

## **“Human Resources Audit Practices Among It Firms: A Descriptive Analysis”**

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### **Abstract**

The use of HR auditing has increased in recent years with the commitment to move HR from a support to a strategic function. HR auditing is vital to the importance of the HR function, but there is little correlation between the information in the audit and the overall effectiveness of the organization. The role of HR function has changed dynamically. However, there is always room for improvement which can't be ignored. For HR, the diagnosis of improvement areas can be done through one essential tool: the HR Audit. Auditing, in simple terms, is described as a diagnostic tool to gauge the current status of operations and to identify the gaps between what is intended and what is actually being delivered. The primary objective of the present study is to find out the HR audit preferences and practice and the motives behind the same among the employees and management of IT firms. A sample survey is conducted among the 442 IT professionals through convenient sample method and classified and presented using the simple percentage analysis. The results indicate that the employees view the HR audit as a tool for SWOT analysis and to grow in career. On the other hand management views HR audit as planning and controlling tool. It is observed that both employees and management views HR audit with the positive note.

**Key words:** SWOT Analysis- Planning- Controlling tool- Intellectual capital- Competitiveness.

### **Introduction**

A periodic Human Resource audit can qualify its effectiveness within an organization. Human Resource audits may accomplish a variety of objectives, such as ensuring legal compliance; helping maintain or improve a competitive advantage; establishing efficient documentation and technology practices; and identifying strengths and

weaknesses in training, communications and other employment practices. Human Resource auditing is something that many companies do annually, just as they audit their financial information. This gives them an accounting of their workforce and the efficiency with which the organization as an entity deals with its people, from recruiting to firing. Human Resource auditing can be likened to a person going to the doctor for a general check-up to stay well. The process allows a company to get a general idea of where it stands so it can better correct any potential problems and plan for the future.

### **Importance of Human Resource Audit:**

An HR audit is an investigative, analytical, and comparative process that attempts to measure the effectiveness of the HR function. Like financial auditing, it involves compiling and analyzing data for an extended period (usually a year) to reveal how well or how poorly HR is performing. It also provides base-line data to improve the performance and productivity of the organization. The use of HR auditing has increased in recent years with the commitment to move HR from a support to a strategic function. HR auditing is vital to the importance of the HR function, but there is little correlation between the information in the audit and the overall effectiveness of the organization. The role of HR function has changed dynamically. However, there is always room for improvement which can't be ignored. For HR, the diagnosis of improvement areas can be done through one essential tool: **the HR Audit**. Auditing, in simple terms, is described as a diagnostic tool to gauge the current status of operations and to identify the gaps between what is intended and what is actually being delivered.

### **Review of Literature**

Human Resource audit is a rational evaluation of the working of the Human Resource department. It must reviews all the key practices of Human Resource Management like Human Resource Planning, Job Analysis, Compensation Management, Affirmative Action, Recruitment & Selection, Training & Development, Orientation, Career Development, Performance Appraisals and Labor Management Relations (**Werther & Davis, 2000**).

Human Resource Audit basically identifies the gaps between the policies and practices followed by the Human Resource Department. Large organizations carry out Human Resource Audits almost in the same manner as financial audits. They appoint a team of experts who have the indispensable functional experience in one or more specific areas. The best way to begin the Human Resource audit is to evaluate the past audit reports, or on the basis of functions performed by the Human Resource department (**Werther & Davis, 2000**).

**Shammy Shiri (2012)**, The study indicates that HR audit increases the efficiency of Human Resource function, gives opportunity to align the HR practices with the organizational strategy, identify improvement areas, and fine-tune the HR current practices in sync with organizational strategies.

**Krishnakumar & B.Elakiya (2014)** The authors with main objectives to explain how 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. 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.

**F.R. Alexxander pravin Durai, I.Adaikalasamy,(2014)** the study identified the existing HR Audit practices and perception of Operating Engineers in Mando Automotive India Ltd., The study states that HR Audit is a periodic review to measure the efficiency and effectiveness of Human Resource Management. Although there is no legal obligation to conduct HR Audit, it is considered important for improving the performance of human resource, controlling the cost of labor and meeting the challenges of the trade union. It is clear that study in the HR Audit sector is very limited. So it is necessary to find out the organizations that have HR Audit practices and to study on HR Audit practices perception of employees

