



Human Resource Audit: Optimization of Effectiveness and Efficiency of Human Resources

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ABSTRACT

The management has to recognize the important role of Human Resource Department in order to successfully steer organizations towards profitability. It is necessary for the management to invest considerable time and amount, to learn the changing scenario of the HR department in the 21st century. In order to survive the competition and be in the race, HR department should consciously update itself with the transformation in HR and be aware of the HR issues cropping up. Since all the activities in an organization are accomplished by the people, for the people and with the people, the aspect of human resource management gains significance. Successful human resource management practices must meet company-specific requirements and targets. Also, they should be efficient, economical and lean. Against this background, different aspects of human resource audit framework have been discussed in this paper.

Keywords : Appreciating Asset, Efficiency Optimisation, Holistic Approach, Human Resource Audit, Manpower Management

Backdrop

An important function of the managerial job is to maintain control over the operations. This equally applies to the human resource management function. It is the duty of persons in charge of manpower management to keep a record of what is happening to the personnel so that evaluation can be made periodically of how effectively the human resources of the organization have in fact been utilised. Human Resource Audit can be made of the effectiveness of past forecasting and scheduling to ascertain how far the needs were identified in time. If such an audit indicates that the forecasting was inaccurate, management can start thinking on how to improve the forecasting techniques and variables has to be avoided.

Human resource management function is increasing in importance and securing a more sophisticated and scientific outlook. Human resources being the most valuable asset of an organization, productivity and ultimate profitability of the entire organization depend considerably on the effectiveness with which the human resource management function is executed.

Human resource management is a dynamic function which aims at optimizing the effectiveness of human resources of the organization. In doing so it lays as much emphasis on individual and group goals as on organizational goals, and seeks to weld them together by integrating the individual with the organization. Objectives of human resource management are effective utilization of human resources, maintenance of an adequate organizational structure and relationships, integration of the individual and informal groups with the organization, satisfaction of individual needs and group goals, maximum individual development, maintenance of high morale and appreciation of human assets.

Human Resource - An Asset Appreciating In Use

Organizations are social systems, composed of roles, interactions and relationship among people occupying various positions in its structure. Success of an organization in accomplishing its goals significantly depends on the nature and patterns of cooperation among individuals, and formal and informal groups. As such, people, as individuals as well as group members, constitute the pillars of organized effort. It

is they who provide an organization an enduring competitive edge over its competitors and determine its ability to survive and grow in a dynamic environment. Technological, product, or strategic superiority of an organization over its competitors provides it only a temporary gain as all these things lend themselves to adaptation by competitors. But human assets of organization, unlike physical assets, continuously appreciate in value, as knowledge, abilities and skills all grow with training and experience. The ability of an enterprise to optimize its efficiency and effectiveness, therefore, significantly depends on its ability to integrate its people with the organization. Personnel function is integral to the whole organization. Since all decisions in an organization are made by human beings and are put into operation by human beings, they are affected by all these decisions one way or the other. Thus all decisions, whether they relate to marketing, financing, production, research and development or quality control aspect of organizational activity, have a human aspect, and therefore, a personnel aspect. Personnel function is thus all pervasive, transcends all other managerial functions and is ubiquitous. In this sense, every manager is unavoidably a personnel manager/human resource manager.

Bringing People and Organizations Together

Human Resource Management has evolved considerably over the past century, and experienced a major transformation in form and function primarily within the past two decades. Driven by a number of significant internal and external environmental forces, HRM has progressed from a largely maintenance function, with little if any bottom line impact, to what many scholars and practitioners today regard as the source of sustained competitive advantage for organizations operating in a global economy. Human Resource Management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel. Nowadays it is not possible to show a good financial or operating report unless your personnel relations are in order. "Human Resource Management" is that part of the management function which is primarily concerned with the human relationships within an organization. Its ob-

jective is essentially the maintenance of those relationships, which enable all those engaged in the undertaking to make their maximum personal contribution to the effective working of that undertaking. Therefore human resource management is concerned with managing people at work. It is concerned with employees, both as individuals as well as a group. It is essentially one of development of efficient, loyal and hard working employees. Human resource management is concerned with helping the employees to develop their potentialities and capacities to the maximum possible extent. The functional areas along with the scope of human resources management and development indicated below may be identified as **the component of personnel function –**

- Organization review and analysis,
- Manpower planning, recruitment and selection,
- Manpower training and development,
- Performance appraisal,
- Employee remuneration,
- Employee services,
- Administration and records,
- Industrial relations and
- Auditing and research in manpower management.

The Concept of HR Audit

Although there are no legal requirements necessitating a human resource audit, enlightened management have voluntarily accepted its usefulness. They use it as a tool for managerial control of the personnel programmes and practices. There is an increasing trend of evaluating this function. The Industrial Relations atmosphere in an organization can materially affect the productivity of the whole organization. In the earlier days, there was opposition to this industrial relations audit but in recent years it is increasingly being accepted as a device for improving the industrial relations situation. In fact, there is a gradual change in managerial philosophy even towards accepting employee participation to a certain extent. Besides, the social climate is changing. There is increasing intervention from the government to control manpower management by industries with a view to protect the employees' interests and provide them with better working conditions, wages, etc. Another group which has made its influence felt on manpower management policies is made up of the trade unions whose role and strength are ever – increasing. There are some of the factors which have encouraged the trend towards a human resource audit or a periodical review of the effectiveness of the management of the human resource.

