–818.

Park, N.K. & J. Mezias. (2005). Before and after the technology sector crash: Stock market response to alliances of e-commerce firms. *Strategic Management Journal*, 26 987-1007.

Patten, D. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: A note on legitimacy theory. *Accounting, Organizations and Society*, 17, 471–475.

Patton, M. Q. (2002). Qualitative designs and data collection. *Qualitative research & evaluation methods*, 207-339.

Pedrini, M. (2007). Human capital convergences in intellectual capital and sustainability reports. *Journal of Intellectual Capital* 8(2), 346–366.

Pena, I. (2002). Intellectual capital and business start-up success. *Journal of intellectual capital*, *3*(2), 180-198.

Penrose, J.M. (2008). Annual report graphic use: A review of the literature. *Journal of Business Communication*, 45(2), 158-180.

Pereira, H. R. (2012). Rigour in phenomenological research: Reflections of a novice nurse researcher. *Nurse researcher*, *19*(3), 16-19.

Petty, R., & Guthrie, J. (2000). Intellectual capital literature review: measurement, reporting and management. *Journal of intellectual capital*, *1*(2), 155-176.

Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence approach*. New York: Harper and Row Publishers.

Pietkiewicz, I., & Smith, J.A. (2014). A practical guide to using Interpretative Phenomenological Analysis in qualitative research psychology. *Psychological Journal*, 20, 1, 2014, 7-14.

Ployhart, R.E., Van Iddekinge, C.H. & Mackenzie, W.I. (2011). Acquiring and developing human capital in service contexts: the interconnectedness of human capital resources. *The Academy of Management Journal*, 54(2), 353-68.

Ponterotto, J. G. (2006). Brief note on the origins, evolution, and meaning of the qualitative research concept "thick descriptions". *The Qualitative Report,* 11(3), 538-549.

Popova, V. & Sharpanskykh, A. (2010). Modelling organizational performance indicators. *Information Systems,* 35, 505–527.

Portes, R., & Rey, H. (2005). The determinants of cross-border equity flows. *Journal of International Economics, 65*(2), 269-296.

Pratt, M. G. (2009). From the editors. For the lack of a boilerplate: tips on writing up (and reviewing) qualitative research. *Academy of Management,* 52(5), 856-862.

Previs, G. J., Bricker, R. J., Robinson, T. R., & Young, S. J. (1994). A content analysis of sell-side financial analyst company reports. *Accounting Horizons,* 8(2), 55−70.

Price, J. H., & Murnan, J. (2004). Research limitations and the necessity of reporting them. *American Journal of Health Education*, *35*(2), 66.

Puelz, R., & Snow, A. (1994). Evidence on adverse selection: equilibrium signalling and cross-subsidization in the insurance market. *Journal of Political Economy,* 102(2), 236-257.

Ragini (2012). Corporate disclosures of intangibles: a comparative study of practices among Indian, US and Japanese Companies. *Vikalpa,* 37(3), 51–72.

Rahman, M. R., Ahmed, R.M., & Hassan, M.S. (2016). Disclosure of Human Capital Information in Annual Reports: A Case of Malaysian Banking and Financial Institution Sector. *International Journal of Business Management (IJBM),* 1(1), 83-104.

Rainbow Tourism Group Limited (2014). Annual Report. Zimbabwe.

Ramasary, B., & Yeung, M. (2010). The determinants of foreign direct investment in services. *The World Economy*, 33(4), 573-596.

Ramírez, Y. (2010). Intellectual capital models in Spanish public sector. *Journal of Intellectual Capital*, 11(2), 248–264.

Rao, A. R., Qu, L., & Ruekert, A. R. (1999). Signaling unobservable product quality through a brand ally. *Journal of Marketing Research*, 36, 258-268.

Rao, T. V., & Varghese, S. (2009). Trends and challenges of developing human capital in India. *Human Resource Development International*, *12*(1), 15-34.

Razak, R.A., Mohammad, J., & Tobiagi, S.M. (2016). Intellectual capital disclosures practices and intellectual capital performance in Saudi Arabia Financial Institution. *Journal of Business Studies Quarterly*, 7(4), 1-14.

Remenyi, D. (2013). *Field methods for academic research- interviews, focus groups and questionnaires in business and management studies* (3rd Ed). Reading: Academic Conferences and Publishing International Limited.

Remenyi, D., Williams, B., Money, A., & Swartz, E. (1998). *Doing research in business and management. An introduction to process and methods*. London: Sage.

Reuer, J. J., Tong, T. W., & Wu, C. W. (2012). A signaling theory of acquisition premiums: Evidence from IPO targets. *Academy of Management Journal*, *55*(3), 667-683.