### **Research Methodology**

The present study is perceptual and qualitative in nature. The present study is described the profile of the IT firms and the environment prevailing and explore the some of the facts relating to HR Audit climate and Practice and the employees perceptions on the same and its relevance and relationship with the performance of the employees and the firm. . Among the different IT hubs in Tamil Nadu, the Chennai city has been selected for the present study. A few and prominent IT firms in the sample are IBM, CTS, Accenture, Oracle, HP, Polaris , Infosys, HCL, Wipro, TCS, Tech Mahindra, Steria, iGate, Inautix and Saskan. In addition to that small and niche but competitive in nature and specialized in services are rendered by some other are considered for the purpose of study and data collection. Initially a pilot study was conducted with 125 questionnaires and the reliability for the same was calculated by using Corn Bach's Alpha Score and found at 0.896 (89.6 Percent) as reliable. Ideally, the reliability coefficient above 0.5 is considered acceptable as a good indicator of constructing reliability (Nunnally, 1976), above 0.6 is treated satisfactorily (Robinson et.al., 1991), but alpha above 0.7 is considered sufficient (George and Mallery, 2001; Pallant, 2005). Based on the same other IT firms were approached and met Human Resources Managers to get permission for the survey. Later final survey was started using the convenient sample technique (500 Questionnaires were distributed). The employees in the IT firms are not willing to share any information about the company and its practices. The myth of employees on the surveys is observed during the survey. Unless the purpose is clearly explained, majority of them are reluctant to respond. The employees are willing to express the reasons for change from one to other, the merits of the previous company where they employed and the other best practices of the competitor companies etc. In some of the IT firms, allowed to meet the employees during training sessions and relaxation centres. IT helped us to meet and explain the purpose of the survey to many at a time and create awareness and to

obtain the data with ease. The targeted sample size is fixed at 500. After data collection and scrutiny, the valid entries taken into consideration for analysis are 442.

## Data Analysis and Discussion

**Table 1:** Distribution of sample on the basis of Awareness on Human Resources Audit (HRA)

Degree of awareness	Frequency-(N)	Percentage-(%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Highly aware	36	8.1	8.1	8.1
Aware	159	36.0	36.0	44.1
Somewhat aware	129	29.2	29.2	73.3
Not aware	96	21.7	21.7	95.0
Not at all	22	5.0	5.0	100.0
Total	442	100.0	100.0	

It is noted from the table 1, that the awareness on human resources audit among the employees is found at 8.1 percent of the employees are highly aware of the concept, 36 percent of the employees in the sample are aware of the HR audit concept, 29.2 percent of the employee are somewhat aware of the HR audit, 21.7 percent are not aware of it and finally 5 percent of the employees are not at all aware of the concept of HR audit among the sample. IT indicates that the average level of awareness on the concept of the Human resources audit is found among the employees working in IT firms. Hence, it is advisable to create awareness of the concept among the employees during the training sessions and do the follow up on the same can help in improving the level of awareness.

**Table 2:** Distribution of sample on the basis of Sources of awareness on HRA

Sources of Awareness	Frequency-(N)	Percentage-(%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Offer letter & Training sessions	104	23.5	23.5	23.5
Discussion with HR	32	7.2	7.2	30.8
Performance appraisal form	74	16.7	16.7	47.5
Colleagues/Friends	152	34.4	34.4	81.9
Old company used to practice	80	18.1	18.1	100.0
Total	442	100.0	100.0	

The results of the table 2 indicated that the source of awareness of the concept of human resources audit among the employees in It sector are revealed as 23.5 percent through offer letter and during training sessions, 7.2 percent got an idea while discussing with Human resources department, 16.7 percent through performance appraisal form, 34.4 percent through friends and colleagues and 18.1 percent from the experience of previous company. IT clearly indicates that training sessions and learning from peers is the highly influencing channels of learning and getting information among the youth and employees working in IT firms. It indicates that informal sources of learning are highly effective in IT firms when compared to other sources. Hence, frequent group discussions with cross domain teams and cross functional teams may help to get more information on organizational policies, hr practices and performance enablers and others among the employees in IT firms.

**Table 3:** Distribution of sample on the basis of practicing status of HRA

Practicing Status of HRA	Frequency - (N)	Percentage - (%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Yes	291	65.8	65.8	65.8
No	151	34.2	34.2	100.0
Total	442	100.0	100.0	

It is found from the analysis of table 3, that 65.8 percent (approximately 2/3<sup>rd</sup>) of the It firms in the sample are practicing the HR audit and the 34.2 percent of the firms are not practicing the HR audit. The reasons could be size, compatibility, requirement and the other constraints like lack of infrastructure, no demand from the clients etc. However, a strict and commendable control on the performance of the employees is observed among these firms. Hence, it is advisable to introduce formally and creating awareness among the employees may help in standardizing the systems and procedures for the future.

