IMPACT OF HUMAN RESOURCE AUDIT PRACTICES ON THE PERFORMANCE OF EMPLOYEES A STUDY OF IT PROFESSIONALS IN GUJARAT

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Abstract - HR Audit has emerged as one of the important instruments to evaluate Human Resource Management in 1960’s. the concept is widely accepted and practised in western developed countries. But in India the concept of HR Audit is not widely accepted like a financial audit in an organisation. Today in India only 4 out of 100 companies dedicate their resources towards HR Audits. "The unexamined work life is not worth living." “The things that get measured gets managed” is the main concept behind HR Audit. The objective of this study is to know the impact of Human Resource Audit Practices on the Performance of Employees: A Study of IT Professionals in Gujarat. Total 3 to 4 IT firms and 110 IT Professional filled up google form (e-questionnaire). At the end, this paper can find that 76 respondents said that Human Resource Audit (HRA) Practices have an impact on the Performance of Employees w.r.t Individual/Personal Factors (Employee level). 60 respondents rightly said that all the methods like Professional tool to build good teams, Performance Control Measure, Talent Retention Measure, Motivational Tools are implemented by our company’s management to assess the impact of HR Audit on the Performance of Employees. Out of 110 respondents, majority respondents said that to improve standards in quality of work is the main motive to focus on HR Audit practices because HRA has a positive impact on employee performance.

Keywords: Human Resource, Audit, HR Audit, Employees, Impact, Organization

INTRODUCTION

Popular perception in industry circles is that an organization’s continuous success, improved performance and long-term sustenance depend more on the way the HR function is handled. To extract the best from human resources, the different components should be aligned like its functions, strategies, structure, systems and styles with business and goals. Short-term and long-term goals need to also need to be aligned. If there is no alignment, human resources can become a liability for corporations.

Human Resource Audit is a comprehensive evaluation of the current HR systems and strategies, structure and competencies, culture and impact” in the context of short- and long-term plans of the company. An attempt is made to assess:

i. The competencies needed at present

ii. Existing systems to develop these competencies

iii. The adequacy/ inadequacy or maturity levels of these systems

iv. Existing structures and competencies and their adequacy/ inadequacy

v. Commitment levels exhibiting mechanisms to further it or build work motivation

vi. Work culture and methods of building the same.
Thus, Human resource audit is an attempt to assess these alignments and ensure the same irrespective whichever model or approach an organization adopts for human resource audit.

**ORIGIN AND EVOLUTION**

The term HRA borrows its title and rationale from accountability, it also makes use of the system and methods of the social and scientific information. HRA can be defined as “a systematic assessment of the strengths, limitations, and development needs of its existing human resources in the context of organizational performance” (Flamholtz, 1987) [1].

HRA aims at to encourage professional managers and executives to develop their own ways of measuring performance against targets and objectives developed from the experience and needs of their own particular unit, department and section. (Willion B. Werther & Keith Davis, 1996).

**CONCEPT OF HUMAN RESOURCE AUDIT**

*What is Audit?*

The word “audit” comes from the Latin verb Audrie, which means, to listen.

Auditing as a formal process is rooted in this feature of listening. Consequently, it is a analytic tool to device not only the current position of things but also the intros between the current status and the anticipated status in the part that is being checked.

However, in case of Human Resource, there is no legal binding to adopt auditing. Some of the companies nevertheless prefer to have Human Resource audits.

*Types of Audit*

An HR audit can be structured to be either comprehensive or specifically focused, within the constraints of time, budgets and staff. Some of the more common types are:

- Compliance: Focuses on how well the company is comply with current federal, state and local laws and regulations.
- Best practices: Helps the organization maintain or improve competitive advantage by comparing its practices with those of companies identified as having exceptional HR practices.
- Strategic: Focuses on strengths and weaknesses of systems and processes to determine whether they align with the HR department’s and/or the company’s strategic plan.
- Function specific: Focuses on specific area in the HR function (e.g., Pay-roll, performance management, record retention, etc.).

*What is Human Resource Audit?*

Human Resource Audits are not monotonous performs aimed at tricky solving, instead of directly solving problems, HR audits, like monetary audits, help in providing insights into possible causes for current and future problems. The answers of these audits aid decision making in the organization and are usually internal papers that need not essentially be shared with the community.

Human Resource 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, etc.. In short, a human resource audit is a tool for evaluating the personnel activities of an organization.

**NEED FOR HR AUDIT**

According to Ulrich, Human resource practices and functions have a far-reaching effect on the employee’s morale and performance, which in turn, affects the entire performance of the organization.

Need of HR Audit is as follows:
To increase the size of the organization and personnel in several organizations.
To change the philosophy of management towards HR
To increase the strength and influence of trade unions
To change HR management philosophy and thereby personnel policies and practices throughout the world
To increase the dependence of the organization on the HR system and its effective functioning.