As an organization grows, the need for such an audit increases. A continuous feedback is necessary to improve, for example, organizational structures dictated by growth. Thus the time has come when good organizations would encourage a human resource audit in every function of human resource management.

HR Audit means the systematic verification of job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, communication, welfare and social security, safety and health, industrial relations, trade unionism, and disputes and their resolution. HR Audit is very much useful to achieve the organizational goal and also is a vital tool which helps to assess the effectiveness of HR functions of an organization.

Coverage Areas of HR Audit

An HR Audit can be conducted in every aspect of management of the human resources. Generally, no one can measure the attitude of human being and also their problems are not confined to the HR department alone. So it is very much broad in nature. It covers the following HR areas:

- Audit of all the HR function.
- Audit of managerial compliance of personnel policies, procedures and legal provisions.
- Audit of corporate strategy regarding HR planning, staff-

ing, IRs, remuneration and other HR activities.

- Audit of the HR climate on employee motivation, morale and job satisfaction.

In fact, the audit should start with the objectives prescribed for manpower management. It should evaluate policies with regard to wages, promotions, training and development to determine whether changes are desirable. It should also evaluate programmes evolved for implementing policies such as the selection programme, training programmes and job evaluation.

HR Audit – A Checklist

While conducting HR Audit, the performance of the personnel function policies may broadly be reviewed by asking the following questions:-

- What is the organization of the Personal Department?
- Is the personnel department adequately staffed?
- What is the status of personnel manager in the organizational hierarchy?
- What is personnel policy? Is the organization production – oriented or people – oriented? How does the top management look at its employees?
- How are the manpower requirements assessed? Are manpower requirements defined clearly according to the degree of skills required?
- What is the requirement policy? Are qualifications for each job specified clearly? Is the requirement procedure well designed?
- What is the internal promotion policy? Are the employees given a chance to grow in the organization itself through the objective tests to their qualifications and performances?
- Are training programmes conducted regularly? Are they effective in updating the knowledge and skills of the employees? Are the opportunities for training adequate?
- Are the training methods modern or scientific? Are they suited to the needs of the organization?
- Are proper records maintained for all workers? Is time keeping effective?
- What is the procedure for dealing with the grievances of the employees? Are they encouraged to speak to the personnel manager?
- How is the discipline maintained? How are the erring workers dealt with? Is there a uniform and stable policy of dealing with indiscipline and misconduct on the part of all the employees?
- Are the various human cost properly analysed? Is the cost of labour turnover and absenteeism worked out periodically? Are attempts made to reduce labour turnover to optimum levels?
- What effectively are labour welfare organized in the organization?
- Is there a machinery for dealing with the demands of the workers? Is legitimate union activities encouraged?
- What is the extent of man – hours lost due to strike or lockout?
- How these losses compare with the man – hours lost by similar organization in the area?

The Role of HR Audit

The main objective of personnel function is to create such conditions in the organization that the employees can put to best performances. The human resource manager has to assess manpower replacements, select, recruit, train and develop persons, ensure industrial peace, redress grievances of the workers, maintain discipline, keep various personal records and negotiate wage settlements. The performance of the human resource function policies may broadly reviewed by conducting the HR Audit.

Human Resource Audit provides the various benefits to the organization. These are:

- Development of the professional image of the HR department of the organization.

- Reduce the HR cost.
- Motivation of the HR personnel.
- Provides timely legal requirement.
- Sound Performance Appraisal Systems and Systematic job analysis.
- Smooth adoption of the changing mindset.

The Road Ahead

Organizations are more depended on HRM to increase the success ratio in today's competitive global environment. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel.

The recent quality management standards ISO 9001 and ISO 9004 of 2000 focus more on people centric organizations. Organizations now need to prepare themselves in order to address people centered issues with commitment from the top management, with renewed thrust on HR issues. Accordingly, Suitable HR policies that would lead to the achievement of the Organization as well as the individual's goals should be formulated. HR managers have to manage all the challeng-

es that they would face from recruiting employees, to train them, and then developing strategies for retaining them and building up an effective career management system for them. Just taking care of employees would not be enough; new HR initiatives should also focus on the quality needs, customer – orientation, productivity and stress, team work and leadership building. HR Audit takes care of holistic approach to human resource management practices.

Concluding Remarks

Role of Human Resource Management is becoming all the more important. The personnel function can be audited resulting in a critical review and evaluation of the manpower management programme including the employer – employee industrial relations situation. The objective of such an audit is not merely to ascertain weaknesses but also the strengths of the manpower management programme. In fact, the existence of such an audit indicates the desire of persons in charge of the personnel management function to do better and improve their performance. Above all changing social values and attitudes must be kept in mind. Efforts must be made to optimize the effectiveness and efficiency of Human Resources!

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