Riley, J. (2001). Silver Signals: twenty-five years of screening and signalling. *Journal of Economic Literature*, 39, 432-478.

Riley, J. G. (1979). Informational equilibrium. *Econometrica: Journal of the Econometric Society*, 331-359.

Riley, S. M., Michael, S. C., & Mahoney, J. T. (2017). Human Capital Matters: Market Valuation of Firm Investments in Training and the Role of Complementary Assets. *Strategic Management Journal*, 38, 1895–1914.

Roos, J., Roos, G., Dragonetti, N.C., & Edvinsson, L. (1997). *Intellectual capital: navigating the new business landscape.* London: Macmillan Press.

Roslender, R. (1997). Accounting for the worth of employees: Is the discipline finally ready to respond to the challenge? *Journal of Human Resource Costing & Accounting*, *2*(1), 9-25.

Ross, S. A. (1977). The determination of financial structure: the incentive-signalling approach. *The Bell Journal of Economics*, 23-40.

Rossi, S., & Volpin, P. F. (2004). Cross-country determinants of mergers and acquisitions. *Journal of Financial Economics*, *74*(2), 277-304.

Rothschild, M., & Stiglitz, J. (1976). Equilibrium in competitive insurance markets: An essay on the economics of imperfect information. *The Quarterly Journal of Economics*, 629-649.

Rule, P. & John, V. (2011). *Your guide to case study research* (1st Ed.). Pretoria: Van Schaik Publishers.

Ryan, G. W., & Bernard, R. H. (2003). Techniques to identify themes. *Field Methods,* 15(1), 85-109.

Rynes, S. (2002). Some reflections on contribution. *Academy of Management Journal*, *45*(2), 311-313.

Sackett, P. R., & Larson, J. R. (1990). Research strategies and tactics in industrial and organizational psychology. In: M.D Dunnette & L. M. Hough (Eds), *Handbook*

of industrial and organizational psychology, 1, 419-489. Pali Alto, CA: Consulting Psychologists Press

Saitua, A., Albizu, E., & Andicoechea, L. (2015). Human capital information in management reports: An analysis of compliance with the characteristic of the relevance of disclosure. *Intangible Capital*, 11(2), 223-248.

Saitua-Iribar, A., Andicoechea-Arondo, L., & Albizu-Gallastegi, E. (2014). Human resources information in the management report of the top Spanish companies. *Procedia-Social and Behavioral Sciences, 109*, 171-177.

Saldana, J. (2009). *The Coding Manual for Qualitative Researchers*. Los Angeles, CA: Sage.

Salter, S. B., & Niswander, F. (1995). Cultural influence on the development of accounting systems internationally: A test of Gray's [1988] theory. *Journal of International Business Studies, 26*(2), 379-397.

Samudhram, A., Sivalingam, G., & Shanmugam, B. (2010). Non-disclosure of human capital-based information: theoretical perspectives. *Journal of Human Resource Costing & Accounting,* 14(2), 106-128.

Samudhram, A., Stewart, E., Wickramanayake, J., & Sinnakkamu, J. (2014). Value relevance of human capital based disclosures: Moderating effect of labour productivity, investor sentiment, analyst coverage and audit quality. *Advances in Accounting, incorporating Advances in International Accounting*, 30, 338–353.

Sanders, W. M., & Boivie, S. (2004). Sorting things out: Valuation of new firms in uncertain markets. *Strategic Management Journal*, 25(2), 167-186.

Santos, J.C., & Venancio, M.T. (2013). Intellectual capital: Information disclosure practices by Portuguese companies. *RevistaUniversoContábil*, 9(2), 174- 194.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students* (5th Ed.). Harlow, England: Pearson Education Limited.

Scandura, T.A., & Williams, E.A. (2000). Research methodology in management: Current practices, trends and implications for future research. *Academy of Management Journal*, 43(6), 1248-1264.

Schaffhauser-Linzatti, M. (2004). Intellectual capital reporting for Austrian Universities – a thrilling work in progress. European Institute for Advanced Studies in Management (EIASM) Workshop on the process of reform of the University Across Europe, Certosa di Pontignano, Siena, Italy, May 24-26, 2004, retrieved from http://www.eiasm.org/documents/abstracts/2824.doc.

Schijven, M., & Hitt, M. A. (2012). The vicarious wisdom of crowds: Toward a behavioral perspective on investor reactions to acquisition announcements. *Strategic Management Journal*, 33, 1247–1268.

Schimitt, N.W. & Klimoski, R.J. (1991). *Research methods in human resource management.* Cincinnati, Ohio: South-Western Publishing.