SIGNIFICANCE OF HR AUDIT:
- Essential for organization success
- It provides required feedback
- Managing rising Labour costs
- HR Audit can avoid government intervention

FREQUENCY OF HR AUDIT:
- It is best to have a HR Audit once in a year. The HR Audit, if conducted continuously and regularly, then it becomes a fairly managed process.
- Usually, the frequency of the audit being conducted depends on the company.
- Management must see to it that a well efficient audit is done on yearly basis.

RATIONALE FOR CONDUCTING AN HR AUDIT:
The audit helps quantify the results of the department’s initiatives and provides a roadmap for necessary changes. The rationale of the audit hence can be outlined as:
1. Audit increases the efficiency of the HR team.
2. It helps in saving a lot of cost.
3. Helps in achieving internal and external benchmarking.
4. Helps in compliance issue to various quality initiatives in the company.
5. Helps in legal compliance.
7. Improves supervision and leadership at all levels of the organization.
8. Helps to retrospect and reflect upon various practices from a practical stand-point.
9. Audit extends HR business partner’s role and helps it make quantifiable contribution in business.
10. Helps in making the HR department more effective and credible.

STATEMENT OF PROBLEM:
"Impact of Human Resource Audit Practices on the Performance of Employees: A Study of IT Professionals in Gujarat".

Human Resource Audit (HRA) 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, etc.

The intellectual capital management is key in the success of the firms in IT sector. The salient feature of IT sector is cut edge competition and technology up-gradation from time to time. The prime responsibility of HR department is to identify the future needs and to procure the skilled employees and to train them to meet the requirements and to have sustainable development from time to time. In the process, Human
resource planning, training, deployment, performance evaluation talent retention and audit of the employee management practices are important. HR Audit is the process of doing such delicate function in the organization. The study has been focused on "Impact of Human Resource Audit Practices on the Performance of Employees: A Study of IT Professionals in Gujarat".

LITERATURE REVIEW
1. HR audit helps in realizing company’s goals and objective and lead to over all development of HR development and initiates utilization of full potential of HR functional. (Sinha, 2012)
2. HRA that helps the organization achieve its business goals and objectives, an HR Audit can help to ensure legal and compliance review while measuring the effectiveness of HR programs. (Judith, 2012)
3. HR Audit is an assessment tool to analyze the effectiveness under the legal review of umbrella with the align of HR Strategy. (Osama, 2010)
4. HR audit can range from a simple review of workplace policies to an extensive examination of practices, policies, procedures and measurements to determine how close to alignment is between the organization’s strategic goals and direction and HR functions that support the company’s strategy. HR audits might go so far as to survey compensation practices, measuring the competitiveness with their respective local regulations pertaining to minimum wage laws. (Mayhew & Media, 2009)

SCOPE OF THE STUDY
The scope of the current study is limited to the IT professionals in Gujarat. The operations of the sample firms are spread across all the domains and verticals of the IT services. The employees in the survey cover the range of age groups, experiences, working at different levels of management etc. In addition, equal opportunity was given to all the employees by sending a digital survey structured questionnaire (Google form) for expressing their views on the topic and the various dimensions of impact of the same.

NEED FOR THE STUDY
This concept evolved into 2 key ideas that formed the basis of this research study. The need for this study is as follow:
- Gain insight into the current state of HR Audit climate and Practices among the IT Professional
- Develop a greater understanding of the issues currently affecting HR Audit and its impact on the performance of the employees.

OBJECTIVES OF THE STUDY
PRIMARY OBJECTIVE:

SECONDARY OBJECTIVES:
1. To study the HR Audit practices climate and environment in IT sector.
2. To assess the factors influencing HR Audit Practices in IT Sector.
3. To find out the relationship between HR Audit Practice and performance of the IT Professionals in the Gujarat.

PROFILE OF SELECTED IT FIRMS:
• beekayIT NetSec Solutions Pvt. Ltd., Ahmedabad-380051
  ✓ Started journey as Bee kay InfoNet (BKIT) IN 2004
  ✓ Established organization as a system integrator company by providing solutions & services of Outdoor Wireless, all type of IT connectivity, VOIP, IT Infrastructure by 2010.
✓ Providing turnkey solutions over a decade in the field of IT, telecommunication, network systems.

✓ **HR Audit process:**

1. Setting objectives
2. Measuring and assessing current practices
3. Compare with current against past
4. Identify and recommend areas for change
5. Implement legally compliant employment and good HR practices.

