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HR AUDIT: A WAY TO ACHIEVE ORGANIZATIONAL SUSTAINABILITY

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Abstract: Human Resource Department has the responsibility to ensure skilled and professional supply of workforce. But is it sufficient enough to invest in HR department and not take in account how well it is functioning? To have a sustainable growth in the ever changing dynamic business environment, it becomes all the more necessary to carefully examine, assess and evaluate the performance of HR department.

This examination, assessment and evaluation of the effectiveness of HR department becomes the core responsibility of HR Audit. HR audit is detailed analysis of HR standards to identify the gap in HR functions and modify the same.

The present study explores the importance of HR audit and the methodology which can be practiced by the HR auditors to bring out the true and fair view of HR department. The paper also highlights examples of Indian organization which are practicing and hence benefitting by practicing HR Audit.

Index Terms - HR Audit, HR professional, Sustainable Growth.

I. INTRODUCTION

The organizational success is result of progress taken place in Human Resource Management. The Human Resource function has witnessed a drastic shift in its scope and reach as the managers becoming strategic experts have proven to be quite a challenge to practitioners.

The ever dynamic business world is demanding the HR managers to be major contributors to their full capacity and to come up as strategic business professionals. It is undoubtedly accepted that the HR professional in an organization have the major responsibility to see that the employees are performing as per the expectations of the management and in return are properly remunerated. HR area of scope includes preparing and administering a host of policies & practices. These policies are designed to help the employees recognize their true potential and work with complete efficiency. But at times there is a dilemma in the minds of HR professionals that whether they are putting in all the efforts?

Human Resource Development encompasses Competencies, Commitment & Culture for an organization and its employees. All these three C's are important to make an organization function well. But now the question arises that whether these three C's are really being followed in the organization completely?

The ever increasing competition and the pressure to perform better has also enhanced the role of Human Resource Professionals.

II. RESEARCH METHODOLOGY

The paper is a conceptual based study which takes the case studies of selected organisation and their methods of HR audit. The data has been collected with the help of secondary sources such as company websites, magazines and journals. The objective of the present study is:

- To understand the importance of HR audit
- To identify the methods of HR Audit.
- To examine the case study of selected Indian organization practicing HRA.

III. HR AUDIT: CONCEPT

HR Audit is concerned assessment and evaluation of the policies, procedures and practices with reference to the human resource of the organization. It is also to be recognized as an instrument to evaluate the policies, procedures, documentation process and systems practiced currently in an organization. This evaluation helps in identifying the gaps and hence can chalk out a path for further improvement of HR function. HR Audit also plays an instrumental role in assessing the compliance necessary to be done with the changing rules & regulations. Audit of HR consist of:

- To measure and to evaluate personnel policies, programmes and practices followed by the company.
- To be able to identify the difference between set objectives and the actual results.
- To be able to chalk out a future course of action for employees based on SWOT analysis.

Areas covered under HR Audit:

- ✓ Roles & Headcount (including job description, & employee's categorization based upon full time/part time, exempt/nonexempt)
- ✓ Compliance with federal, state & local employment related legislation.
- ✓ Recruitment & Selection (including use of selection tools, background checks and so on)
- ✓ Compensation (policies, incentives etc)
- ✓ Employee Retention (Union agreement, performance management, disciplinary procedures, employee recognition)
- ✓ Statutory benefits (social, security, workers' compensation)
- ✓ Group benefits such as insurance
- ✓ Payroll management (legal compliance etc)
- ✓ Documentation & Record keeping
- ✓ Training & Development
- ✓ Employee Communication

Methodology of HR Audit:

To conduct an HR audit various methods have to be practiced to provide a complete view of the compliance of rules and regulations. These methods can be used in combination to get helpful insight in HR function of the organization:

1. **Individual Interview:** Auditors personally interview the senior officials of the company to understand the approach towards the future course of action. The auditor can stress on the opportunities available to the company and the possible threats which have to be dealt with. The idea is to gauge the vision of the top management in terms of HR function. Individual interview also part of HR audit as it gives a chance to the auditor to extract sensitive information from top officials. Information such as working pattern, leadership styles, type of culture etc. can go a long way to make the organization more competitive. In this method the union leaders, functional department heads, concerned clients etc. can be interviewed individually.
2. **Group Interviews:** A company which can have employees in thousand figure, the auditors can go for group interview to make it more feasible and less time consuming. The auditor can classify the employees based upon level of hierarchy and interview can be taken for similar level employee. It becomes the task of auditors to ask open ended questions such as future growth prospects, skills and competencies of employees that makes the company proud, strength of HRD function, areas that can be made better by HRD. The auditor can even ask for suggestions they have to strengthen the HRD.
3. **Workshop:** Large scale interactive process workshops can be organized by the auditors for a participants ranging from 50 to 500 at one point of time in one room. The participants then are grouped in smaller groups depending on their work similarity or subsystem prevalent in the organization. They can be asked to have a comprehensive SWOT analysis of the HRD and give their views for further improvement. They can also be asked to focus on a particular function of HRD such as performance appraisal, training & development, awards & recognition etc. and provide their feedback. This method is quite successful as it starts the change process by bringing employees under one roof.
4. **Questionnaire:** Well-structured questions can be developed by the auditors keeping in considerations the culture, values, norms, ethics of the organization and can be asked to be filled by the participants. The answers then can be analyzed and an all-inclusive report can be prepared focusing on competence of HRD, leadership styles of line managers, implementation of HRD systems, expectations of employees and their approach.
5. **Observation:** The auditors can have physical verification of the workplace, canteen, factory site, machinery room, training room, hostels, residence area, hospitals, educational institutions which are provided to the employees. These visits ensure a congenial and supportive environment provided to the employees as part of their statutory welfare-facilities. Participants may be reluctant in providing complete information and their biasness may slow the growth process.
6. **Secondary Data Analysis:** Analysis of secondary data can highlight the efficiency of HRD. Analysis of age profiles of employees, the training session they have attended, meeting minutes, employee register etc helps an auditor to have a cost-benefit analysis of the HRD infrastructure build by the company.
Reports, written records, training calendar, personnel manuals, company circulars can also be assessed by the auditors to have correct picture of effective ways practiced by the HRD.

IV. Case Studies of Indian Organizations:**Infosys**

Infosys technologies in the financial year 1995-96, became the first software company to practice HR audit. It implemented Lev & Schwartz method to value Human Resource. According to this method the present value of future earning capacity of an employee, from time of joining the organization till retirement is estimated. Infosys applied this method based on the following assumption:

- ✓ An employee's salary package included all benefits, whether direct or otherwise, earned both in India & in a foreign nation.
- ✓ The additional earnings on the basis of age groups were also taken into account.

SBI

In the year 2016 SBI, India's leading bank in loans and advances announced to conduct for the first time an employee engagement survey to get feedback on the effectiveness of HR practices and policies that are in vogue. The review of the HR unit's performance provided by the participants will dwell on corrective steps to rectify shortcomings and cover for future guidance. The entire exercise was observed as an opportunity to adopt best practices followed at other places and organisations to further strengthen the image of the bank.

BHEL

BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing company of its kind in India. The company is engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of wide range of product and services for core sectors of the economy viz, Power, Transmission, Industry, Transportation (Railways) Renewable Energy, Oil & Gas, Water and Defence with over 180 products offerings to meet the needs of these sectors.

BHEL gives weight on the fact that "in any organization, the value of its employees cannot be over-emphasized". It has been assessing and reporting human assets for a long period of time and has recorded impressive progress on this front. The human assets valuation is carried out by following the Lev and Schwartz model with the following assumptions:

- ✓ Present pattern in employee compensation including direct and indirect benefits including the effect of wage revision
- ✓ Normal career growth as per the present policies, with vacancies filled from the level immediately below
- ✓ Weightage for changes in efficiency due to age, experience and skills
- ✓ Application for discount factor of 12% p.a. on the future earnings to arrive at the present value.

V. Conclusion

The main function of HR Audit System facilitates to take specific actions that will help in minimizing employee turnover, effective orientation and training, better working condition, remuneration, benefits and opportunities for future advancement.

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