**Table 4:** Distribution of sample on the basis of Perception on HRA impact on individual performance

Perception on HRA impact on individual performance	Frequency - (N)	Percentage - (%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Strongly agree	70	15.8	15.8	15.8
Agree	210	47.5	47.5	63.3
Somewhat agree	61	13.8	13.8	77.1
Not agree	31	7.0	7.0	84.2
Not at all agree	70	15.8	15.8	100.0
Total	442	100.0	100.0	

It is inferred from the table 4, that 15.8 percent of the employees in the sample survey perceived that the human resources audit influences the performance of the employees is strongly agreed, 47.5 percent are agreed for the same, 13.8 percent are somewhat agreed on the perception, 7 percent of the employees are not agreed the impact of HR audit on individual performance and 15.8 percent of the employees are not at all agreed for the perception of influence of HR audit on the individual performance among the employees in IT firms in the sample. It indicate that majority of the employees agreed that the Human resources audit influences the individual performance in the IT firms. The disagreement of others may be due to lack of awareness and myth of loss of job and other individual attitude issues.

**Table 5:** Distribution of sample on the basis of Perception on HRA impact on firm performance

Impact of the HRA Practice on the performance of the firm	Frequency-(N)	Percentage - (%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Excellent	65	14.7	14.7	14.7
Very good	192	43.4	43.4	58.1
Fair	86	19.5	19.5	77.6
Moderate	39	8.8	8.8	86.4
No impact	60	13.6	13.6	100.0
Total	442	100.0	100.0	

The perception on the impact of HR audit practices on the performance of the firm is indicated as excellent impact by 67 respondents (14.7%) of the sample, 43.4 percent indicate very good impact, 19.5 percent perceived that a fair impact, 8.8 percent of the employees represent moderate level of impact and 13.6 percent perceived that no impact of the HRA practices on the performance of the firm. IT indicates that it is agreed that the Human resources audit is a motivating and control tool to improve the performance of the employees and the firm.

**Table 6:** Distribution of sample on the basis of Perceptions on Rating of HRA practice

Perceptions on Rating of HRA practice	Frequency -(N)	Percentage - (%)	Valid Percentage-(%)	Cumulative Percentage-(%)
The Best and on par with standard	62	14.0	14.0	14.0
Very good and suitable to all	199	45.0	45.0	59.0
Good and customized to this company	83	18.8	18.8	77.8
Not so good like	35	7.9	7.9	85.7

competitors				
To be improved a lot and no way comparable	63	14.3	14.3	100.0
Total	442	100.0	100.0	

It is understood from the table 6, that out of 442 sample respondents, 62 (14%) of them perceived that the practices of HR audit in their firm as The best and on par with the industry standard, 199 respondents felt that very good and suitable HR audit practice as their opinion, 83 respondents felt that the HR audit practice adopted in the company is good and customized to the requirements, 35 respondents perceived that as not so good like other competitors, and finally 63 respondents in the sample reveals that the need for improvement in the HR audit practices and no way comparable with the industry standards. It indicates a mixed opinion on the HR audit practices of the IT firms in the sample area and each company can think ahead and set a standard to reach the industry standard over a period of time. This can help in getting the best results from the practice of HR audit practice.

**Table 7:** Distribution of sample on the basis of Prime Factor influencing HRA practice

<b>Prime Factor influencing HRA practice</b>	Frequency -(N)	Percentage - (%)	Valid Percentage-(%)	Cumulative Percentage-(%)
Individual/Personal Factors	71	16.1	16.1	16.1
Organizational Factors	212	48.0	48.0	64.0
Environmental Factors	66	14.9	14.9	79.0
Managerial Factors	40	9.0	9.0	88.0
Regulatory Factors	53	12.0	12.0	100.0
Total	442	100.0	100.0	

It is noted from the table 7, that the prime factors influencing the adoption and practice of HR audit practices among the It firms in the sample area, indicated as 16.1 percent of the sample represents individual factors, 48 percent of the sample represents organizational factors, 14.9 percent of the sample represents environmental factors, 9 percent of the sample represents managerial reasons and 12 percent of the sample perceived as regulatory factors. Hence, it is concluded that organizational factors are the prime factors influencing the adoption and practice of HR audit practices among the IT firms in the sample area.

