

The Benefits and Challenges of Human Resource Audit



Management

KEYWORDS : Human resource audit, Organization, Employees

Dr.P.Krishnakumar

Director, SSM School of Management, Komarapalayam

Ms.B.Elakiya

Lecturer, Research Scholar, Bharathiar University, SSM School of Management, Komarapalayam

ABSTRACT

The aim of this article is to explain how a Human Resource audit can help an organization to improve its Human Resource function. An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not. Thus, an audit is an examination and verification of accounts and records. Human Resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness and efficiency of Human Resource Management. The article explains approach to conducting comprehensive Human Resource audits, benefits realized by an organization, discusses some of the challenges faced, and suggests how to overcome these.

Human Resource audit

An HR audit is an independent and objective evaluation of an organizations Human Resources (HR) function. An audit should be conducted in a planned and systematic manner in order to implement changes that improve the effectiveness of the HR function and add value to the organization.

According to Gary, "the primary purpose of personnel audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organization by identifying the gap between objectives and results for the end-product of an evaluation should be to formulate plans for corrections or adjustment."

Human resource audit can be conducted by internal or external consultants

An organization has the option of using either internally appointed auditors or external consultants to conduct an audit. There are obvious benefits of using external consultants. The primary reason for engaging external consultants is to maintain objectivity and avoid bias during the audit process.

An HR audit often involves gathering employee feedback and employees often find it easier to talk openly and share their opinions when talking to an external third party.

Importance of Human Resource Auditing

- Human resource auditing is a tool to measure the effectiveness of personnel programs and practices and to determine what should or should not be done in future.
- It is necessary to control costs and to maximize the use of human resources to achieve organization's goals.
- It provides the necessary feedback which is required in a diversified and development and decentralized organization.
- Human resource auditing helps to make changes in the areas concerned of human resources in the organization by the personnel department.
- Human resource auditing is necessary to protect the employee's interest, to motivate employees, to meet the challenges of trade unions, to improve the performance of human resources in the organization.
- Human resource auditing is very helpful to solve the problems of human resource management/department easily.

Human Resource audit involves

HR audit should focus on five key areas of the HR function which include HR strategy, organization structure, HR policies, processes and systems.

The list below highlights the areas that are typically included in Human Resource audit:

Organization structure
Organization culture

HR policies

Recruitment and selection
Performance management
Training and development
Job descriptions
Grading
Compensation and benefits
Manpower planning
Employee administration
Employee relations
Exit data
Payroll
HR system(s)
HR administration forms and templates

Information gathered during Human Resource audit

There are a number of techniques used to collect data for an HR audit. These include:

Face-to-face interviews with managers and members of the HR team
Focus groups
Employee opinion surveys
Questionnaires
Job shadowing
Process mapping
Review of documentation

How can an HR audit help an organization?

An HR audit will provide a detailed analysis of the existing HR policies, procedures and activities against the current and future needs of the business. The findings of an audit can be used to benchmark HR policies and practices against any legal requirements and against regional and international best practices. Benchmarking in this way is important for an organization to mitigate any risks of non-compliance to legal requirements and develop a prioritized plan to implement best practices across HR.

HR auditors present a list of prioritized recommendations that help an HR function to align its activities to the strategic objectives of the business both in the short and long term.

In HR audit the following benefits can be realized:

- Ensuring the HR strategy is aligned to the overall strategic objectives of the organization.
- Ensuring the HR structure and the way its resources are aligned can deliver the requirements of the organization.
- Ensuring policies and practices to are in line with legal requirements and best practices or identify gaps.
- Process efficiency
- Understanding the strengths and weaknesses of the HR function and where improvements can be made.
- To understand the perception of internal customers.

To identify the need of Human Resource audit

Many businesses choose to engage in an HR audit during times of growth. In these times many businesses realize that the organizational capability is dependent on the skills of their people and how they perform. However an HR audit can make sense at any time.

Human Resource auditors often work with clients who realize that sustainable growth needs to be supported by a robust HR function and this is the time that organizations often invest in HR audits. The aim is often to develop the HR function to be able to meet the needs of the business. This may be driven from a recruitment perspective, employee engagement and motivation or to improve the internal processes related to HR that touch everyone in the organization. Understanding what works well and where there are gaps can help an organization focus its efforts on making improvements in a prioritized fashion.

Many organizations engage in an HR audit when they are not completely satisfied with the role of HR or believe there are gaps in delivering effective HR functions. An HR audit can provide the detailed analysis needed to help inform business decisions on how to improve the effectiveness of the HR function.

HR Audits also play a critical role during mergers and acquisitions by integrating and aligning HR activities across companies.

Six Steps to Highly Effective Ethics Audits

These tips can help companies conduct effective ethics audits:

Start with a detailed foundation. An ethics audit is a comparison between actual employee behavior and the guidance for employee behavior provided in policies and procedures. The more descriptive and specific ethics-related policies and procedures are, the easier it is to make these comparisons.

