



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

## Opportunities for Modern Understanding of Human Capital

Evgeniy Stoyanov<sup>1</sup>

<sup>1</sup>University of agribusiness and rural development – Plovdiv, Bulgaria

*Abstract: The study is focused on the key factor in the structure of any organization – the human capital. The objective is to present the thesis of the author that it is possible to optimize the process of formation of the human capital, through consolidated administration of certain management and control concepts. The tasks are connected with accumulation of evidence that the concept of the audit of human resources can be and should be developed.*

**Keywords:** control, controlling, auditing, concept, human capital.

**JEL Codes:** E24, F38, M42

### 1. Introduction

The retrospective analysis of the evolution of both social and economic system, prove undoubtedly that this endless process is invariably associated with the presence and active participation of personality formation and evolution. Whether they have formal nature, i.e. they are differentiated as structures, or they have an informal character and demonstrate a relatively free behavior, it is not as significant - the basic idea is that always only humans have created history and determined the development and improvement of society and business (Nikolova, 2016).

In the economic literature, personalities with their units fit into the content of the general term "staff", where however two concepts are consolidated and distinguished - human resources and human capital. Although these are etymologically and meaningfully different concepts, their unity and continuity are based on the total creative process that accompanies the organizing production process, namely the creation of human capital based on the improvement and the development of human resources, perceived as staff and involved in organizational activities (Ninov, 2016).

According the unified theory of management, the process of development of each system can be perceived as an object of management (Mladenov & Terziev, 2014). Generally, arguing on this basis, and in particular on the theory of control, human resources development might and it is right to be perceived as the result of the socially meaningful, purposeful and controlled management.

---

<sup>1</sup>E-mail address: [evg\\_stojanov@abv.bg](mailto:evg_stojanov@abv.bg)



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

## 2. Alternatives in Understandings of Human Capital

Development of the understandings of human resources occurs relatively fast development recent years. For these reasons, the approaches of critical analysis are subject to changes too. By the end of the 80s of the XX<sup>th</sup> century, human resources were considered on the basis of the behaviour of certain classic parameters covering numbers, time and performance (Mladenov & Terziev, 2014). Critical analysis of the results of analytical procedures consider that a moment come when registered discrepancies between results and needs of reality become so drastic that the search for new methods to measure it is simply inevitable. All this, in addition to developing the concept of modern organization, operating in a new environment, proving that human resources acquire a new meaning, a different and richer content. (Terziev and oth., 2015).

At present stage the focus of attention in the analysis and search of new ways to improve the human factor is placed primarily on professional qualities, profile of competence, preparedness for training, desire for development (Terziev & Arabska, 2015; Arabska, 2016). All this provides evidence that the new modern organization works successfully developing and refining successful intangible factors of success (Terziev, 2012).

The review of average assets structure gives evidence that the average amount of tangible assets or net book value without obligations forms less than 25% of the market value of organizations (Stoyanov, 2013). Both at macroeconomic and microeconomic level, intangible assets play a crucial role in creating a long-term value (Stoyanov, 2015).

Generally, about the nature of intangible assets we may say that it is not subject to physical measurement, yet this new asset generates benefits and uses. In relation to their characteristics, numerous definitions are created, each treating just some features of these "invisible" assets (Stoyanov, 2016).

According to International Accounting Standards and Bulgarian accounting rules, intangible assets represent intangible resources out of the turnover involved in the manufacturing process and belonging to the enterprise in terms of ownership (Stoyanov, 2013). They have no physical characteristics, but are particularly valuable in terms of justification and set priorities, rights and privileges in the production process. Intangible assets are a key source of stable formation of value. Their condition determines the level of efficiency in internal business processes, organizational financial situation and relations with customers and suppliers.

Modern organizational theory is based on the concept linking the strategic direction of the organization and the improvement of intangible assets for which an understanding is imposed that this is the trinity of the following categories: human, information and organizational capital (Terziev *et al.*, 2014).

The unique feature of that trinity is the acquired property of each of the three components to be seen as a result of the other two, yet each of them is a prerequisite and a key event for the development of the others (Stoyanov & Tranev, 2016). That essential characteristic of the group of intangible assets creates an additional difficulty in the process of their management and development, because the compulsory proximity and the sufficient adequacy with the organizational strategy actually makes them an inexhaustible generator of value creation to the product, and in this sense that is what creates almost an insurmountable barrier for their precise measurement and provision of control (Terziev & Stoyanov, 2015).

The brief analysis of the process of management and development of the human factor shows that in its structure, enough problems are differentiated both as volume and significance. Therefore managerial concepts actually exist (Zahariev & Arabska, 2014) to have the opportunity and the potential to register a beneficial impact on the development of human resources and their transformation into human capital.