Schiuma, G. & Lerro, A. (2015). Identifying knowledge-based factors supporting regional development: theoretical frameworks and systems of indicators, in Ordóñez de Pablos, P. and Edvinsson, L. (Eds), *Intellectual Capital in Organizations. Non-Financial Reports and Accounts,* New York: Routledge. pp. 3-15.

Schultz, T. W. (1961). Investment in human capital. *The American Economic Review*, 1-17.

Schwandt, T. A. (1997). *Qualitative inquiry: A dictionary of terms*. Thousand Oaks, CA: Sage.

Seetharaman, A., Sooria, H.H.B. & Zaini Saravanan, A.S. (2002). Intellectual capital accounting and reporting in the knowledge economy. *Journal of Intellectual Capital,* 3(2), 128-48.

Seidman, I. (2005). *Interviewing as Qualitative Research (*3rd ed.): New York: Teachers College Press.

Sengupta, P. (1998). Corporate disclosure quality and the cost of debt. *The Accounting Review,* 73, 459–474.

Shaw, J. D., Park, T., & Kim, E (2013). A resource-based perspective on human capital losses, HRM investments, and organisational performance. *Strategic Management Journal,* 34, 572-589.

Shenton, A. K. (2004). Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information,* 22, 63-75.

Sichei, M.S., & Kinyondo, G. (2012). Determinants of FDI in Africa: a panel data analysis. *Global Journal of Management and Business Research,* 12(18), 85-97.

Silver, C., & Lewins, A. (2014). *Using software in qualitative research: step-by steps guide* (2nd Ed.). London: Sage Publications Ltd.

Singh, R.D. & Narwal, K.P. (2015). Intellectual capital and its consequences on company performance: a study of Indian sectors. *International Journal of Learning and Intellectual Capital,* 12(3), 300-322.

Singleton, R, A., & Straits, B. (2009). *Approaches to social research* (5th Ed.) London: Oxford University Press.

Sinha, P. C., Ghosh, S. K., & Nandi, S. (2012). Harmonization of Accounting Practices: A Study of Selected Pharmaceutical Companies in India. *International Journal of Financial Management*, *2*(3), 1.

Skoog, M. (2003). Visualizing value creation through the management control of intangibles. *Journal of Intellectual Capital*, *4*(4), 487-504.

Slangen, A. H., & van Tulder, R. J. (2009). Cultural distance, political risk, or governance quality? Towards a more accurate conceptualization and measurement of external uncertainty in foreign entry mode research. *International Business Review*, 18(3), 276-291.

Smith J.A, Jarman, M., & Osborn. M. (1999). Doing interpretative phenomenological analysis.In M. Murray & K. Chamberlain (Eds.), *Qualitative Health Psychology*: *Theories and Methods*, pp. 218–240. London: Sage.

Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations.* London: George Routledge and Sons.

Smith, E. A. & Bliege Bird, R. (2005). Costly signaling and cooperative behavior. *Moral sentiments and material interests: The foundations of cooperation in economic life*, 115-148.

Smith, J. A. (1996). Beyond the divide between cognition and discourse: Using interpretative phenomenological analysis in health psychology. *Psychology and Health*, 11, 261–271.

Smith, J. A. (2004). Reflecting on the development of interpretative phenomenological analysis and its contribution to qualitative research in psychology. *Qualitative Research in Psychology*, 1, 39-54.

Smith, J.A., & Osborn, M. (2003). *Interpretative phenomenological analysis*. IN: J. Smith (ed.), Qualitative psychology: A practical guide to research methods (pp. 53- 80). London: Sage.

Smith, J.A., Harré, R. & Van Langenhove, L. (1995). Idiography. *Rethinking Psychology*, 56-69.

Sobhani, F.A., Zainuddin, Y., Amran, A., & Baten, M.A. (2011). Corporate sustainability disclosure practices of selected banks: a trend analysis approach. *African Journal of Business Management*, 5(7), 2794–2804.

Spence, M. A. (1973). Job market signaling. *Quarterly Journal of Economics*, 87, 355-379.

Spence, M. A. (2000). Signalling in retrospect and the informational structure of markets. *The American Economic Review*, 92(3), 434-459.

Spread, P. (2011). Situation as a determinant of selection and valuation. *Cambridge Journal of Economics*, 35(2), 335-356.

Spread, P. (2015). Asymmetric information, critical information and the information interface. *Real-World Economics Review*, 121.

Springer, L. (1992). Enhancing the Annual Report: Investor Relations and the MD&A. The *Journal of Bank Accounting & Auditing*, 5(2), 27-31.

Steen, A., Welch, D., & McCormack, D. (2011). Conflicting conceptualizations of human resource accounting. *Journal of Human Resource Costing & Accounting*, *15*(4), 299-312.