Develop metrics. Ethics audits may not be as black-and-white as financial or operational audits, but they run more smoothly when tangible ethics measures are in place. Consider adding ethics goals to annual performance reviews and, where possible, tying compensation to ethical behavior.

Create a cross-functional team. Include an HR professional familiar with people in the business unit being audited. Most ethics audit teams include an ethics and compliance manager where possible as well as an internal auditor and legal managers.

Audit efficiently. Audits frequently disrupt normal operations in business areas subjected to review. Before scheduling an audit, find out if internal auditors or the finance team may be conducting reviews of the same area. If so, combine these efforts to limit disruptions. Once the audit has been scheduled, create a plan that spells out employees to be interviewed, information that requires review and any processes that require observation.

Look for other issues. Keep an eye out for other improvement opportunities, and share those with relevant colleagues. For example, ethics issues in a sales area may have revenue-recognition implications from a financial reporting perspective.

Respond consistently and communicate. Discipline ethics violations in complete accord with policies and procedures and the code of conduct every time. Also, use ethics issues, when possible, as grist for "lessons learned" in ethics-related communications and training.

The challenges faced during an HR audit

There are a number challenges that may arise during an HR audit. These include:

- A general reluctance by employees to voice their opinions due to fear of reprisals.
- Fear from employees that the audit is an assessment of their individual performance.
- Fear from employees that the output of the exercise may cause a loss of jobs or change their job roles.
- Employees see in this an opportunity to raise other business related issues that are not related to the HR audit hoping that they can be addressed during the process.
- Employees trying to influence the outcome of the audit.
- Lack of willingness to share information.
- Resistance to change.

These challenges are common amongst many different organizations and industries. The overall approach to conducting the HR audit therefore is key; engaging people through open communication so that they are not threatened or worried about the audit is often one of the easiest ways to overcome these challenges. Sharing the rationale of the audit and explaining how the results will be used is a good strategy to gain buy in and support for the audit. Senior management endorsement is also very useful in helping people understand the potential business benefits.

To overcome these challenges

- Some of the following techniques have helped to overcome these challenges:
- Establishing the buy-in by engaging the senior management team in the initial stages of the process thereby easing the audit process
- Communicating across the organization through town-hall sessions, emails and memos to explain the rationale, the audit process and explaining how the results will be used and how this will benefit the organization and its employees.
- Conducting anonymous surveys so employees are not afraid to share their views openly and honestly
- Creating a comfortable atmosphere and conducting interviews in a neutral and safe environment where employees feel assured that their comments are confidential
- Conducting the audit in a professional and friendly manner in order to gain the trust of employees

Presenting the results of the HR audit

The results of an HR audit in both a written report and a management presentation. A management presentation creates a good opportunity for the findings and recommendations to be discussed in detail.

It is important to present the results with diplomacy and objectivity being mindful of the efforts that an organization has made in their HR function. Bearing this in mind, it is important to focus on the facts, and present the findings and recommendations in a transparent and objective manner.

In presenting the findings of an HR audit often includes an impact analysis of any recommendations made. This may include a costs analysis or the impact on people and processes resulting from the recommendations.

In summary, this article has explained the following:

- Why organizations conduct HR audits
- The benefits of conducting an HR audit
- What should be included in a comprehensive HR audit
- The benefit of engaging external consultants to conduct an HR Audit
- Challenges faced during the audit process and how to overcome these challenges
- Presenting findings and recommendations from the audit

REFERENCE

- Aswathappa, K.(2006), Human resource management texts and cases, 4th edition, Tata Mcgraw-Hill Publishing Company Limited, NewDelhi, Section 7, PP. 612-619. | • Rao V S P, (2002), Human resource management texts and cases, 1st edition, Excel Books, New Delhi, Chapter 27, PP. 527-540. | • Subba Rao P, (2011), Personnel and human resource management, 4th edition, Himalaya Publishing House, Mumbai, Chapter 32, PP. 419-429. | • Mamoria C B and Gankar S V, (2006), Personnel Management text and cases, 26th edition, Himalaya Publishing House, Mumbai, Section 6, PP. 867-871 | • Gary Dessler, (2006), Human Resource Management, 10th edition, Dorling Kindersley (India) Pvt. Ltd., Licensees of Pearson Education in south Asia, Chapter 17, PP. 677. | • Berry, J. W. (1967). Independence and conformity in subsistence-level societies. *Journal of Personality and Social Psychology*, Vol. 7, pp. 415—418. | • Shuck, Brad M., Rocco, Tonette S., & Albornoz, Carlos A. (2011). Exploring employee engagement from employee perspective: Implications of HRD. *Journal of European Industrial Training* 35.4, pp. 300-325. | • Ledesma, P. S. T. & Caballero, R. T. (2014). Construction and validation of a human resource audit scale in selected deluxe hotels in the Philippines. *International Journal of Social Sciences and Entrepreneurship*, 1 (10), pp. 70-76. |