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

One of these concepts is the concept of controlling. The control activity has the characteristics of a socio-historical product that focuses on a specific range of topical success factors and their management aspects. In this regard, it is part of a natural process, and even in a strictly historical moment it does not exhaust the whole subject area of management and of the management theory (Terziev & Stoyanov, 2016). Covered by the controlling factors of success, however, are of such fundamental importance in a mature market economy, that they justify the continued relevance and the key role of the concept of development of the business organization.

The fundamental prerequisite of controlling output is contained in the establishment of market economy and establishment of the economic organization as a subject of the commodity-money relations. In these conditions the monetary goals of the economic organization come to the foreground and receive a priority. In a different but a sufficiently large extent, in their obedience fall the substantive material and social goals, in all areas of its operation. Monetary targets, and economic and financial aspects underlying of all business organization activities and supervises their implementation as the foundation to acquire a role criteria in its existence and development (Stoyanov, 2013).

Controlling, as a management concept, performs the important role to target purposefully the activity to the desired financial results. Control, as management activity is in continuous development and improvement in its functional aspects and content, organizing structure underlying certain positions as a function of management control, lifting them to a higher level, under the influence of additional, immediate prerequisites. The conceptual emphasis is placed on the desire to maximally approximate the functions of planning and control into the structure of the management process. Realistically, if the characteristics of controlling are adapted to the process of management and development of human resources, it is correctly to take into consideration certain deficits.

*First.* Controlling continues to seek an opportunity to be legitimized as an independent discipline.

*Second.* Controlling is a step of further development, where there is shown a proved empirical insufficiency.

*Third.* The differentiated area of research is partially occupied by other disciplines such as management accounting, information systems, planning and others, and thus partially it is away from the structuring in modern management.

The overall conclusion about the place and the role of controlling is that although there are still many unknowns, including the lack of legal regulation, its nature as a concept enables it to be a real flexible connection between the process of managing human resources and their improvement destined by the dynamic changes in the socio-economic environment.

In this relevance, the other concept that has a different but useful for the development of human characteristics, is the audit (Stoyanov, 2013). At the present stage, based on the degree of maturity of the society and the level of development of perceptions on audit, several leading statements are distinguished, acquiring the status of definitions, that are associated with the work of certain professional institutes governing regulations and summarizing in methodology some proven 'good' auditing practices.

For the last century, the leading is a definition inscribed in the Generally Accepted Auditing Standards according to which the audit is a process of systemic nature, in which a competent and independent specialist accumulates and objectively evaluates the evidence of economic actions and events recorded in accumulated information, reflecting specific economic system in order to establish the degree of correspondence between the facts from the information and the criteria set (Stoyanov, 2013) in order to laying out the results of the inspection to various interested users. The detailed analysis of the definition



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

can give the impression that it does not address the inherent information risk in audit. In other words, the audit conduct is, in a certain extent, predetermined by the desire to minimize the information risk.

In the early 21<sup>st</sup> century the establishment of the system of International Standards on Auditing introduced to the global audience a series of definitions. The general framework of the content of all legislation related to the audit, approves the understanding that this is an activity structured in a process, expressing an independent opinion to obtain a reasonable assurance for the accuracy of accumulated evidence and an opportunity to meet the criteria set out, in order to optimize risk management, control and management.

Those definitions have made it possible for term "audit" to be engaged in a wide range of organizational problems, although three main areas of audit are differentiated in practice - financial, public and managerial (Stoyanov, 2016a). In fact, under the contemporary conditions the range of methods for assessing organizational performance expands and because of that it is considered that it is in the content of the management audit, like financial, the audit of staff is differentiated.

It can be said that the function of this audit is directed towards the effectiveness of labor, and in particular - to the efficiency, manifested in the activities of the staff. Briefly, the efficiency could be interpreted as a counterpoint to the inspection called upon to justify the philosophy of this audit, by diversifying methods and technology organization in each case in the audit practice. It is for this reason the mission of the audit staff is to carry out systematic evaluation of the effectiveness of work and labour resources and functional status of social and labour relations on objective and subjective levels.

### 3. Conclusions

The discussions presented in this article allow some general conclusions:

*First.* The factor "personnel" proves that it has the qualities to be the most important object of management and control, and the most difficult to predict the subject in terms of their behaviour. The reasons is, as pointed, a huge challenge for the scientific thought. In context, each iteration of change and any theoretical possibility of its development, are alternatives to the public and to the desire for purposeful and fruitful development.

*Second.* The concept of controlling, even in its imperfect form and shape, is a real opportunity, through functional consolidation, to manage human development and accelerate the transformation into human capital.

*Third.* The differentiation of the directions of audit of staff is a proof that the human factor is gaining much more significant place and role in social development. The establishment and institutionalization of a specific audit form provides evidence that its mastery and effective management are possible with an adequate control and a maximum effective audit.