Steinle, C., Schiele, H., & Ernst, T. (2014). Information asymmetries as antecedents of opportunism in buyer-supplier relationships: Testing principal-agent theory. *Journal of Business-to-business Marketing*, *21*(2), 123-140.

Stewart, T. A. (1997) *Intellectual capital: the new wealth of organizations.* New York: Doubleday/Currency.

Stiglitz, J. E. (1975). The theory of "screening", education, and the distribution of income. *American Economic Review*, 65(3), 283-300.

Stiglitz, J. E. (2002). Information and the Change in the Paradigm in Economics. *American Economic Review*, 92(3), 460-501.

Stiglitz, J. E., & Weiss, A. (1992). Asymmetric information in credit markets and its implications for macro-economics. *Oxford Economic Papers*, *44*(4), 694-724.

Stiglitz, J.E. (1985). Information and Economic Analysis: A Perspective. The Economic Journal, 95(Supplement), 21-41.

Stiglitz, J.E. (2000). The Contributions of the Economics of Information to Twentieth Century Economics. *The Quarterly Journal of Economics*, 115(4), 1441-1478.

Stiles, P., & Kulvisaechana, S. (2003). *Human Capital and performance: A literature review.* Judge Institute of Management. Cambridge: University of Cambridge.

Strauss, A. (1987). *Qualitative analysis for social scientists*. Cambridge: Cambridge University Press.

Strauss, A., & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory,* (2nd Ed.) Newbury Park, CA: Sage.

Strauss, A., & Corbin, J. M. (1997). *Grounded theory in practice*. London: Sage.

Subbarao, A. V., & Zéghal, D. (1997). Human resources information disclosure in annual reports: an international comparison. *Journal of Human Resource Costing & Accounting*, *2*(2), 53-73.

Sudday, R. (2010). Editor's comments: Construct clarity in theories of management and organisation. *Academy of Management Review*, 35(3), 346-357.

Sujan, A. & Abeysekera, I. (2007). Intellectual Capital Reporting Practices of the Top Australian Firms. *Australian Accounting Review*, 17(42) 71–83.

Sullivan, P. H. (1998). *Introduction to intellectual capital management*. *Profiting from intellectual capital: extracting value from innovation.* New York: John Wiley & Sons.

Sveiby, K. (2001). Methods for measuring intangible assets, available at: www.sveiby.com.au/ BookContents.html (accessed 11 March, 2014).

Sveiby, K. E. (2007). Disabling the context for knowledge work: the role of managers' behaviours. *Management Decision*, *45*(10), 1636-1655.

Tas, L. G. (1992). Measuring international harmonization and standardization: a comment. *Abacus*, *28*(2), 211-216.

Tay, J.S.W., & Parker, R.H. (1990) Measuring international harmonisation and standardisation. *Abacus*, 26(1), 71-88.

Tayles, M., Pike, R, H., & Saudah, S. (2007). Intellectual capital, management accounting practices and corporate performance: perceptions of managers**.** *Accounting, Auditing and Accountability Journal*, 20(4), 522-548.

TEFO.com (2009), http://tefo.com/trade-finance-glossary/d.html

Tembe, P., & Xu, K. (2012). Attracting foreign direct investment in developing countries: determinants and policies- a comparative study between Mozambique and China. *International Journal of Financial Research*, 3(4), 69-81.

Thijssens, T., Bollen, L., & Hassink, H. (2015). Secondary stakeholder influence on CSR disclosure: an application of stakeholder salience theory. *Journal of Business Ethics*, *132*(4), 873-891.

Thomas, D. R. (2006). A general inductive approach for analysing qualitative evaluation data. *American Journal of Evaluation*, 27(2), 237-246.

Thorne, S. (2016). I*nterpretive description. Qualitative research for applied practice.* (2nd Ed). New York: Routledge.

Ting, I. K. W., & Lean, H. H. (2009). Intellectual capital performance of financial institutions in Malaysia. *Journal of Intellectual capital*, *10*(4), 588-599.

Tobin, G. A., & Begley, C. M. (2004). Methodological rigour within a qualitative framework. *Journal of Advanced Nursing*, 48(4), 388-396.

Turner, J.N. (1983). International harmonisation: A professional goal. *Journal of Accountancy* (January), 58-66.

Ulgado F. (1997). Location decision-making characteristics of foreign direct investment in the United States. *International Business Review*, 16, 271–93.

UNCTAD. (2014). *World Investment Report 2014 overview. Investing in the SDGs: an action plan.* United Nations Conference on Trade and Development, New York.

UNCTAD. (2015). *Economic development in Africa 2015 report: unlocking the potential of Africa's services trade for growth and development*. United Nations Conference on Trade and Development, New York.