✓ **Workforce issues:**

1. Legal
2. Political
3. Cultural
4. Social

✓ **Performance evaluation process:**

1. Job analysis
2. Existing performance standards
3. Communicating standards
4. Determining actual performance
5. Matching actual with desired
6. Discuss result

- **Apex INFOCOM, Ahmedabad-380058**

✓ Recognized as the most reliable and powerful company.
✓ Running for producing best productivity
✓ Strong and healthy customer base

✓ **HR Audit process:**

1. Setting objectives
2. Measuring and assessing current practices
3. Compare with current against past
4. Identify and recommend areas for change
5. Implement legally compliant employment and good HR practices.

✓ **Workforce issues:**

5. Legal
6. Political
7. Cultural
8. Social
✓ Performance evaluation process:

7. Job analysis
8. Existing performance standards
9. Communicating standards
10. Determining actual performance
11. Matching actual with desired
12. Discuss result

• **Shiny Software Solutions, Porbandar-360575**

✓ This company provides strategy and technology implementation services to customers who want to re-engineer their existing business.

✓ Focus of our team of professionals is on Knowledge Management, Enterprise Integration, and Technological migration to the web-based or best-suitable platform.

✓ This company strongly believes that the software should be cost effective at the same time it should give maximum performance, scalability and efficiency. Customer should feel that ‘It’s my kind of software’.

✓ This company utilizes the power of latest software tools and IT by working 24 x 7 work-environments.

✓ This company develops feasible and easy to use customer-oriented software which can satisfy the customers’ needs.

✓ **HR Audit process:**

1. Setting objectives
2. Measuring and assessing current practices
3. Compare with current against past
4. Identify and recommend areas for change
5. Implement legally compliant employment and good HR practices.

✓ **Workforce issues:**

9. Legal
10. Political
11. Cultural
12. Social

✓ **Performance evaluation process:**

13. Job analysis
14. Existing performance standards
15. Communicating standards
16. Determining actual performance
17. Matching actual with desired
18. Discuss result
RESEARCH METHODOLOGY:
Research Design : Descriptive study
Research Area : IT sector
Target Population : IT Professionals in IT firms in Gujarat
Sample Type : IT Professional
Sample size : 110 Respondents
Sampling Method : Conveniant sampling
Sources of data : Primary data
Data collection Instrument : Questionnaire (Google form)
Data collection Method : Personal Survey Method

HYPOTHESIS FRAMEWORK:
10. Human Resource Audit (HRA) Practices have an impact on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

H0: There is no significant impact of HR Audit on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

H1: There is a significant difference impact of HR Audit on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

DATA COLLECTION AND INTERPRETATION:

Educational Stream

Your Department

- UG Technical
- UG Non-technical
- PG Technical
- PG Non-technical
- Professional

- Human Resource (HR)
- Finance
- Information Technology (IT)
- Sales and Marketing
1. What is your understanding on Human Resource Audit (HRA) from the following? HRA is a systematic verification of......
2. What is the frequency of the HR Audit in your company?
110 responses

3. Does the company keep track of Leaves, skills, employee's performance, training is done, the experience of existing employees?
110 responses
4. Sources of awareness on HR Audit:
110 responses

- Offer letter & Training Sessions: 24.5%
- Discussion with HR: 17.3%
- Performance appraisal form: 26.4%
- Colleagues/Friends: 18.2%
- All of the above: 6.4%
- If others, please specify: 2.7%

6. Does the company consider Leaves and Overtime of the employees in the HR Audit process?
110 responses

- Yes: 60.9%
- No: 31.8%
- Maybe: 7.3%

5. What are the components of HR Audit process according to you?
110 responses

- Hiring employees both internal and external: 40.9%
- Benefits: 10.9%
- Performance Evaluation Process: 38.2%
- Compensation: 3.6%
- Termination Process: 1.8%
- Job Descriptions: 0.9%
- Exit Interviews: 0.9%
8. What are your perceptions on Focused area of HR Audit functions?
110 responses

7. HR Climate. Job satisfaction, working conditions, employee salaries, and motivational level of employees are also considered in HR Audit process.
110 responses

9. What are the prime factor influencing HR Audit practices according to you?
110 responses

10. Human Resource Audit (HRA) Practices have an impact on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).
110 responses
11. Which of the following methods are implemented by your company’s Management to assess the impact of HR Audit on the Performance of Employees?
110 responses

- 54.5%: Professional tool to build good teams
- 16.4%: Performance Control Measure
- 12.7%: Talent Retention Measure
- 10%: Motivational Tools
- 10%: All of the above

12. What is the frequency of measures taken by your company on HR Audit measures?
110 responses

- 40.4%: Always
- 33.6%: Sometimes
- 17.3%: Rarely
- 9%: Never

13. Your company’s motive to focus on HR Audit practices has a positive impact on employee performance. How?
110 responses