**Table 8:** Distribution of sample on the basis of Perceptions on Motive to focus on HRA

<b>Motive to focus on HRA</b>	Frequency -(N)	Percentage - (%)	Valid Percentage -(%)	Cumulative Percentage- (%)
To have self evaluation	45	10.2	10.2	10.2
To satisfy clients	136	30.8	30.8	41.0
To assess future preparedness	63	14.3	14.3	55.2
To eliminate the unskilled staff	50	11.3	11.3	66.5
To improve standards in quality of work	148	33.5	33.5	100.0
Total	442	100.0	100.0	

It is noted from the table 8, that the primary motive to focus on Human resources audit is perceived as to have self evaluation by 10.2 percent of the sample, to satisfy clients requirements by the 30.8 percent of the sample, to assess future preparedness by 14.3 percent, to eliminate the unskilled staff by 11.3 percent and to improve the standards in quality of work by 33.5 percent of the employees in the sample working in IT firms in Chennai. IT indicates that HR audit is used as a tool to planning a controlling the performance of the employees and the performance of the firm in IT sector.

**Table 9:** Distribution of sample on the basis of Perceptions on Reason for preferring HRA by Employees

<b>Perceptions on Reason for preferring HRA the employees</b>	Frequency -(N)	Percentage - (%)	Valid Percentage -(%)	Cumulative Percentage- (%)
It helps to identify our SWOT	76	17.2	17.2	17.2
Helps to grow in career ladder	223	50.5	50.5	67.6
Bench mark for performance	75	17.0	17.0	84.6
Grade points of pay scale goes up	11	2.5	2.5	87.1
Helps to shift to some other opportunity	57	12.9	12.9	100.0
Total	442	100.0	100.0	

The reasons for preferring HR audit by the employees working in IT firms in the sample are quoted in the table 4.19 that, 76 respondents (17.2 percent of the sample)



as it helps to identify SWOT of the individual employee, 223 respondents(50.5 percent of the sample) perceives that HR audit reports helps to grow in the career ladder, 75 respondents (17 percent of the sample) perceived as HR audit is a bench mark for performance, 2.5 percent of the sample respondents perceived as grade points and pay scale goes up with the audit rank, and finally 12.9 percent of the sample respondents felt that HR audit helps to shift to better career opportunity. Hence, it is noted that HR audit serves many purposes of the employees working in It firms and it is all in the hands of the employees, how they want to use the HR audit tool to improve them in career growth and development.

**Table 10:** Distribution of sample on the basis of Perceptions on Management attitude towards HRA

<b>Perceptions on Management attitude towards HRA</b>	Frequency -(N)	Percentage - (%)	Valid Percentage- (%)	Cumulative Percentage- (%)
Professional tool to build good teams	98	22.2	22.2	22.2
Performance control measure	191	43.2	43.2	65.4
Talent retention measure	84	19.0	19.0	84.4
Motivational tool	45	10.2	10.2	94.6
Practice of custom	24	5.4	5.4	100.0
Total	442	100.0	100.0	

Table 10 represents the results of the data analysis pertaining to management attitude towards HR audit among the IT firms in the sample. It is noted that 22.2 percent of the sample perceived that management observed HR audit as a professional tool to build good teams, 43.2 percent of the sample represents as a performance control measure, 19 percent represents as a talent retention measure, 10.2 percent of the sample represents as a motivational tool, and 5.4 percent of the sample represents as a practice of custom. It is inferred from the analysis that HR audit tool is used with a good intention to build and retain talented employees for the benefit of the firm and to protect the stake holders interests at large.

**Findings of the study**

**Level of Awareness:** The results of the table 4.8 indicated that the source of awareness of the concept of human resources audit among the employees in It sector are revealed as 23.5 percent through offer letter and during training sessions, 7.2 percent got an idea while discussing with Human resources department, 16.7 percent through performance appraisal form, 34.4 percent through friends and colleagues and 18.1 percent from the experience of previous company. IT clearly indicates that training sessions and learning from peers is the highly influencing channels of learning and getting information among the youth and employees working in IT firms.

**Practicing of HR Audit:** It is found from the analysis of table 4.9, that 65.8 percent (approximately 2/3<sup>rd</sup> ) of the IT firms in the sample are practicing the HR

audit and the 34.2 percent of the firms are not practicing the HR audit. The reasons could be size, compatibility, requirement and the other constraints like lack of infrastructure, no demand from the clients etc.