Unegbu, A., O. (2016). Redefining, measuring and disclosure of faculty intellectual capital. *International Journal of Learning and Intellectual Capital*, 13(1), 50-71.

Unerman, J. (2000). Methodological issues-Reflections on quantification in corporate social reporting content analysis. *Accounting, Auditing & Accountability Journal*, *13*(5), 667-681.

Upadhyay, R.K. (2015). International Financial Reporting Standards (IFRS): standardization or harmonization. *Abhinav National Monthly Refereed Journal of Research in Commerce & Management*, 4(3), 93-96.

van Bommel, K. (2014). Towards a legitimate compromise? An exploration of integrated reporting in the Netherlands. *Accounting, Auditing & Accountability Journal*, *27*(7), 1157-1189.

Vergauwen, P., Bollen, L., & Oirbans, E. (2007). Intellectual capital disclosure and intangible value drivers: an empirical study. *Management Decision*, *45*(7), 1163-1180.

Verma, S., & Dewe, P. (2008). Valuing human resources: perceptions and practices in UK organisations. *Journal of Human Resource Costing & Accounting*, 12(3), 102-23.

Villalonga, B., & McGahan, A. M. (2005). The choice among acquisitions, alliances, and divestitures. *Strategic Management Journal*, *26*(13), 1183-1208.

Villiers, C. D., Rinaldi, L., & Unerman, J. (2014). Integrated Reporting: insights, gaps and an agenda for future research. *Accounting, Auditing & Accountability Journal*, 27(7), 1042-1067.

Vos, A. D., Strydom, H., Fouche, C., & Delport, C. (2012). *Research at grass roots for the social sciences and human service professions* (4th Ed.). Pretoria: Van Schaik Publishers.

Voss, C., Tsikriktsis, N., & Frohlich, M. (2002). Case research in operations management. *International Journal of Operations & Production Management*, 22(2), 195-219.

Walsham, G. (2006). Doing interpretive research. *European Journal of Information Systems*, *15*,320-330.

Wang, Q. Sharma, U., & Davey, H. (2016). Intellectual capital disclosure by Chinese and Indian information technology companies: a comparative analysis. *Journal of Intellectual Capital*, 17(3), 507-529.

Wang, W., & Chang, C. (2005). Intellectual capital and performance in causal models: evidence from the information technology industry in Taiwan. *Journal of Intellectual Capital,* 6 (2), 222-36.

Wathne, K. H., & Heide, J. B. (2000). Opportunism in inter-firm relationships: Forms, outcomes, and solutions. *Journal of Marketing*, 64(4), 36-51.

Welman, J. C., & Kruger, S. J. (1999). *Research methodology for the business and administrative sciences.* Johannesburg, South Africa: International Thompson.

Wernerfelt, B. (1984). A resource based view of the firm. *Strategic Management Journal, 5*(2), 171-180.

Wernerfelt, B. (1995). The resource based view of the firm: Ten years after. *Strategic Management Journal, 16*(3), 171-174.

Westphalen, S. A. (1999). Reporting on human capital: objectives and trends. In *OECD International Symposium Measuring and Reporting Intellectual Capital, Technical Meeting* (pp. 9-10).

Whetten, D. A. (1989). What constitutes a theoretical contribution? *Academy of Management Review*, 14(4), 490-495.

Wickramasinghe, V., & Fonseka, N. (2012). Human resource measurement and reporting in manufacturing and service sectors in Sri Lanka. *Journal of Human Resource Costing & Accounting* 16(3), *235-252.*

Williams, S. M. (1999). Voluntary environmental and social accounting disclosure practices in the Asia-Pacific region: An international empirical test of political economy theory. *The International Journal of Accounting, 34*(2), 209-238.

Wilmshurst, T. D., & Frost, G. R. (2000). Corporate environmental reporting: A test of legitimacy theory. *Accounting, Auditing & Accountability Journal, 13*(1), 10-26.

Woods, M. (2003). The global reporting initiative. *The CPA Journal,* 73(6), 60-65.

World Bank (2016). *Zimbabwe Economic update. Issue (1).* Washington DC: World Bank Group.

World Bank. (2005). *Doing Business in 2006: creating jobs*. Washington DC: World Bank and IFC.

World Bank. (2013). *End extreme poverty, promote shared prosperity.* Washington DC: World Bank Group.

Wright, P. M., & Snell, S. A. (2005). Partner or guardian? HR's challenge in balancing value and values. *Human Resource Management*, *44*(2), 177-182.

Wright, P. M., Coff, R., & Moliterno, T. P. (2014). Strategic human capital crossing the great divide. *Journal of Management*, *40*(2), 353-370.