In conclusion, it could be implicated that there are theoretical prerequisites for the proper and the controlled development of the human factor. Its improvement is entirely feasible for the introduction of specific management and control and auditing concepts into practice. The registered trend proves the willingness of the society to control and institutionalize the change in this direction as the only one and true alternative for sustainable future.



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

#### 4. References

- [1] Arabska, E. (2016). Competence-based training of staff and opportunities of life-long learning. First international scientific conference „Human resources, leadership and organizational management“, Vol. 1, 2016, pp. 131-156.
- [2] Mladenov, Y., Terziev, V. (2014). Upravljenie na choveshkite resursi (Human resources management). Ruse, Bulgaria. [BG]
- [3] Nikolova, N. (2016). Integrative function of knowledge in the system of the competitive potential of the company. Journal of innovations and sustainability, Vol. 2, N 2, pp. 45-56.
- [4] Ninov, N. (2016). Role of human capital in development of knowledge-based economy. Proceedings of the First International Scientific Conference “Sustainability Challenges in Modern Organizations - Knowledge & Innovation in Management & Operation”, pp. 209-2016. [BG]
- [5] Stoyanov, E. (2013). Odit – iztochnitsi i institutsionalizatsiya (Audit – sources and institutionalization), Burgas, Bulgaria. [BG]
- [6] Stoyanov, E. (2015). Improvement of non-material factors – the formula of success in social development. New knowledge Journal of science, Vol. 4, N 3, pp. 26-30. [BG]
- [7] Stoyanov, E. (2016a). Establishment and organization of a control system - the key to the organizational effectiveness. International Balkan and Near Eastern Social Sciences Conference Series Proceedings, pp. 184-188.
- [8] Stoyanov, E. (2016b). Evaluation as an active method for improving small business. Proceedings of the First International Scientific Conference “Sustainability Challenges in Modern Organizations - Knowledge & Innovation in Management & Operation”, pp. 153-164. [BG]
- [9] Stoyanov, E., Tranev, S. (2016). Controlled management of conflict generation and social development. Proceedings of the First International Scientific Conference “Sustainability Challenges in Modern Organizations - Knowledge & Innovation in Management & Operation”, pp. 185-196. [BG]
- [10] Terziev, V. (2012). The role of business in society, New knowledge Journal of science, Vol. 1, N 4, pp. 68-71.
- [11] Terziev, V., Arabska, E. (2015). Application of the concept of life-long learning in Bulgaria. Seventh International Scientific Conference Knowledge for Capabilities and Skills, International Journal Knowledge, Scientific Papers, Vol. 11/1, pp. 44-55.
- [12] Terziev, V., Dimitrova, S., Arabska, E. (2015). Social activity of human resources - a basis for effective social policy. Knowledge International Journal, Scientific& Applicative Papers, Volume 9, pp. 218-223. [BG]
- [13] Terziev, V., Dimitrova, S., Arabska, E., Vasileva, E. (2014). Dobrite praktiki na visokoeffektivnite menidzhari v upravlenieto na choveshkite resursi (Good practices of highly effective managers in human resources management). Nauchna konferentsiya „Sistema za kvalifikatsiya i karierno izrastvane na prepodavatelite vav visshite uchilishta“, Natsionalen voenen universitet „Vasil Levski“, 11-12 dekemvri 2014, Veliko Tarnovo. Sbornik dokladi ot konferentsiya „Sistema za kvalifikatsiya i karierno izrastvane na prepodavatelite vav visshite uchilishta“, pp. 49-75. [BG]



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

*Journal of Economic Development, Environment and People*

Volume 5, Issue 4, 2016

URL: <http://jedep.spiruharet.ro>

e-mail: [office\\_jedep@spiruharet.ro](mailto:office_jedep@spiruharet.ro)

- [14] Terziev, V., Stoyanov, E. (2015). Kontrol na otgovornostta v sotsialnata sfera, Nauchna konferentsiya „70 godini traditsii i inovatsii“, RU „Angel Kanchev“, Sayuz na uchenite – Ruse, 09-10.10.2015. Nauchni trudove na Rusenskiya universitet - 2015, tom 54, seriya 9, Kachestvo na vissheto obrazovanie, pp. 59-66. [BG]
- [15] Terziev, V., Stoyanov, E. (2016). Funktsionalnaya karakteristika i razvitie idei kontrolya. Roly nauki v razvitiu obshtestva, Sbornik statey Mezhdunarodnoy nauchno-prakticheskoy konferentsii, MTSII „Omega Sayns“ Saratov, 18 marta 2016, pp. 97-110. [RU]
- [16] Zahariev, E., Arabska, E. (2014). Eclectic concepts for distribution and popularization of good management practices. Proceedings of the VII International scientific conference "Innovations in technology and education", March 2014, pp. 149-153.