- 35.5%: Through self-evaluation
- 20%: By satisfying clients
- 20%: To assess future preparedness
- 19.1%: By eliminating the unskilled staff
- 10%: To improve standards in quality of work

14. What is your perceptions on reason for preferring HR Audit by Employees?
110 responses

- 41.8%: It helps to identify our SWOT
- 24.5%: Helps to grow in career ladder
- 15.5%: Benchmark for performance
- 10%: Grade points of pay scale goes up
- 10%: Helps to shift to some other opportunity
HYPOTHESIS TESTING:

Chi - square test (Goodness of fit)

1. Human Resource Audit (HRA) Practices have an impact on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

Step – 1:

H0: There is no significant impact of HR Audit on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).
H1: There is a significant impact of HR Audit on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

Step – 2:

<table>
<thead>
<tr>
<th>Category</th>
<th>fo</th>
<th>fe</th>
<th>(fo – fe)</th>
<th>(fo – fe)^2</th>
<th>( \frac{\sum(fo - fe)^2}{fe} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>04</td>
<td>22</td>
<td>-18</td>
<td>324</td>
<td>14.73</td>
</tr>
<tr>
<td>Disagree</td>
<td>04</td>
<td>22</td>
<td>-18</td>
<td>324</td>
<td>14.73</td>
</tr>
<tr>
<td>Neutral</td>
<td>26</td>
<td>22</td>
<td>4</td>
<td>16</td>
<td>0.73</td>
</tr>
<tr>
<td>Agree</td>
<td>45</td>
<td>22</td>
<td>23</td>
<td>529</td>
<td>24.05</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>31</td>
<td>22</td>
<td>8</td>
<td>64</td>
<td>2.90</td>
</tr>
<tr>
<td>TOTAL</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
<td>57.14</td>
</tr>
</tbody>
</table>
\( \chi^2 \text{ cal} = \frac{\Sigma (f_0 - f_e)^2}{f_e} = 57.14 \)

**Step – 3:**

DF = n – 1

5 – 1 = 4

\( \chi^2 \alpha, \text{ DF} = \chi^2 0.05, 4 \)

\( \chi^2 \text{ tab}= 9.488 \)

**Step – 4:**

The calculated value is greater than the tabular value. So, this rejects H0 hypothesis which means there is significant impact of HR Audit on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).

**FINDINGS**

- The frequency of the HR Audit in company is yearly.
- Out of 110 respondents, 80 respondents said that company keeps track of Leaves, skills, employee’s performance, training is done, the experience of existing employees.
- 29 respondents said that discussion with HR is one of the best sources of HR Audit.
- Majority of respondents said that Job description and performance evaluation process are the best components of HR Audit process.
- 40 respondents and 39 respondents said we are strongly agreed and agree that HR Climate, Job satisfaction, working conditions, employee salaries, and motivational level of employees are also considered in HR Audit process.
- 76 respondents said that Human Resource Audit (HRA) Practices have an impact on the Performance of Employees w.r.t Individual/Personal Factors (Employee level).
- 60 respondents rightly said that all the methods like Professional tool to build good teams, Performance Control Measure, Talent Retention Measure, Motivational Tools are implemented by our company’s management to assess the impact of HR Audit on the Performance of Employees.
- Out of 110 respondents, majority respondents said that to improve standards in quality of work is the main motive to focus on HR Audit practices because HRA has a positive impact on employee performance.

**LIMITATIONS OF THE STUDY**

The present study has been focused with some of the constraints due to this pandemic – Covid-19 situation.

- The present study is conducted in the state Gujarat by using convenient sampling technique.
- Sample size is 110 due to this pandemic time and physical constraints in meeting the respondents and obtaining the responses from sample.
- The level of understanding of the concept and its importance is not quantified and hence, the results may vary accordingly.
- The perceptions represented may be purely personal opinion of the sample respondents and not representing the firm they belong to or the firm they worked with in the previous years.
CONCLUSION
A sincere research effort is made to make some significant contribution to the IT industry which has become the virtual backbone of our country. Hence, Human resources audit can definitely help to improve the performance of the employees and the performance of the firm. There is a lot of scope for research in the area of HRA and its impact on intellectual capital development in the knowledge domain firms. This can help in building the good knowledge management and there by potential benefits to the firms and to the society in resolving interpersonal issues and work-related issues in ease manner. Hence, HRA can be promoted as a voluntary quality circle activity among the firms for the benefit of the employees, firms and to the society at large.

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• http://apexinfocom.in/
• https://www.shinysoftware.in/contact-us.php

APPENDICES:
Follow this link to see the respondent’s Google form.
https://docs.google.com/forms/d/e/1FAIpQLScUCHKr6zFicnYf9HbUloBSprlGnPgMu4OW4WlYPrmjw_7wdg/viewform?usp=sf_link

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