Wright, P. M., Dunford, B. B., & Snell, S. A. (2001). Human resources and the resource based view of the firm. *Journal of Management*, 27(6), 701-721.

Wright, P.M., McMahan, G.C., & McWilliams, A. (1994). Human Resources and Sustained Competitive Advantage: A resource-based perspective. *International Journal of Human Resource Management*, 5: 301–26.

Wyatt, A., & Frick, H. (2010). Accounting for investments in human capital: A review. *Australian Accounting Review* No. 54, 20(3), 199-220.

Wyatt, A.R (1997). International accounting standards: ongoing progress suggest that they may become a reality. *Research in Accounting Regulations* (supplement), 277- 286.

Yankuzo, K.I. (2014). Impact of globalisation on the traditional African cultures. *International Letters of Social Sciences and Humanistic Sciences*, 4, 1-8.

Yardley, L. (2000). Dilemmas in qualitative health research. *Psychology and Health*, 15, 215-228.

Yildiz, S., Meydan, C., & Güner, M. (2014). Measurement of intellectual capital components through activity reports of companies. *Procedia-Social and Behavioral Sciences*, 109, 614-621.

Yin, F., Ye, M., & Xu, L. (2014). Location determinants of foreign direct investment in services. evidence from Chinese provincial level data. Asia Research Centre. Working Paper 64.

Yin, R. K. (1994). *Case study research design and method* (2nd Ed.) California: Sage.

Yin, R. K. (2009). *Case study research designs and methods* (4th Ed.). California: Sage

Yin, R. K. (2014). *Case study research designs and methods* (5th Ed.). California: Sage.

Youndt, M. A., Snell, S. A., Dean, J. W., & Lepak, D. P. (1996). Human resource management, manufacturing strategy, and firm performance. *Academy of Management Journal*, *39*(4), 836-866.

Young, D., & Guenther, D. A. (2003). Financial reporting environments and international capital mobility. *Journal of Accounting Research*, *41*(3), 553-579.

Yu, G. (2011). Accounting standards and international portfolio holdings: Analysis of cross-border holdings following mandatory adoption of IFRS. Available at SSRN: http://ssrn.com/abstract=1430589.

Zacharakis, A. L., & Meyer, G. D. (2000). The potential of actuarial decision models: can they improve the venture capital investment decision? *Journal of Business Venturing*, *15*(4), 323-346.

Zambon, S. (2004). Intangibles and intellectual capital: an overview of the reporting issues and some measurement models. In P. Bianchi & Labory, S. (Eds.), *The economic importance of intangible assets*, (153-183). Ashgate, England.

Zarb, B. (2006). The quest for transparency in financial reporting: Should international financial reporting standards replace US GAAP? *The CPA Journal.*

Zarzeski, M.T. (1996). Spontaneous harmonisation effects of culture and market forces on accounting disclosure practices", *Accounting Horizons*, 10(1), 18-37.

ZB Financial Holdings Limited (2014). Annual Report. Zimbabwe.

Zeghal, D., & Ahmad, A. (1990). Comparison of social responsibility information disclosure media used by Canadian firms. *Accounting, Auditing and Accountability Journal*, 3, 38–53.

Zéghal, D., & Maaloul, A. (2011). The accounting treatments on intangibles –a critical review of the literature. *Accounting Forum*, 35(4), 262-274.

Zhang, Y., & Wiersema, M. F. (2009). Stock market reaction to CEO certification: The signaling role of CEO background. *Strategic Management Journal*, 30, 693–710.

ZIMRE Holdings Limited (2014). Annual Report. Zimbabwe

zu Knyphausen-Aufseß, D., Mirow, M., & Schweizer, L. (2011). The role of financial analysts in the strategy formation process of business firms. *Industrial and Corporate Change*, dtr033.

APPENDIX A: HUMAN CAPITAL INFORMATION DISCLOSURE CHECKLIST

The human capital information disclosure checklist is part of the study on how the harmonisation of human capital information disclosures may facilitate effective investment decision making through the reduction of information asymmetry problems. The disclosure checklist is aimed at soliciting information with regard to the importance you give to different human capital information items when making investment decisions. This checklist would act as complementary tool to the interviews which will be scheduled after the return of the checklist as per our previous communication.

Your responses to each human capital information item refers to the priority that you give to each item in terms of its importance in decision making. Kindly tick below the statement that corresponds with the level of importance you give to each human capital information item when making investments decisions.

The disclosure checklist would take at most 30 minutes to complete. Be assured that the information supplied will be treated with confidentiality and information sources will not be disclosed.