**Impact of HR Audit on the performance of employees:** 15.8 percent of the employees in the sample survey perceived that the human resources audit influences the performance of the employees is strongly agreed, 47.5 percent are agreed for the same, 13.8 percent are somewhat agreed on the perception, 7 percent of the employees are not agreed the impact of HR audit on individual performance and 15.8 percent of the employees are not at all agreed for the perception of influence of HR audit on the individual performance among the employees in IT firms in the sample.

**Impact of HR Audit on the performance of the firm:** The perception on the impact of HR audit practices on the performance of the firm is indicated as excellent impact by 67 respondents (14.7%) of the sample, 43.4 percent indicate very good impact, 19.5 percent perceived that a fair impact, 8.8 percent of the employees represent moderate level of impact and 13.6 percent perceived that no impact of the HRA practices on the performance of the firm. IT indicates that it is agreed that the Human resources audit is a motivating and control tool to improve the performance of the employees and the firm.

**Prime factors influencing the practice of HR Audit:** the prime factors influencing the adoption and practice of HR audit practices among the IT firms in the sample area, indicated as 16.1 percent of the sample represents individual factors, 48 percent of the sample represents organizational factors, 14.9 percent of the sample represents environmental factors, 9 percent of the sample represents managerial reasons and 12 percent of the sample perceived as regulatory factors. Hence, it is concluded that organizational factors are the prime factors influencing the adoption and practice of HR audit practices among the IT firms in the sample area.

**Motives of Conducting HR Audit:** the primary motive to focus on Human resources audit is perceived as to have self evaluation by 10.2 percent of the sample, to satisfy clients requirements by the 30.8 percent of the sample, to assess future preparedness by 14.3 percent, to eliminate the unskilled staff by 11.3 percent and to improve the standards in quality of work by 33.5 percent of the employees in the sample working in IT firms in Chennai. IT indicates that HR audit is used as a tool to planning a controlling the performance of the employees and the performance of the firm in IT sector.

**Employees preference towards HR Audit:** 22.6 percent of the sample respondents working in IT firms in the sample area always would like to have HR audit, 42.1 percent would like to have most of the time, 18.6 percent would like to have some times, 13.6 percent would like to have rarely and 3.2 percent of them never prefers to have HR audit at work place. IT is inferred that Majority of the Employees feels that HR audit as a useful tool for self development and for the development of the firms.

**Management attitude towards HR audit:** It is noted that 22.2 percent of the sample perceived that management observed HR audit as a professional tool to build good teams, 43.2 percent of the sample represents as a performance control measure, 19 percent represents as a talent retention measure, 10.2 percent of the sample

represents as a motivational tool, and 5.4 percent of the sample represents as a practice of custom. It is inferred from the analysis that HR audit tool is used with a good intention to build and retain talented employees for the benefit of the firm and to protect the stake holders interests at large.

## **Suggestions**

1. **Design and development of best HR policies:** Design and development of HR polices to attract the talented youth and to recruit, train and engage in business. HR audit acts as a pre-checker on the quality of resources and intellectual capital procuring and using in business.
2. **Dedicated and expertise HR team:** Human resources is a key function in an organization. The duty of HR team is to take care of the individual needs from basic and physiological to self actualization needs from time to time. As long as this happens in a clear manner the employees contribute the best to the firm and to the society in a way. Hence, HR team should act as a sensitive missionary and serve all with smile.
3. **Effective employee communication system:** Communications ina formal organizations play a major role in improving the performance and to improve the co-ordination and smooth functioning of the firms. Sometimes informal communications try to spoil the regular and smooth work flow. This can be avoided only through effective and good formal and effective communication system.
4. **Planned programmes for career growth and business sustainability:** planned development is a permanent development. Hence, systematic and planned career development for employees and long terms and medium term plans for the firm and working accordingly can help to grow better, better and better in business. This lack among many leads to failures in business.

## **Summary and Conclusion**

It is noted that contribution of employees, organization environment and HR Audit practices are indispensable for the sustainable growth and development of the business in long run. Hence, a systematic planning and adoption of development schemes, effective implementation and follow up, revision of the schemes and plans from time to time can help in growing much faster, better and sustainable. Hence, HR audit can act as a catalyst for the individual growth and the organization development. Hence, Human resources audit can definitely help to improve the performance of the employees and the performance of the fir

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