Human capital information disclosure checklist

Human Capital Information Item	Most Important	Very Important	Less Important	Not Important
Board composition				
Board induction				
Board member's work experience				
Board members' qualifications				
Board members' age				
Board movement				
Chief Executive Officer's salary				
Comments on the abilities of the board				
Company culture				
Dependency on key employees				
Directors' remuneration				
Diversity management				
Employee benefits				
Employee commitment /loyalty				
Employee productivity				
Employee safety, health and wellness				
Employee skills				
Employment relations				
Entrepreneurial spirit/innovation/creative				
Equality issues				
International exposure of management				
Management philosophy				
Personal experience of top executive management				
Names of top executive management				
Recruitment policy				
Remuneration policy				
Staff composition				

Staff costs				
Staff turnover				
Succession planning				
Teamwork				
Top executive management's remuneration				
Top executive management's qualifications				
Top executive management's names				
Top executive management's age				
Top executive management's work experience				
Top executive management movement				
Training and development				

Thank you for participating in the study!

APPENDIX B: INTERVIEW GUIDE FOR PREPARERS OF CORPORATE INFORMATION: HR MANAGERS AND FINANCE DIRECTORS

Key questions	**Possible probing questions**
1) Tell me about your corporate information disclosure experiences with this organisation?	- Why do you do corporate reporting as an organisation? - Who are your major target groups for such reporting? - What kind of information do you prioritise on reporting? -What challenges do you face in the provision of corporate information?
2) Are there disparities between human capital information provision and information requirements in corporate annual reports?	-What kind of information do you think investors prefer when making investment decisions? - Having gone through your corporate annual report and discovered some human capital information in that report, why are you providing such information? - Why do you prioritise on disclosing such information? -Do you think the information is adequate for investment decision making? Explain why. -Do you face any challenges in disclosing human capital information to external users?
3) What problems are caused by human capital information asymmetry?	-Do foreign investors face any human capital information asymmetry challenges with your organisation? Explain why you say so. -If so, what challenges do they face?
4) Can the harmonisation of human capital information disclosures assist in signalling important information to foreign investors when making investment decisions?	-What signals are sent though the disclosure of human capital information? -Do such signals assist in communicating the performance position of the disclosing organisation? -Do you think harmonised disclosures of the information will enhance effective communication with the investors? If so, explain how?
5) Can the harmonisation of human capital information disclosures facilitate screening by	-Do you think foreign investor use human capital information in their investment selection decisions?

foreign investors when making investment decisions?	-Is the information relevant for screening purposes? Kindly explain Why? -Can harmonisation of such information improve the investment selection screening process by foreign investors? Kindly explain why you think so?
6) How does the harmonisation of human capital information disclosures enhance the decision usefulness of human capital information?	-What benefits are derived from harmonised disclosures? -How do such benefits assist in investment decision making? -How can such harmonisation be achieved?
Closing remarks	-Is there anything that you would want to add that I have not covered? **Thank you for your time and information**

APPENDIX C: INTERVIEW GUIDE FOR FOREIGN INVESTORS: GROUP 3

Key questions	Possible probing questions
1) Tell me about your investment decision making experiences into this country?	-What were your motives for investing into this organisation and the country in general? -Did you face any information challenges when you were looking for investment opportunities into this country? If so, how did you address the information gap? -What kind of information did you consider when you were investing into this organisation, and why?
2) Are there disparities between human capital information provision and information requirements in corporate annual reports?	-What kind of information do you prefer when making investment decisions? -With reference to the disclosure checklist you filled in, why do you prioritise on such human capital information that you marked as very important and important? - What human capital information provided for in the corporate annual report assisted you in making investment decisions? - Was the human capital information provided to you relevant and adequate in making your investment decisions? Explain why you say so. -Did you face any challenges in accessing human capital information for decision making?
3) What problems are caused by human capital information asymmetry?	- Did you face any challenges related to human capital information when you were making your investment decisions into the organisation? -If so, what kind of challenges did o you face?
4) Can the harmonisation of human capital information disclosures assist in signalling important information to foreign investors when making investment decisions?	-What signals do you get from human capital information disclosures? -Do such signals assist you in investment selection decisions? -Do you think harmonised disclosures of human capital information would enhance effective communication with the investors? If so, explain how?

5) Can the harmonisation of human capital information disclosures facilitate screening by foreign investors when making investment decisions?	-Do you use human capital information in your investment selection decisions? -Is the information relevant for screening purposes? Kindly explain Why? -Can harmonisation of such information improve the screening process? Kindly explain why you think so?
6) How does the harmonisation of human capital information disclosures enhance the decision usefulness of human capital information?	-Are there any benefits that can be derived from harmonised disclosures? - If so, how do such benefits assist in investment decision making? -How can such harmonisation be achieved?
Closing remarks	-Is there anything that you would want to add that I have not covered? **Thank you for your time and information**

APPENDIX D: PARTICIPANT INFORMATION SHEET

University of the Witwatersrand, Johannesburg, South Africa

Researcher	: Tendai Chazuza
Student number	: 935826
Programme	: Doctor of Philosophy (PhD)
	:Wits Business School, University of the Witwatersrand
Contact Details:	+27730276477/ +263773207248
	tendaichazuza@gmail.com

I am a PhD candidate and undertaking a research with the topic: "*Harmonisation of human capital information disclosures as a facilitator of foreign investments into a developing country ".* You are being invited to participate in this study which is being conducted as a fulfilment of the requirements for the doctoral studies at University of the Witwatersrand, Johannesburg, South Africa.

The purpose of the study is to develop a theoretical model which explores how the harmonisation of human capital information disclosures in corporate annual reports can facilitate foreign investments by reducing asymmetric information problems. Specifically, the research seeks to establish if the harmonised disclosures of relevant human capital information can help in signalling and screening as ways to reduce information asymmetry problems with foreign investors investing into a developing country.

In addressing the research purpose, a qualitative methodology will be employed where semi-structured interviews, documentary analysis and the human capital disclosure checklist would be used in data collection. Participation in the study is voluntary and refusal to participate will involve no penalty. You have the right to withdraw from the research at any time without adverse consequences if you decide to stop participating in the study. In the event that you agree to participate in the study, you will be asked to sign the attached consent form as confirmation of your

consent to participate and will receive a copy of the signed form for record purposes. No payment will however be made for your participation.

During the interview, you will be asked a set of questions from the interview guide, with the researcher being objective throughout the interview process. As a participant, you will be encouraged to answer questions to the best of your knowledge and understanding; however you will be allowed to avoid answering the questions that you feel uncomfortable with. The interview is estimated to take approximately 45 minutes to an hour. Data will be recorded using a digital audio recorder and will be stored on a password protected hard drive once the recording has been transcribed. The researcher's memos, laptops, digital audio recorder and the transcriptions will be stored in a locked filing cabinet in the researcher's office. All computer files will be password protected. The participant is assured of complete anonymity and utmost confidentiality in data analysis and final thesis report. Privacy and anonymity will be assured by replacing names and other information in transcripts with encoded identifiers, with the encoding key kept in a different secure location. The final report will be availed to you upon request.

If you need further clarifications about the research, kindly contact the researcher on the contact details provided on top of the form.

APPENDIX E: PARTICIPANT CONSENT FORM

The Participant:

I declare that the research on *"Harmonisation of human capital disclosures as a facilitator of foreign investments into a developing country"* has been cleared explained to me and I understood the aims and objectives of the research. I am aware that I am being asked to participate in a research study. I have had the opportunity to ask questions and have had them answered to my satisfaction.

I have been told that:

- The research is for academic purposes and data to be gathered will be used for such purposes only.
- Participation is voluntary, and refusal to participate will evoke no penalty.
- No payment will be made to me for participating in the research.
- I will be allowed to avoid answering questions that I do not feel comfortable responding to.
- I will also have the right to withdraw from the research at any time during the research without adverse consequences.
- Anonymity and confidentiality in data analysis and final thesis report will be guaranteed.
- The final report will be availed to me upon request.
- If I need more clarification about the research, I will contact the researcher.

I am therefore agreeing to be interviewed for about an hour by the researcher.

Signed at _____On this day _____

: _____ Date: _____

AUDIO RECORDING CONSENT

The Participant:

By consenting to participate in this interview, I agree/ do not agree to be audio taped during the interview.

Important Note: Audio recorder will not be utilised if the participant does not like the interview to be recorded.

Signed at _____On this day _____

Signature: _____Date: _____

Researcher:

I have explained the research to the participant before requesting the signature(s) above. A copy of this form has been given to the participant.

Signed at _____On this day _____

Signature: _____ Date: _____

APPENDIX F: ETHICS CLEARANCE CERTICATE

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Chazuza

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H15/0302**
PROJECT TITLE	Harmonisation of organisational human capital reporting as a facilitator of foreign direct investment in selected developing countries
INVESTIGATOR(S)	Ms T Chazuza
SCHOOL/DEPARTMENT	Graduate School of Business Administration/
DATE CONSIDERED	20 March 2015
DECISION OF THE COMMITTEE	Approved unconditionally
EXPIRY DATE	30 March 2017
DATE 31 March 2015	**CHAIRPERSON** (Professor T Milani)

cc: Supervisor : Professor G Lee

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10005, 10th Floor, Senate House, University.

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

_____ _____/_____/_____

Signature **Date**

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES