

# Human Resource Audit



**MBA SEM-3**



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## **Module – 1**

### **HUMAN RESOURCE AUDIT**

- ◎ The concept of Human Resource Audit is emerged from the practice of yearly finance and accounting audit, which is mandatory for every organization.
- ◎ This audit serves as an examination on a sample basis of practices and systems for identifying problems and ensuring sound accounting principles are followed.
- ◎ Similarly, a Human Resource Audit serves as a mean through which an organization can measure the health of its Human Resource function.
- ◎ HR Audit is emerged as one of the important tool for evaluating Human Resource Management in 1960's.



- ◎ It is well practiced in Western developed countries. But in India there is no full audit like a financial audit of the Human resource activities in an organization.
- ◎ Today in India only 4 out of 100 companies have dedicated HR resources for HR audits.
- ◎ 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.
- ◎ It starts with the long term and short term plans of the organization and attempts to assess the competency requirements of employees to achieve these plans.
- ◎ The unexamined work life is not worth living,  
**“The things that get measured gets managed”.**



## What is audit?

- ⦿ The general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product.
- ⦿ The term most commonly refers to audits in accounting, but similar concepts also exist in project management, quality management, water management.
- ⦿ The word “audit” comes from the Latin verb audire, which means, to listen.
- ⦿ Auditing as a formal process is rooted in this feature of listening.
- ⦿ Consequently, it is a diagnostic tool to gauge not only the current status of things but also the gaps between the current status and the desired status in the area that is being audited.



## Definitions of human resource audit

### ◎According to G.Seybold,

“Human resource audit refers to an examination and evaluation of policies, procedures, practices to determine the effectiveness of Human Resource Management.”

### ◎According to Flamholtz,

“HR Audit is a systematic assessment of the strengths, limitations, and developmental needs of its existing human resources in the context of organizational performance.”

### ◎According to Jack J.Phillips,

“A human resource audit is defined as an investigative, analytical and comparative process that attempts to reflect the effectiveness of the human resource functions.”

◎ **According to Storey and Sisson,**

“HR Audit is concerned with the gathering, analyzing information, and then deciding what actions need to be taken to improve performance.”





## Objectives of HRA

- ◎ To review the performance of the Human Resource Department and its relative activities in order to assess the effectiveness on the implementation of the various policies to realize the Organizational goals.
  
- ◎ To identify the gaps, lapses, irregularities, shortcomings, in the implementation of the Policies, procedures, practices, directives, of the Human Resource Department and to suggest remedial actions.
  
- ◎ To know the factors which are detrimental to the non-implementation or wrong implementation of the planned Programmes and activities.
  
- ◎ To suggest measures and corrective steps to rectify the mistakes, shortcomings if any, for future guidance, and advise for effective performance of the work of the Human Resource Department.



- ◎ To evaluate the Personnel staff and employees with reference to the Performance Appraisal Reports and suggest suitable recommendations for improving the efficiency of the employees.
  
- ◎ To evaluate the job chart of the Human Resource Managers, Executives, Administrative Officers, Recruitment Officers, whether they have implemented the directives and guidelines for effective Management of the Human resources in their respective Departments.
  
- ◎ To seek answers to such questions as “What happened”? , “Why did it happen”? or “Why did it not happen”? In following implementing policies practices, practices and directives in managing human resource and to improve, qualitative performance of personnel department.



## Concepts of HRA

### 1. HR Audit is comprehensive

- ⊙ Where the company wants to be in ten years from now, three years from now and one year from now?
- ⊙ What is the current skill base of HRD staff in the company in relation to various roles and role requirements?
- ⊙ What are the subsystems available today to help the organization to build its competency base for the present, immediate future as well as for long term goals
- ⊙ What is current level of effectiveness of these systems in developing people and ensuring that human competencies are available in adequate levels in the company?
- ⊙ Is the HRD structure existing in the company adequate enough to manage the HRD in the company?



◎ Are the top management and senior management styles of managing people in tune with the learning culture?

**2. HR Audit examines linkages with other systems**

**3. HR Audit is business driven**

## Components of HRA

Major components of human resource audit include; hiring employees both internal and external, benefits, performance evaluation process, Compensation, termination process, job descriptions and exit interviews. These features are grouped into strategic, operational, administrative levels.

1. Hiring employees both internal and external
2. Benefits
3. Performance evaluation process
4. Compensation
5. Termination process
6. Job descriptions



## 7. Exit interviews

### **1. Hiring employees both internal and external:**

Organizations must give careful consideration to whether they recruit internally or externally. Many employers prefer to conduct internal recruitment first and turn to external recruitment only if internal efforts are unsuccessful.

### **2. Benefits:**

Employee benefits and benefits in kind include various types of non-wage compensation provided to employees in addition to their normal wages or salaries. In most countries, most kinds of employee benefits are taxable to at least some degree. Examples of these benefits include: housing (employer-provided or employer-paid) furnished or not, with or without free utilities; group insurance (health, dental, life etc.); disability income protection; retirement benefits; daycare; tuition reimbursement; sick leave; vacation (paid and unpaid); social security; profit sharing; employer student loan contributions; domestic help (servants); and other specialized benefits.



### **3. Performance evaluation process:**

Performance Evaluation is defined as a formal and productive procedure to measure an employee's work and results based on their job responsibilities. Performance measures will differ from company to company, but provide a means to assess the value of the HR activities in

relationship to the company's overall business goals.

### **4. Compensation:**

Compensation is the total cash and non-cash payments that you give to an employee in exchange for the work they do for your business. It is typically one of the biggest expenses for businesses with employees. Compensation is more than an employee's regular paid wages.

### **5. Termination process:**

Terminating an employee is almost always unpleasant—it's often awkward for the individuals

involved and it disrupts work. But termination isn't just awkward or unsettling; a sloppy termination process can lead to legal liability for the company, too.



Saying the wrong thing or sending a final paycheck too late can leave you vulnerable to lawsuits from former employees. Employee termination laws vary by state, and given the time-sensitive nature of some of these laws that govern your business, you can't afford to wait until you're firing someone to learn them, you may need to make other employees aware of the termination. Tell only employees affected by the termination.

## **6. Job descriptions:**

A job description is an internal document that clearly states the essential job requirements, job duties, job responsibilities, and skills required to perform a specific role. A more detailed job description will cover how success is measured in the role so it can be used during performance evaluations.

## **7. Exit interviews:**

In human resource terms, an exit interview is a survey that is conducted with an employee when he or she leaves the company. The information from each survey is used

to provide feedback on why employees are leaving, what they liked about their employment and what areas of the company need improvement.

### **Components Covered Under HR Audit**

HR Audit process consists of a series of questions covering the eight primary components of the HR function.

Roles, head count, and HR information systems (HRIS)

Staffing (Recruitment & Selection) process.

Personnel Records Documentation

Training, development, and career management

Compensation, Rewards and benefits.

Performance measurement and evaluation

Termination / demotions and transition / turnovers.

Legal actions / issues and personnel policies

### **Need of HRA**

◎ Human Resource practices and functions have a far reaching impact on the employees morale and performance, which in turn, affects the overall performance of the organization.



- ◎ This is why they are claimed to be closely related to a business's balance scorecard through productivity, people, and processes" (Ulrich).
- ◎ Given its criticality, a regular assessment of the HR function, like that of finance function, becomes essential for sustaining organizational health and growth.
- ◎ The need for such assessment is even greater in today's dynamic and, at times, turbulent, environment, where human resource management needs continuous up-gradation and re-alignment.
- ◎ 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.

**In order to perform this emerging role effectively, the HR function has to continually assess:**

- i. Whether it is adding tangible value to the organization through its strategies, policies, processes and practices?;
- ii. Whether it is doing so at a competitive cost ?; and



iii. Whether it is doing so in a manner that is satisfying to its people, acceptable to the society and the law and from a long term perspective, sustainable?

Answers to all these questions need regular HR Audit. Moreover, HR Audit becomes significantly critical in situations of Merger or Acquisition. HR Audit is of great importance in today's competitive environment. Firms conduct it keeping in view variety of objectives. Such audit is needed due to following reasons.

### **Alignment and realignment of HR with business goals.**

- To make HR business driven.
- Promotion of professionalism among employees and company.
- Understanding the reasons for lower employee productivity and employee attrition; and improving the same.

**To review and improve effectiveness of various HR systems like manpower planning and recruitment,**



**training and development, performance appraisal, etc.**

- To create high return on investment on HR.

## **Benefits**

**There is several advantage of using human resource accounting. These includes,**

1. Foresee the changes,
2. Provides different methods of testing,
3. Increase productivity,
4. Brings high return,
5. Helps individual employee to aspire,
6. Provides scope for advancement ,
7. Throws light on the strength and weaknesses of existing workforce and,
8. Helps potential investors to judge a company.



## HRD audit

- ◎HRD Audit means taking a holistic view of evaluating the current state of HRD affairs in the organization.
- ◎It generally focuses on the existence of development and learning culture as well as HR sub-systems prevailing in the organization in a proactive manner.
- ◎The HR department is the most crucial department to play role in HRD.

## Important components of HRD audit

- 1. Legal Compliance**
- 2. Performance Measures**
- 3. People Management**
- 4. Communications**
- 5. Employee Retention**



## 1. Legal Compliance

- ⊙ Because of the many regulations a company faces in today's marketplace regarding how it deals with its employees, a major element of an HR audit must focus on its legal compliance.
- ⊙ Companies must have policies and procedures in place that parallels with the laws regarding human resource functions.
- ⊙ An effective HR audit includes this element in its overview of the HR department's compliance with internal policy and external laws.

## 2. Performance Measures

- ⊙ Evaluating the HR department includes setting performance measures in relationship to the company's overall business strategy.
- ⊙ Performance measures will differ from company to company, but provide a means to assess the value of the HR department's activities in relationship to the company's overall business goals.



### **3. People Management**

- ⦿ Another main element of conducting an HR audit needs to include the effectiveness of the HR department's people management activities.
- ⦿ Areas for auditing under people management include staff performance and employee morale, department organization, responsiveness to employees, day-to-day HR operations, the department's HR strategies and more.

### **4. Communications**

- ⦿ How effective the HR department is in communicating the company's mission statement, goals and strategies to the employee workforce is another area for review.
- ⦿ Without an effective communication system, employees may not receive the information they need to complete their jobs in line with the company's goals and strategies.
- ⦿ An HR audit needs to include a review of the HR department's communications.



## 5. Employee Retention

- ⊙ An important aspect of a company's capability to remain successful in the marketplace is in its direct relationship to its ability to retain valued employees.
- ⊙ One of the first aspects of retaining employees involves providing equitable compensation and benefits.
- ⊙ The HR department plays a part in ensuring employee retention by continually updating job descriptions and ensuring employee pay is equal to the salaries available in the marketplace.

### Limitations of HRA

1. Audits are perceived as a threat to managers
2. Absence of established metrics
3. Lack of objectivity



## Identifying the HRA Goal

☉ While identifying the human resource audit goals an auditor must expect the following outcomes:

1. Cost effectiveness of the recruitment and selection process.
2. Competency levels of employees in the performance of their job.
3. Effectiveness of the training & development program.
4. Employee commitment to assigned tasks.
5. Ability to achieve defined performance targets.
6. Rewards & incentive system that can motivate employees to perform better.
7. Strategies to retain good employees.

## Defining the audit team

An audit team is an independent function in an organization that helps management achieve its objectives by evaluating the risk and control environment.



### Who will conduct HR Audit?

- ◎ Human resource audit can be carried out by the internal HR specialists of an organization or external specialists



with expertise in HRM, fundamental knowledge in law and auditing and high credibility.

- ◎ Regardless of internal or external auditor, organizations need to check the background of the auditor before assigning the audit tasks.
  
- ◎ The auditor should enjoy full independence in conducting the audit activities. No external interference should be made and any such initiative may abolish the objectivity of the audit.

### **1) Internal consultants**

- ◎ Unless the scope of the audit is very limited, the audit should be conducted by a team and not an individual.
  
- ◎ The team should represent a cross-section of the organization's staff, including the line personnel, middle and top management, and those responsible for HR functions.



- ⦿ The team should be trained in survey techniques and data analysis; and
- ⦿ The organization culture should be trust based and open; otherwise, the information given will be distorted and the whole organization will become inaccurate.

## **2) External consultants**

- ⦿ Many organizations prefer to engage independent consultants to conduct the audit.
- ⦿ This is done primarily with a view to obtain greater objectivity and impartiality in diagnosis and reporting.
- ⦿ Moreover, consultants are expected to have wider experience and specialization in the field.
- ⦿ Audit conducted by outside HR consultants adds value to the whole process apart from giving an insight into the whole issue.



## **Using the external consultants has the following general advantages**

- ◎Independence and more objectivity
- ◎Experience in other organizations: potential comparisons
- ◎Professional authority
- ◎Keep the audit process free from the charges of personal bias and victimization

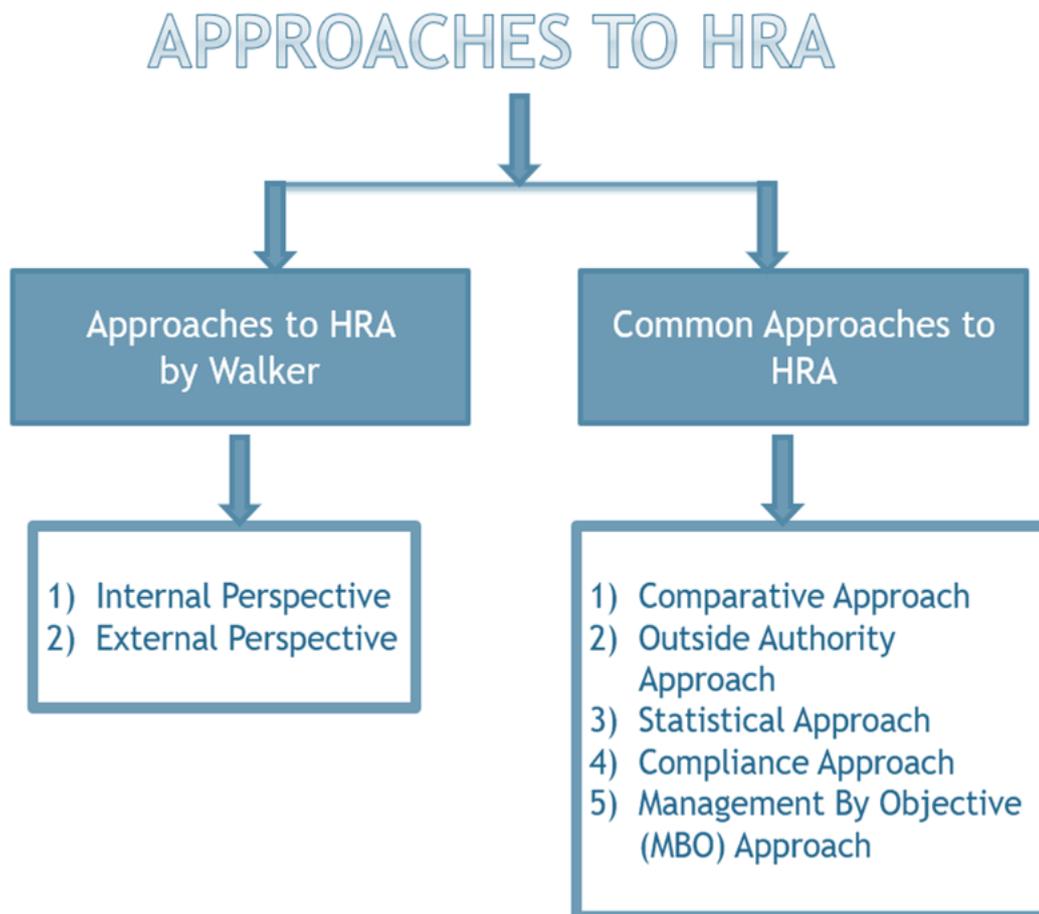


## Frequency of HR Audit

There is no uniform norm regarding how often the HR Audits should be conducted in an organization. Generally, it differs in case of different organizations depends upon;

- ⦿ The purpose of audit
- ⦿ The periodicity of changes in the external business environment
- ⦿ The frequency of changes in the strategies, policies, and personnel within the organization
- ⦿ The rapidity of technological changes which are expected to impact the psychology of people
- ⦿ The speed of change in the legal, socio-economic and political conditions

## Approaches to HRA



### 1. Approaches to hra by walker

Walker differentiates two approaches relative to HR auditing i.e., those centered in the functions internal aspect, and those centered on the external aspect.



## 1) Internal Perspective

◎According to this approach, the operational measurements traditionally used are those which refer to quantity, quality, and reliability, or cost and speed, therefore placing the focus on activities, costs or productivity ratios.

## 2) External Perspective

◎From an external perspective, if it is understood that the ultimate appraisal of the effectiveness of HR is based on their impact on the company's results, then the measurements should include results obtained outside the function.



## 2. COMMON APPROACHES TO HRA

### 1) Comparative Approach

- ⊙ In the comparative approach, the auditors attempt to identify another firm or company as the model.
- ⊙ They collect and analyze data of their own company and compare it (data) with those of the model company.
- ⊙ In this approach, a benchmarking strategy is used.
- ⊙ Auditors identify a competitor organization which is used as a model in comparison.
- ⊙ The audit reports are compared analytically to find areas to make corrections.

### 2) Outside Authority or Consultant Approach

- ⊙ One way to improve the organization's performance is to use certain effective standards developed by an outside consultant.
- ⊙ These standards are used by the auditors as benchmarks for comparative purposes.



- ⦿ Standards set by outside consultants are used by the audit team to benchmark for comparison with their own results.
- ⦿ Data from published research finding and research films/ documentaries are also a source for benchmarking, to explore for causes of the problem.

### **3) Statistical Approach**

- ⦿ In the statistical approach, certain statistical measures of performance are developed based on the company's existing data.
- ⦿ Examples of such measures are absenteeism and accident rates.
- ⦿ These data aid auditors in assessing the positive and negative aspects of company's performance.
- ⦿ The checking and auditing of employees involve complex mathematical formulas which form a standard on which all activities and programs are examined.
- ⦿ With the mathematical data as a base, mistakes can be discovered and corrected from an early point. Other times statistical approach is supplemented with records from different sources such as films and surveys.



#### **4) Compliance Approach**

- ⊙ Under the compliance approach, auditors review past results and actions to determine if those activities comply with the legal norms and the company's policies and procedures.
- ⊙ It is an approach based on legal and organization's policies.
- ⊙ Auditors take a thorough look at past actions to examine whether the organization's activities are in line with legal requirements together with the set standards, policies and procedures.

#### **5) Management by Objectives (MBO) Approach**

- ⊙ This is a goal and objective-based approach.
- ⊙ Specific targets are laid down against which the organization's performance is measured so as to arrive at a final decision. The Audit team conducts a survey of the actual performance then compares that performance with the desired objectives of the organization.



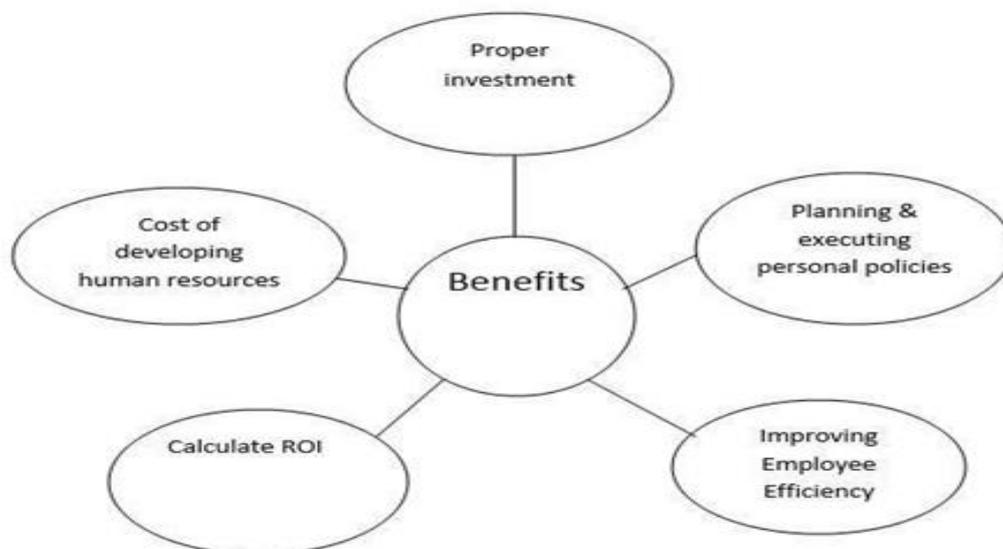
- ◎The 'management by objectives' (MBO) approach entails specification of goals against which performance is assessed.
- ◎By this approach, managers set objectives in their specific areas of responsibility and auditors assess the actual performance by comparing it with the objectives.

## Benefits of HRA

- ◎HR function has emerged as a key factor in organizational performance and business success.
- ◎HR audit helps in taking stock and refining HR policies, procedures and practices aimed at organizational effectiveness.
- ◎ 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.

**There is several advantage o f using human resource accounting. These include;**

- i. Foresee the changes,
- ii. Provides different methods of testing,
- iii. Increase productivity,
- iv. Brings high return,
- v. Helps individual employee to aspire,
- vi. Provides scope for advancement ,
- vii. Throws light on the strength and weaknesses of existing workforce and,
- viii. Helps potential investors to judge a company.





**The benefits that the company might have from an HR audit are many, but the most important of them are:**

**1. Benefits on Strategic Level**

**2. Benefits on Operational Level**

**3. Benefits on Administrative Level**



## **Benefits on strategic Level**

- ⦿ Identifies HR department contributions in the company;
- ⦿ Makes the HR function business-driven and reveals ways to strengthen its impact on achieving
- ⦿ Company results;
- ⦿ Ensures objective data and information needed for the Company strategic planning.

## **Benefits on operational level**

- ⦿ Helps align HR goals to corporate strategy and goals;
- ⦿ Develops and improves professional image of the HR department;
- ⦿ Clarifies the HR department's roles, duties and responsibilities, finds critical HR problems and
- ⦿ reasons for low productivity;
- ⦿ Encourages for greater responsibility and professionalism among members of HR department, and for more self-confidence in HR function realization;
- ⦿ Stimulates identity and alignment of HR policies and practices within the company;



- ◎ Reduces HR costs, through encouraging function for more effective forecasting and planning.

### **Benefits on administrative level**

- ◎ Provides specific, measurable and verifiable data of the current state of the function;
- ◎ Ensures timely compliance with legal requirements, company and mandated regulations, and professional standards;
- ◎ Reviews employees files, records, registers and information;
- ◎ Reviews HR information system.



Besides these, human resource audit has many advantages. Human resource audit helps to find out the proper contribution of the HR department towards the organization.

It enhances the professional image of the HR department of the organization, reduce the HR cost , motivate the HR personnel, find out the problems and solve them smoothly, provides timely legal requirement.

Human resource audit has effective Performance Appraisal Systems and Systematic job analysis. It has smooth adoption o f t he changing business attitude.



## MCQs

<u>SR NO.</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	Which of the following statements is true about an HR audit?	It establishes a benchmark for measuring the performance of the HR department.
2	Which of the following pieces of information is normally not considered for HR audit?	<ul style="list-style-type: none"> <li>• job description and job specification statements</li> <li>• hiring policies, practices and procedures</li> <li>• details about exit and other interviews</li> </ul>
3	The HR audit needs to be done at _____ levels of the organization.	3
4	When the efficiency of the HR activity is measured in terms of the organizational productivity and cost, it is called the approach.	Internal
5	Which of the following conditions is essential for an effective HR audit?	<ul style="list-style-type: none"> <li>• Top management commitment</li> <li>• Clarity in HR audit objectives</li> </ul>
6	The success of HR policies ultimately depends on operating managers.	True
7	A problem with self-audits is their lack of objectivity.	True



8	Audits must include an evaluation of the fit of HR programs with corporate strategy.	True
9	The direct benefits of HR audits do not always include:	Organisational success
10	By reviewing a firm's goals, its internal strengths and weaknesses, and the environment and its threats, managers determine:	Hr strategy
11	The scope of most HR audits does not include:	Financial audit
12	Comparing your company's training budget to the amount prescribed in an article on training is an example of:	The outside authority approach
13	Tools for HR research include all but:	Surveys
14	An advantage of interviews over questionnaires is:	Follow-up questions
15	A new training method might be evaluated through:	Field experiments
16	Which of the following is not a problem in human resource research field experiments?	Realism
17	The single biggest factor increasing global competition is:	Elimination of trade barriers
18	When the HR department is decentralized, audits are usually:	Conducted by audit teams
19	What is concerned with developing a pool of candidates in line with the human resources plan	Recruitment
20	Most HRD audit are due to failures of	Implementation
21	Which system emphasis a lot on the need to motivate people	Human resource development



22	-----refers to the practices and policies one needs	Human resource management
23	Scope of Human resource audit management includes-----	<ul style="list-style-type: none"> <li>• Employee hiring</li> </ul>
24	----- is written for the information and guidance of managers and take administrative decisions accordingly to it.	Code of conduct
25	-----is a term used for the idea that you need time for both work and other aspects of life, whether those are family-related or personal interests.	Work life balance
26	----- consists of title; duties; distinguishing characteristics; environmental conditions; authority and responsibilities.	Job description
27	A -----is a set of questions typically used for research purposes which can be both qualitative as well as quantitative in nature.	Questionnaire
28	-----is the process of forecasting a firm's future demand for and supply of the right type of people in the right number.	Human resource planning
29	The human resource audit is the process to evaluate----- performance	HR Department
30	HR task doesn't include-----	Publicity
31	Study into-----gives a fair idea of the HR	HR functions
32	-----HR Audit helps the organization maintain or improve a competitive advantage by comparing its practices with those of companies identified as having exceptional HR practices.	Best practices audit
33	Which of the following is a type of HR Audit-----	Compliance HR Audit
34	Deciding what to audit depends largely on the perceived----- in the organization's HR environment	Weakness
35	HR audits vary in nature and can be performed by---	Either internal auditors or HR professionals



36	-----is the auditing of daily process like compensation and benefits administration, performance management, and safety practices.	Operational audit
37	Ensuring non-discriminatory hiring practices is an example of	Strategic audit
38	In-----approach the auditor's check the performance of HR personnel against the goals set by the top management.	MBO
39	HR Audit is-----obligation.	Not a legal
40	The HR Audit is conducted to identify the -----	<ul style="list-style-type: none"> <li>• Lapses</li> </ul>
41	The HR Audit is not a functional unit.	False
42	Aspects of HR functions are not important while conducting HR Audit.	False
43	To have elementary knowledge of compliance is important before conducting HRD Audit.	True
44	HR Audit helps to find out the reasons for low productivity & improve HRD Strategies.	True
45	Which of the following are not accounted for by human resource audits?	Habits of its employees
46	Main goal of HR Audit is to verify whether the HR	Goal of organization
47	HR Audit is always conducted by internal employees.	False
48	Statistical approach relies on performance measures drawn from the company's existing information system.	True
49	Good HRM practices are instrumental in achieving--	Departmental



50	The dimension of a great place to work are-----	Pride and camaraderie
51	-----can give the competitive advantages to the company.	People or employee
52	Through the system of HRIS the HR department can save information about	Only current employees
53	Safety Policy is a part of _____ function of HRM	Operation
54	HRD Does not include?	Managerial planning
55	HRD Stands for?	Human resource development
56	HRD activities will benefit?	Employees
57	Quality Circle is a part of	TQM
58	The analytical Function of HRM doesn't Includes	Performance appraisal
59	Outsourcing is a part of	Strategical
60	When the employees of one organisation are assigned to handle the activities of other organisation then that process is known as?	Outsourcing
61	_____ each and every activity of the HRM will be a strategy to achieve the organisational Goal.	SHRM
62	In today's competitive market condition HR department needs to act as _____ to the management	Business partner
63	SHRM states that HR department must plan its activity in a _____ way	Strategic



64	_____ plan the activities of the HR	SHRM
65	_____ acts as a link between the employees and the organisational goal.	SHRM
66	SHRM acts as a link between the employees and?	Organizational goals
67	HR Research conducts research on?	→Internal
68	The organisation can not outsource activity like_____	Decision making
69	The scope of HRM doesn't include?	Market entry
70	Every action of hrm is directed towards the accomplishment of _____.	Organizational goal
71	_____ is the tool through which organizational development can be implemented.	HRM
72	HRM helps to build a bridge between employees at _____ level	Every
73	HRM is _____ in nature	Persistent
74	HRM is present in _____ organization	Every
75	HRM is present in every organization like government, Private, IT manufacturing etc.. Hence it is known as?	Persistent
76	Organizational Development aids the organization to cope up with the changes in the_____	External environment
77	_____ is/are the main concern of HRM	People



78	_____ is not a part of component of SHRM	Research
79	Inability of HR to think _____ is a barrier	Strategically
80	Short term mentality and focus on _____ is a barrier to SHRM	Short term performance
81	The Aims of SHRM does not include?	Employee satisfaction
82	The changing role of HR manager doesn't include?	Welfare leader
83	High centralization, high formalization, low flexibility are characteristics of _____	PM (performance management)
84	Proactive and concerned with organization effectiveness is the characteristics of?	SHRM
85	Decentralization, low formalization is the characteristics of?	HRM
86	SHRM Views employees as a primary source of?	Competitive
87	Factors affecting HRP does not include?	Employee satisfaction
88	Which one of the following becomes a creative factor in production?	Human resources
89	The focus of Human Resource Management revolves around _____	Men
90	Demand for human resources is created by _____	Expansion of industry
91	Human Resource Management is primarily concerned with?	Dimension of people



92	HRM aims to maximize employees as well as organizational_____	Effectiveness
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## MODULE – 2

### Methodology & instruments of hr audit

- ◎ Today, human resources are considered as strategic business partner. They are definitely one of the major factors in building world-class and competitive organization.
- ◎ Realizing the importance of human resource development, organizations have started making HR (Human Resource) philosophy as a part of their mission statement.
- ◎ However, when it comes to business priorities, HRD (Human Resource Development) takes a back seat. This is because of lack of linkages of HRM (Human Resource Management) policies with overall business strategy. Again there is lack of clarity on impact of various HRM policies on performance of the organization.
- ◎ In order to develop HRM in its proper state i.e. recognizing and developing it as a strategic business partner, it is necessary and important for organizations to



evaluate and examine the components of their HRM practices.

- ◎ This evaluation should be in terms of alignment of various HRM components with business needs and strategy. After evaluation, this perspective should be used to further enhance and strengthen HRM. HR Audit attempts to make such evaluation.
  
- ◎ 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.
  
- ◎ It starts with the long term and short term plans of the organization and attempts to assess the competency requirements of employees to achieve these plans.

**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.

## **Methodology of HRA**

- ◎HR audit methodology involves an evaluation of the human resource structure, systems, processes, competencies, and culture by a team of experts.
- ◎For a good HR audit it is advisable to use a combination of methods.

**Various methodology used for HR audit are as follows;**



## **1. Interviews**

☉ In order to recognize the perspectives of various authorities, HR auditor regarding the expansion plans and expected growth of the organization in future conduct face-to-face interviews with HR professionals.



- ⊙ Interview method is one of the best ways by which auditor can inspect the people working at the higher authorities.
- ⊙ Regularly conducting such interviews helps in improving the organizational traditions, working methods, and planning system of the organization.
- ⊙ Interviews are conducted in the following two forms:
  1. Individual Interviews
  2. Group Interviews

### **1) Individual interviews**

- ⊙ Auditors normally make it a point to interview the top management and senior managers individually.
- ⊙ Such individual interviews are essential for capturing their thinking about the company's future plans and opportunities.
- ⊙ Individual interviews are also essential when sensitive information, particularly about styles and culture, must be obtained.



**The following are the categories of stakeholders who can be interviewed for HR Audit:**

- Interview with the CEO and top management
- Interview with the HRD chief
- Interviews with line managers
- Interviews with workers and their representatives

## **2) Group interviews**

⊙ Normally, for the audit of companies with thousand of employees, it is not feasible to meet everyone individually.

- ◎ If the organization is large, an attempt is made to conduct group interviews separately for each function, to keep the level homogenous.
- ◎ Group interviews are normally conducted for groups of 4 to 8 individuals.



## **Pros And Cons Of Group Interviews**

### ◎ Pros.

- 1) Reduces both time and cost.
- 2) Opportunity to see candidate teamwork in action.
- 3) Gains a good understanding of candidates.



⊙Cons.

- 1) Conflict between candidates.
- 2) Not every personality type will thrive.
- 3) Only suitable for certain jobs.

## **2.Observation**

- ⊙Supportive environment plays an important role in proper working of any organization.
- ⊙Thus, HR audit should also observe the environment in which the employees are working.
- ⊙It includes a cafeteria, training centers, residential area and even the surroundings of the organization.
- ⊙The auditor should physically visit the workplace to assess the climate that exist in the company.



**The things which can be observed are as follows;**

- Physical facilities
- Meetings, discussion and transactions
- Celebrations and events
- Training and other HRD related facilities
- Forms, formats, reports and manuals

### **3. Questionnaire**

- ◎ Another method by which HR audit can easily collect information from the employees.



◎By this method, auditor can discover various aspects of the organization, e.g. – whether the employees are happy with the work condition, are the human resource policies being followed systematically, what are the positive and negative points of HR department, how does the senior staff behaves with the employees, etc.

#### **4. Workshops**

◎A workshop is a period of discussion or practical work on a particular subject in which a group of people share their knowledge or experience.

◎In this method, a large group of employees is taken and then it is divided into small groups in order to conduct the SWOT analysis on various dimensions of HRD systems.

◎Participants are in range from 30 to 300.



## 5. Analysis of secondary data

- ◎ HR audit can also analyze the previous records of the employees to know their outlook towards the organization.
- ◎ The published literature of the company (including annual reports, training calendars, personnel manuals, and various circulars issued from time to time) is also likely to be immense help in assessing the strengths and weaknesses of HRD.

## **INSTRUMENTS OF HR AUDIT**

- ◎ Human resource audit tools help organizations to conduct thorough evaluations of its human resource effectiveness.
- ◎ Some common HR areas an organization should audit include its compensation system, performance appraisal systems, policies & procedures and health & safety practices.



## **Instruments of HR AUDIT ARE AS FOLLOWS**

1. Employee satisfaction survey

2. Observations

3. Interviews & Questionnaires

4. Key Performance Indicators

### **1. Employee satisfaction survey**

☉ Employee satisfaction is mandatory for any organization.



- ◎ This survey helps the top management and authorities to understand how much employees are satisfied with their job roles, what improvements they need, what difficulties they are facing in an organization to carry out their roles and responsibilities.
- ◎ This helps HR to reduce turnovers and reduce the training & recruiting costs.

## **2. Observations**

- ◎ Observation can be best practice in the workplace, take a close look at every individual activity, understand how well they adhere to the policies and procedures of an organization.
- ◎ It will help the employee to know the organization culture also the points on which they are observed so that employees do not do any unprofessional or unexpected activities in the work environment.



### 3. Interviews & Questionnaires

- ⊙ Interviews and questionnaire help both the HR and top management to know employee feedback.
- ⊙ Management's interaction with the employees helps to know the expectations of the employee from employer so that HR can implement that in organization.

### 4. Key Performance Indicators (KPI)

- ⊙ KPI's are set of standard values an employer or top management create to evaluate the performance of individual, department, and organization.
- ⊙ Based on this information, management can measure productivity and competency levels of an employee and appropriately create a reward system aligning with HR strategy.



## Conducting a human resource audit

- ◎ An effective human resources (HR) audit looks into every discipline of the human resources function.
- ◎ HR disciplines include recruitment and selection, workplace safety and risk management, training and development, employee relations, and compensation and benefits.
- ◎ The purpose of an HR audit is to determine if your organization's policies are current and if they comply with federal and state laws governing the workplace.

### **1. Monitor employee record keeping processes for compliance**

- ◎ With federal and state regulations concerning what constitutes an employee personnel file.

### **2. Review your organization's recruitment and selection processes**



- ◎ To ensure that they are nondiscriminatory and that they comply with equal employment opportunity policies.
- ◎ Title VII of the Civil Rights Act of 1964 prohibits employers from engaging in discriminatory practices related to recruiting, hiring and all other employment actions.
- ◎ Be sure that your employment advertisements, structured interview questions and pre-employment tests are straightforward and unbiased

### **3. Examine workplace safety measures and risk management practices**

- ◎ The U.S. Occupational Safety and Health Administration enforces safety laws for most employers.
- ◎ The agency also provides technical guidance for companies whose employees handle complex machinery and equipment and dangerous chemicals and substances.
- ◎ Ensure your workplace safety logs and reporting processes are in compliance with both federal and state regulations.



#### **4. Evaluate training and employee development opportunities**

- ⊙ To reveal any disparities in training methods or accessibility by employees.
- ⊙ At a minimum, employees should be required to complete new hire orientation and mandatory training on workplace policies pertaining to fair employment practices, sexual harassment and reporting employee complaints.

#### **5. Review employee relations processes**

- ⊙ To determine if your workplace investigations are conducted in a manner that assures employees their concerns will be handled by a human resources staff member specially trained to handle sensitive matters.
- ⊙ Employee relations matters can sometimes lead to costly litigation.
- ⊙ Therefore, managing your organization's investigation and resolution processes is important for minimizing your liability for claims related to unfair employment practices.



## **6. Compile compensation and benefits information**

- ⊙ Ensure your organization's privacy officer is qualified to handle confidential records containing employees' medical information
- ⊙ Review salary practices for compliance under applicable minimum wage laws and employee classification for nonexempt and exempt status.

### **Some of the reasons to conduct such a review include:**

- ⊙ Ensuring the effective utilization of the organization's human resources
- ⊙ Reviewing compliance in relation to administration of the organization
- ⊙ Instilling a sense of confidence in management and the human resources function
- ⊙ Maintaining or enhancing the organization and the department's reputation in the community
- ⊙ Performing "due diligence" review for shareholders or potential investors/owners
- ⊙ Establishing a baseline for future improvement for the function.



## Preliminary steps

1. BRIEFING AND ORIENTATION
2. SCANNING MATERIAL INFORMATION
3. SURVEYING EMPLOYEES
4. CONDUCTING INTERVIEWS
5. SYNTHESIZING
6. REPORTING
7. AUDIT REPORTS

### **1. BRIEFING AND ORIENTATION**

- ◎ This is a preparatory meeting of key staff members to:
  - Discuss particular issues considered to be significant,
  - Chart out audit procedures, and
  - Develop plans and programme of audit.



## **2. SCANNING MATERIAL INFORMATION**

- ⊙ This involves scrutiny of all available information pertaining to the personnel, personnel handbooks and manuals, guides, appraisal forms, material on recruitment, computer capabilities and all such other information considered material.

## **3. SURVEYING EMPLOYEES**

- ⊙ Surveying employees involves interview with key managers, functional executives, top functionaries in the organization, and even employees' representatives, if necessary.
- ⊙ The purpose is to pinpoint issues of concern, present strengths, anticipated needs and managerial philosophies on human resources.

## **4. CONDUCTING INTERVIEWS**

- ⊙ What questions to ask? The direction which audit must follow is based on issues developed through the scanning of information gathered for the purpose.
- ⊙ The process of the interview and the sequence of questions is often as important as their content.



- ◎ Another effective method is the ‘focus interview’. A focus interview involves meetings between a trained interviewer and selected members of the organization.
- ◎ Here the interviewer asks a variety of questions planned and prepared in the same fashion as the interview questionnaire explained earlier.

## **5. SYNTHESIZING**

- ◎ The data thus gathered is synthesized to present the....
  - current situation
  - priorities
  - staff pattern, and
  - issues identified
- ◎ Similarly, future needs are identified and appropriate criteria developed for spotlighting the human resource priorities and specific recommendations made.

## **6. REPORTING**

- ◎ Just as the planning meetings of briefing and orientation, the results of the audit are discussed within several rounds with the managers and staff specialists.



- ⊙ In the process, the issues that get crystallized are brought to the notice of the management in a formal report.
- ⊙ Follow-ups are necessary after an audit to see if the action plan used to solve problems found this the audit worked or not.
- ⊙ It is practical because if correctly conducted, it should increase the effectiveness of the design and implementation of human resource policies, planning and programmes.
- ⊙ A periodic and systematic audit helps human resource planners develop and update employment and programme plans.

## **7. AUDIT REPORTS**

- ⊙ The audit report is a comprehensive description of HR activities that includes both commendations for effective practices and recommendations for improving practices that are less effective.
- ⊙ An audit report contains several sections. One part is for line managers, another is for managers of specific HR functions, and the final part is for the HR managers.
- ⊙ For line managers, the report summarizes their HR objectives, responsibilities and duties.



- ◎ Examples of duties include interviewing applicants, training employees, evaluating performance, motivating workers, and satisfying employee needs.
  
- ◎ The report also identifies people's problems. Violations of policies and employee relations laws are highlighted. Poor management practices are revealed in the report along with the recommendations.
  
- ◎ The HR manager's report contains all the information given to both operating managers and staff specialists.

**In addition, the manager gets feedback about:**

1. Attitudes of operating managers and employees about the department's benefits and services.
2. A review of the departments' objectives and plans to achieve them.
3. HR problems and their implications.
4. Recommendations for needed changes and the priority for their implementation.



## Goals of the audit

HR Audit is of great importance in today's competitive environment. Firms conduct it keeping in view variety of objectives. Such audit is needed due to following reasons.

- ⊙ Alignment and realignment of HR with business goals.
- ⊙ To make HR business driven.
- ⊙ Promotion of professionalism among employees and company.
- ⊙ Understanding the reasons for lower employee productivity and employee attrition; and improving the same.
- ⊙ To review and improve effectiveness of various HR systems like manpower planning and recruitment, training and development, performance appraisal, etc.
- ⊙ To create high return on investment on HR.



## Areas of audit

- ⦿ There are actually a lot of things that can be audited, but the real deal is that what must and should be audited.
- ⦿ What should be audited largely depends on what the human resources department find as their weakness, or where they see problems with performance and management.
- ⦿ Of course, not all human resources department have the same weaknesses and issues so they won't usually have the same list of things that must be audited. But they do have some things in common where issues usually arise and these things should always be in the audit list.

**Personnel files** – We all know that the human resources department is responsible for gathering and storing all the important personnel files of a company or organization.

- ⦿ If these files are not kept and stored properly, a lot of problems may arise. One of the main problems is having inadequate personnel files.



◎ Some examples, include ambiguous performance evaluations, outdated and inaccurate data, inconsistent warnings, lacking personnel data and many more.

**Overtime eligibility** – The human resources department is also responsible for the classification of jobs within the company or organization and point out which jobs are eligible for overtime and which jobs are exempt from overtime eligibility.

◎ The misclassification of jobs will hold employers liable to their employees past overtime.

**Following are the areas on which auditing is done.**

1. Planning
2. Staffing and Development
3. Organizing
4. Commitment
5. Administration
6. Research and Innovation



## Issues in HR audit

- ⊙ Every coin has two sides. Same way HR audit is also not free from limitations. However audit itself is hardly ever a failure.
  - ⊙ There are some cases when audit does not serve constructive purpose and simply becomes a process and have negative results or impact.
1. When audit is conducted as a fashion or because of some force or as a requirement of someone else and CEO has no way of refusing it.
  2. When results of audit are not taken seriously and they are not implemented.
  3. When HR Audit is used against HR department or to throw away some staff in HR department, it will have negative impact on overall human resource development in the company.
  4. HR audit points out gaps in the HR department and indicates mismatch between organizational needs and employee competencies. It does not give evaluation of individual but focuses on units and systems.



## Issues may rise due to;

1. Auditing Independence
2. Auditors Capacity
3. The Scope and Audit Method

## Strategic alignment of HR audit

- ⊙ HR impact includes the impact made by various HR interventions in terms of its contribution to organizational performance.
- ⊙ This performance can be in terms of outcome variables such as cost reduction, revenue generation, profit etc. and process variables in terms of talent management and intellectual capital formation.

## Meaning of Strategy Alignment

- ⊙ Strategy Alignment basically means diverting all the business functions according to the corporate or business strategy of the organization.



- ◎ Strategy Alignment is absolutely necessary because otherwise the business can never achieve its strategic goals.
- ◎ HR Audit is of great importance in today's competitive environment. Firms conduct it keeping in view variety of objectives.

**Such audit is needed due to following reasons.**

- ✓ Alignment and realignment of HR with business goals.
- ✓ To make HR business driven.
- ✓ Promotion of professionalism among employees and company.
- ✓ Understanding the reasons for lower employee productivity and employee attrition; and improving the same.
- ✓ To review and improve effectiveness of various HR systems like manpower planning and recruitment, training and development, performance appraisal, etc.
- ✓ To create high return on investment on HR.



- ◎ Nevado [1998] considers that the audit should also analyze if the personnel policies are in alignment with the general objectives and the global strategy of the company. It must also translate the HR strategy into plans and programs. Thus appears a new element of the audit of HR, the strategical audit.
- ◎ Dolan, Schuler, and Valle(1999, p. 390)[17] define it as the evaluation of the adaptation of the HR policies and practices in their support of the company's general strategy.
- ◎ The strategical audit of HR helps assure that the HR programs are aligned with the company's long-term objectives.
- ◎ In this way, the HR function is becoming a source of competitive advantage and is ceasing to be considered as a specialized and unrelated function that incurs high costs to the company.
- ◎ When performing this evaluation, the auditor must identify the company's global strategy before designing the HR policies that will contribute to its achievement.
- ◎ These policies are then compared to the HR practices that are currently being applied, which leads to the modification of some policies to better conform to the firm's strategy.



## **HR AUDIT PROCESS**

- ⦿ The purpose and process of HR Audit vary from organization to organization depending upon its size, objectives, location and end-users.
  
- ⦿ Organization can exercise its own system to conduct an HR audit depending on its size, objectives, location and end-users.
  
- ⦿ The general process of conducting an audit includes key steps that are:
  1. Planning Questions
  2. Collecting Data
  3. Analysing the Audit Data
  4. Interpretation: Assessing the Ability to Change

## 1. Planning Questions



- Whether conducting comprehensive audit or an audit of a specific practice, the audit team should invest sufficient time in developing a comprehensive document that draw out information on all the subjects of the inquiry.
- HR must develop a list of specific questions to ensure that the questionnaire is complete.

## 2. Collecting Data



- ◎ The next phase includes the actual process of reviewing specific areas to collect the data about the organization and its HR practices.
- ◎ Audit team members will use the audit questionnaire as a road map to review the specific areas identified within the scope of the audit.
- ◎ Data for more exclusive audit can be collected by the assessment of managers' performance, Self evaluation, surveys and interviews.
- ◎ Depending on the time, the nature of data and the size of the target groups, one or more tools can be applied to collect the required data.

### 3. Analysing the Audit Data



- ◎ To completely review the audit findings auditors must be compared with human resource benchmarks.
- ◎ Typical information that might be benchmarked includes the company's ratio of total employees to HR professionals, general and administrative costs, cost per new employees hired, etc.



## 4. Interpretation: Assessing the Ability to Change

- Data is most important for management, which helps the HR Department in analysing and interpreting.
- Interpretation of data can be done either by simple comparison over a period or by ratio analysis or by graphical or pictorial displays.



# MCQs

<u>SR. NO.</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	The ----- method of collecting data through oral/verbal responses.	Interview
2	Environmental Scanning means scanning of-----	→Economic factors →Technological changes
3	----- is a systematic procedure for collecting, storing, maintaining, retrieving & validating data needed by an organization about its human resources.	Human resource information system
4	-----is a process of attracting & obtaining as many applicants as possible from eligible jobseekers.	Recruitment
5	The----- process begins when new recruits are sought and ends when their application is submitted.	Selection
6	----- is a negative process as it rejects all the unfit candidates.	Selection
7	----- is widely used in the selection process for entry level jobs, jobs that involve a strong element of team work.	Group discussion
8	The Group Discussion method is useful for assessing-----	→Social skills →Intellectual skills



9	A ----- is a comprehensive method (or means) to review current human resources policies, procedures, documentation and systems to identify needs for improvement and enhancement of the HR function as well as to assess compliance with ever-changing rules and regulations.	HR Audit
10	----- is a scheme whereby the employee is offered to voluntarily retire from his services before his retirement date.	Voluntary retirement scheme
11	-----refers to the various services, facilities and amenities provided to the employees for their betterment.	Employee welfare
12	Which of the following term contains information regarding machines & equipments used at workplace?	Job description
13	Which of the following term is used for choosing the individual who is best suited to a particular position and to the organization from a group of potential applicants?	Selection



14	Which of the following is a stated outcome of 'Job Analysis'?	→Job description  →Job specification  →Job evaluations
15	'Strengths' & 'Weaknesses' are ____ to an organization.	Central
16	Which of the following reflects the relationship between MIS & HRIS?	HRIS is one aspect of MIS
17	_____are providing benefits to their employees;	Currently organisations are providing benefits to their employees
18	Standards are established to;	Achieved desired outcomes
19	_____ is a group of position involving substantially the same duties, skills, knowledge and responsibilities.	Job
20	Human Resource Audit System covers	By examining the structure and content of the systems to see if the activities are controlling to the fulfilment of objectives.



21	This insurance scheme provides adequate insurance coverage of employees for expenses related to hospitalisation due to illness, disease or injury or pregnancy.	Medi-claim insurance scheme
22	_____ means reducing the size of the organisation. It is restructuring of the organisation whereby non-core activities are disposed off. Where there is surplus staff, trimming will be essential.	Downsizing
23	Which of the following is a source of formulating Human Resource Management Policies?	<p>→Organisational policies</p> <p>→Existing practices and experiences in other organisations of the same nature or in the same geographical area or in the entire nation</p> <p>→Past experience of the organisation</p>
24	Which of the following need is not fall under needs of Training and Development?	<p>→Technological advances</p> <p>→Organisational complexity</p> <p>→Organisational tenure</p>



25	Personnel Administration includes	→Interview and selection →Recruitment →Employment
26	Training involves	Developing suitable training programmes
27	Which of the following is Central Organisation of Workers?	→United trade union congress →Trade union co-ordination center →Indian national trade union
28	Which is not the part of training information system?	opportunities
29	Which items below are forms of perceptual errors made during the selection process?	Like-me judgements



30	Which of the following are the benefits of the training and development?	→Creates an appropriate climate for growth and communication →Improve the morale of the workforce  →Helps people identify with organisational goals
31	A group of positions that have similar duties, tasks and responsibilities is called-----	Job
32	-----can be derived from job analysis.	→Job specifications
33	A written summary of content & context of job is called---	Job description
34	A written summary of KSA required to perform a job is---	Job specification



35	KSA represents -----&-----	knowledge, Skill & Attitude
36	Identifying the source of potential candidates and ----- them to apply for the job is called recruitment.	Attracting
37	Promotion is a ----- source recruitment.	Internal
38	Campus selection is a -----source of recruitment.	External
39	To be ethical and social towards needs of society is ----- objective of HRM.	Societal



40	The list of demands prepared by the employees at the time of bargaining is called as-----	Charter
41	When either the party of bargaining is not ready to give up from a particular point, that point is called as -----point.	Sticky
42	When an employee is appraised by all the members in the organization like superior, subordinate, peer, customer etc., is called as-----	The 360 degree appraisal
43	-----means attainment of such age by the employee as is fixed in the contract or conditions of service as an age of retirement.	Superannuation
44	---is the assessment of individual's performance in a	Performance appraisal



45	The employees appraised based on their reaction on critical situation is ---- performance appraisal method.	Critical incident method
46	HR Audit is to get the clear judgements about the ----- organization.	Overall status
47	The concept of HR audit has emerged from the practices of -----audit.	Financial
48	Employee evaluation audit helps more towards employee- ---	Promotion
49	Organizational development audit helps to identify critical issues of-----	Human resource



50	On boarding is the process of helping new employees to get to know the -----of the organisation.	Working culture
51	In the present business environment, HR plays a _ role in realizing the business goals.	Strategic
52	The major challenge for the HR contribution towards the overall organization performance	True
53	Balance scorecard was designed by?	Robert Kaplan
54	Human Resource can be turned as?	Infinite renewable resource



55	An organization can develop only when it's _____ are developed	Human resources
56	The_____ of any organization is the backbone, who plays a stupendous role.	Employees
57	Human resource development is an integral part of human resource management, which is wider in its approach and does not relate only to providing formal qualification	True
58	_ have made clear that HRD is innate for the very existence of the organization	Increase in the very existence of the organization
59	-----is a factor, which is forcing the business organizations to reconsider their laisser-faire attitudes to training.	Global competition



60	It is a method of intervening in a systems	Process consultation
61	In this method data related to the attitude of employees about wage level, structure, hours of work and working conditions are collected	Survey feedback
62	_____is an extremely popular OD intervention	MBO
63	_____improve the performance and result in self-change of an individuals	OD exercises
64	_____helps to improve the communication skills of the employees and develops them a good listeners	Sensitivity training



65	Performance management focuses on performance planning and improvement rather than retrospective performance appraisal	Future
66	Performance standards are used when not possible to set	Time based targets
67	"Recourse the actions" provides---	Coaching
68	Assessing results against standard is called-----	Measurement
69	Founding father of TQM was	W.E. Deming



70	Base pay can be expressed on---	→Annual basis
71	The pay roll costs can compromise      or more of the total costs incurred by an organization	70%
72	The      system is the most basic individual incentive system.	Piece-rate
73	Industrial relations are plant community life" –said by	Peter ducker
74	Through good      , we can encourage collective bargaining	IR



75	The_____ acts as a mediator and custodian	Government
84	The_____ determine the success of corporate strategy	HR Professional
85	It is a method by which an organization collects, analyses and reports information about people and jobs.	HRIS
86	It relies on consensus and cooperation rather than control or coercion.	HRM
87	"Pay philosophy" examine developments in	Rewards



88	Base pay is	Basic pay Fixed salary Wage
89	Performance management is a means of getting better results from the _____ and individuals.	Organizations, teams
90	During performance management _____ and _____ should be integrated---	Learning & revision
91	Levels pay to be agreed through _____ or by _____	Negotiations, individual agreements



92	Total remuneration comprises _____ and _____	Financial rewards, employee benefits
93	IR's main function is to develop support between the _____ & _____	Management, employee
94	Scope of IR includes collective relations between ?	Union, management
95	High investment In _____ enables the absorption of higher wages	Education, skills
96	IR deals with large components of _____ whereas HR deals with _____	Rules & regulations, policies & practices



97	Major potential point of conflict between employers and unions is ?	Loyalty & commitment
98	Which of the following is not a function normally performed by HR Department?	Accounting
99	Scope of HRM includes-----	Retirement and separation of employees HR training and development Industrial relations



## MODULE - 3

### HR audit and workforce issues

- ⊙ HR issues can slow down productivity, decrease employee morale, and prevent your business from expanding.
- ⊙ The HR department is an important department within any major corporation or business.
- ⊙ HR department deals with employee requests and compliance issues on a daily basis, along with the rest of their tasks.
- ⊙ Sometimes, an HR department can overlook certain procedures or regulations. when they get overloaded with work, HR issues can arise.



## Workforce communication

- ⦿ In any organization people of varied academic backgrounds, technical expertise, various cultures, varied understanding of work, special talent, etc., can be seen.
- ⦿ They altogether constitute an organization and the force that is responsible for keeping them together is popularly termed as ‘employee communication’.
- ⦿ Due to this, all the employees feel connected with one another, with their seniors, and also with the organization as a whole.

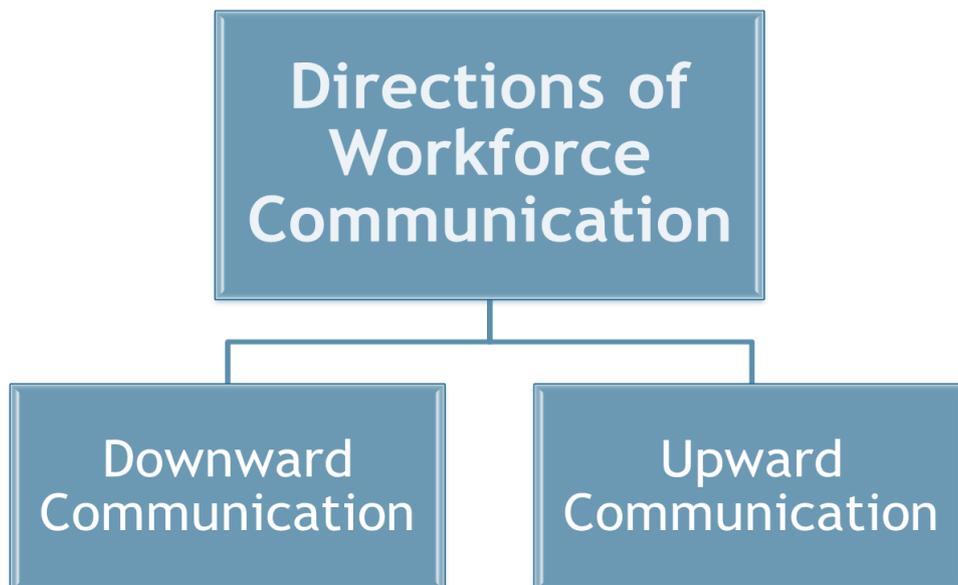
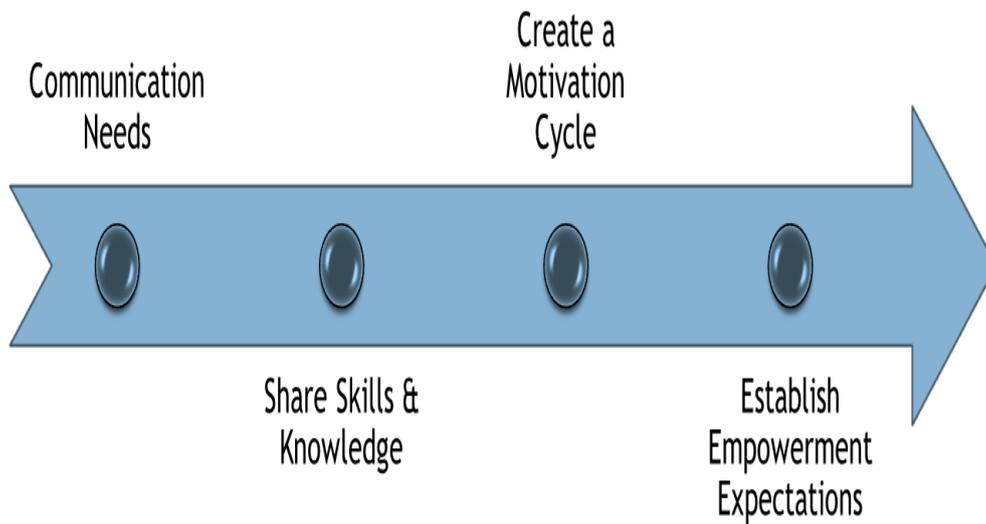
**Following are the criteria to identify whether workforce communication system in an organization is effective or not.**

- ⦿ The policies that state the organization’s employee relations philosophy governing all conditions should be affecting employees.



- ⦿ These policies should state expected behaviors of employees.
- ⦿ These policies should be condensed into an employee handbook.
- ⦿ The employee handbook information should be reviewed by legal counsel to satisfy all laws affecting employment, personnel relations, working conditions, employment at will, implied employment contracts and disclaimer issues.
- ⦿ It should be updated frequently.
- ⦿ There should be a formal orientation for new employees.
- ⦿ The employees should be given the opportunity to exchange information with superiors as well as assimilate information being transmitted from the top down.

## Elements of Workforce Communication



## Channels of Workforce Communication

### 1. Memos

- A memorandum refers to a formal message that is communicated in a written form to a person within an organization in order to fulfil some special needs.
- Significant medium of internal written communication.
- Main purpose is to get prompt response.

### 2. Notices

- A notice contains all the essential information of a meeting such as time, venue, agenda, etc.
- It can be given orally or in the form of a written notification, which can be printed or transmitted through an electronic media.

### 3. Circulars

- In order to receive the opinions of every individual of the organization, a notice is circulated among the staff so that they can provide their viewpoints about that particular situation.

### 4. Intranet

- It is an intra-organisational communication network .
- Intranet is used to communicate and share information or operational systems among employees of an organization.
- It is a private network and secured by Internet Protocols(IP).

### 5. E-Mail

- Electronic mail.
- Service used for sending & receiving computer stored messages safely and quickly with the help of a telecommunication channel.



## Importance of Workforce Communication

● Following points reflect the importance of employee communication:

1. Better Customer Service
2. Employee morale gets positively affected
3. Increase in employee's input
4. Efficiency
5. Improved Performance



## Employee relations

- ◎ The complex of inter-relations among workers, managers and government.
- ◎ Also known as industrial relations and labour relations.
- ◎ In the narrow sense, industrial relations talk about every sort of association between all the members of an organization.
- ◎ In the wider sense, industrial relations talks about all forms of associations that the organization form with different segments of society which come in its contact.

## Objectives of Employee Relations

1. To protect worker's & management's interest

2. To improve economic status of workers

3. To regulate control of government

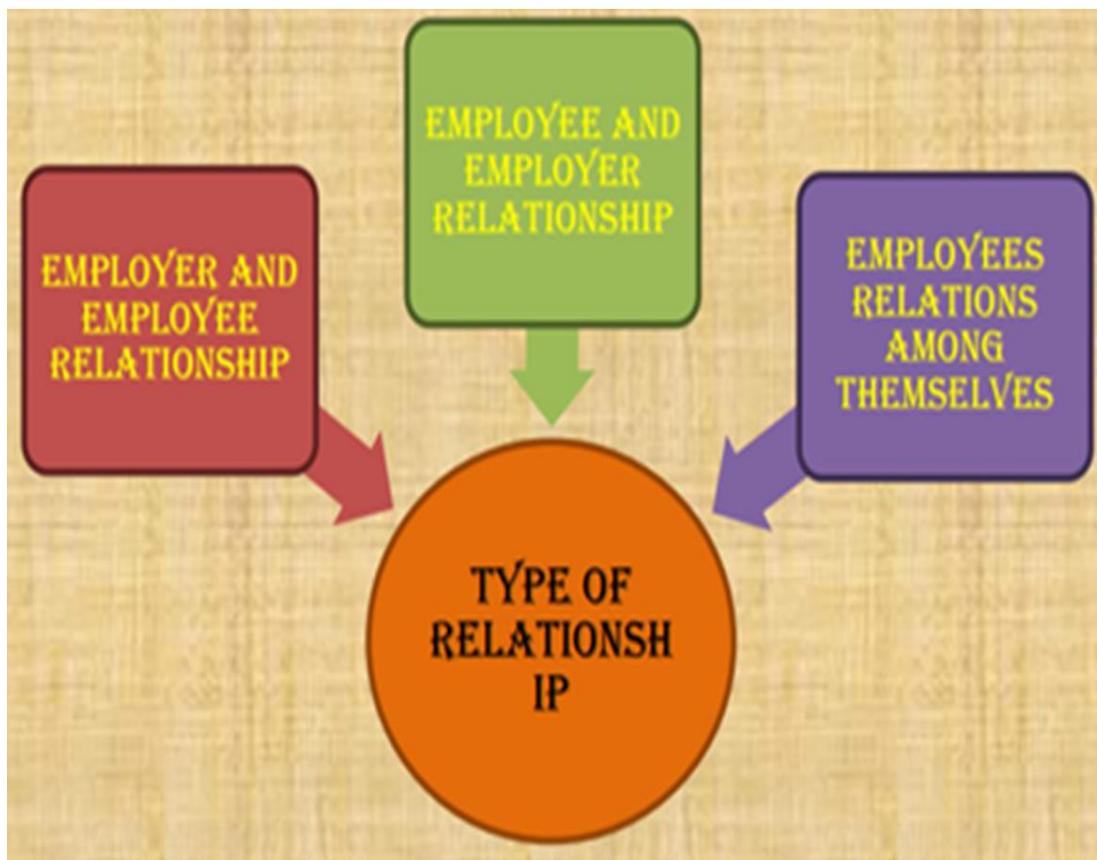
4. To ensure worker's participation

5. To develop and support labour unions

6. To prevent industrial conflict

## TYPE OF EMPLOYEE RELATIONSHIP

- There are mainly three types of relation of employees within the organization. These are as under.



**“EMPLOYEE RELATIONS - KEY TO THE SUCCESS OF YOUR BUSINESS”**



- ◎ There is impact of HR Audit in improving industrial relations at branch level.
- ◎ There is impact of HR Audit on training impartations.
- ◎ HR Audit boosts productivity, economic efficiency and development of employees.
- ◎ HR Audit augment discipline, morale, loyalty and mutual trust of workers.
- ◎ HR Audit helps in maintaining the industrial peace and avoidance of industrial strike and conflicts, to safeguard interest of labor, management, industry and national economy as a whole.

## Importance of Employee Relations

1. Minimizes industrial conflict
2. Increases worker's morale
3. Provides fair benefits to workers
4. Helps in facilitation of changes
5. Facilitates worker's development
6. Reduces wastages



## Performance management

◎According to Ronnie Malcom,

“Performance Management may be defined as a planned and systematic approach to managing the performance of individuals ensuring their personal development and contribution towards organisational goals.”

This process can be seen as one of the most effective tools for boosting the performance by defining roles within the specified competence framework, setting realistic benchmarks and communicating various expectations.

### Objectives of Performance Management



# Process for Managing Performance



## Importance of Performance Management

1. Creates competitive business environment
2. Develops business HR Partnership
3. Human Resource need fulfilment
4. Integrated motivational tool
5. Installing high performance work culture
6. Long term impact and sustainable outcomes
7. Individual and collective development
8. Quantifiable management
9. Optimising Human Capital
10. Regular renewal of skills & competencies
11. Fairness & equality in management



## Compensation system

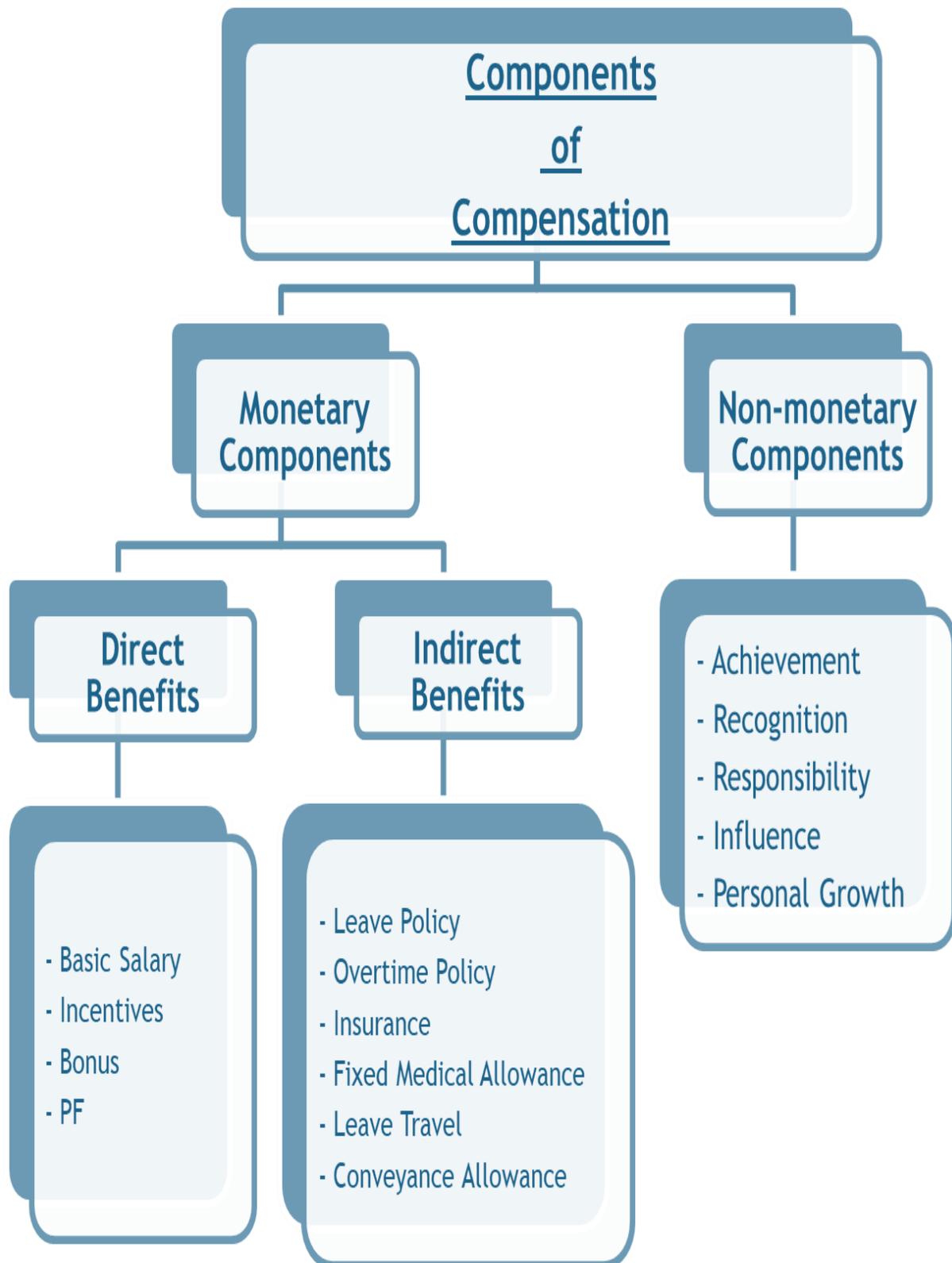
- ◎ Compensation means all forms of pay or rewards going to employees and arising from their employment.
- ◎ An indispensable and most desirable part in every worker's life.
- ◎ Determines the lifestyle of employee in the society.





## Objectives of Compensation

1. Establishes equity
2. Increases worker's efficiency
3. Macroeconomics stabilization
4. Effective distribution of labour
5. Maintain income expenditure ratio
6. Avoid conflicts
7. Legal compliance





## Criteria for Auditing Compensation Management

### ◎How competitive are financial rewards?

- A. Base compensation?
- B. Incentives?
- C. Benefits and perquisites?

### ◎Are there appropriate non-financial rewards?

- A. Promotional and growth opportunities?
- B. Job satisfaction?
- C. Recognition and involvement?

### ◎What is the compensation philosophy of the company?

- A. Is that philosophy connected to competitive positioning?
- B. Is it well articulated within the company? Are there appropriate non-financial rewards?



**☉ Does the company pay competitively?**

- A. Within the industry?
- B. Within the geographic area?
- C. For the critical occupations?

**☉ Is there internal consistency in the administration of compensation programs?**

**☉ Is compensation based on performance?**

- A. How is performance measured?
- B. Are performance standards established?
- C. Is the individual employee involved in the planning and evaluation processes?

**☉ Is the company competitive in its benefits and perquisites?**

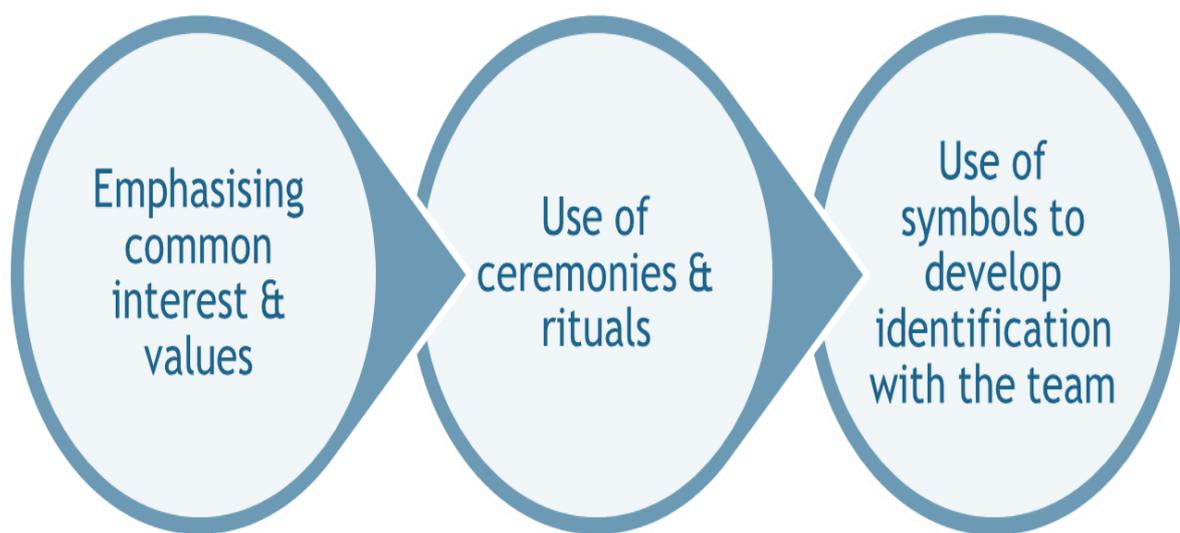
- A. Within the industry?
- B. Within the geographic area?
- C. For the critical occupations?

## Teambuilding system

- Team building is an organizational development technique used to assist work groups operate more effectively and efficiently.
- The activity of formulating and implementing good work culture.



## Guidelines for Team Building



## Six Types of Team Building Approaches

1. Activity-based Team-building Technique
2. Communication-based Team-building Technique
3. Skills-based Team-building Technique
4. Personality-based Team-building Technique



5. Problem-solving-based Team-building Technique

6. Value-based Team-building Technique

### **Limitations of Team Building**

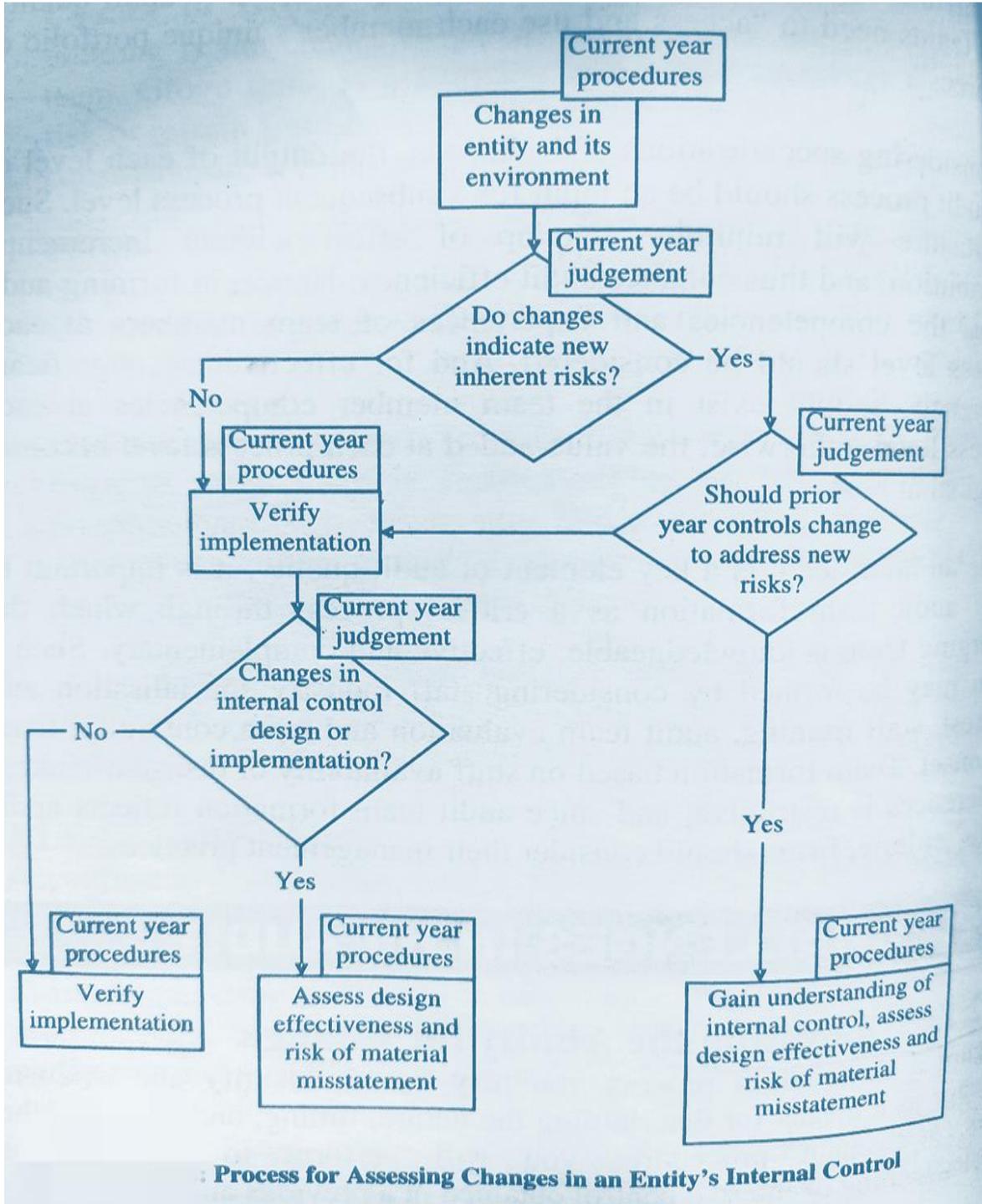
- ⊙Chance of group think
- ⊙Focuses only on work teams
- ⊙Complicated exercise
- ⊙Time consuming



## **Challenges in HR audit**

- ◎ 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.

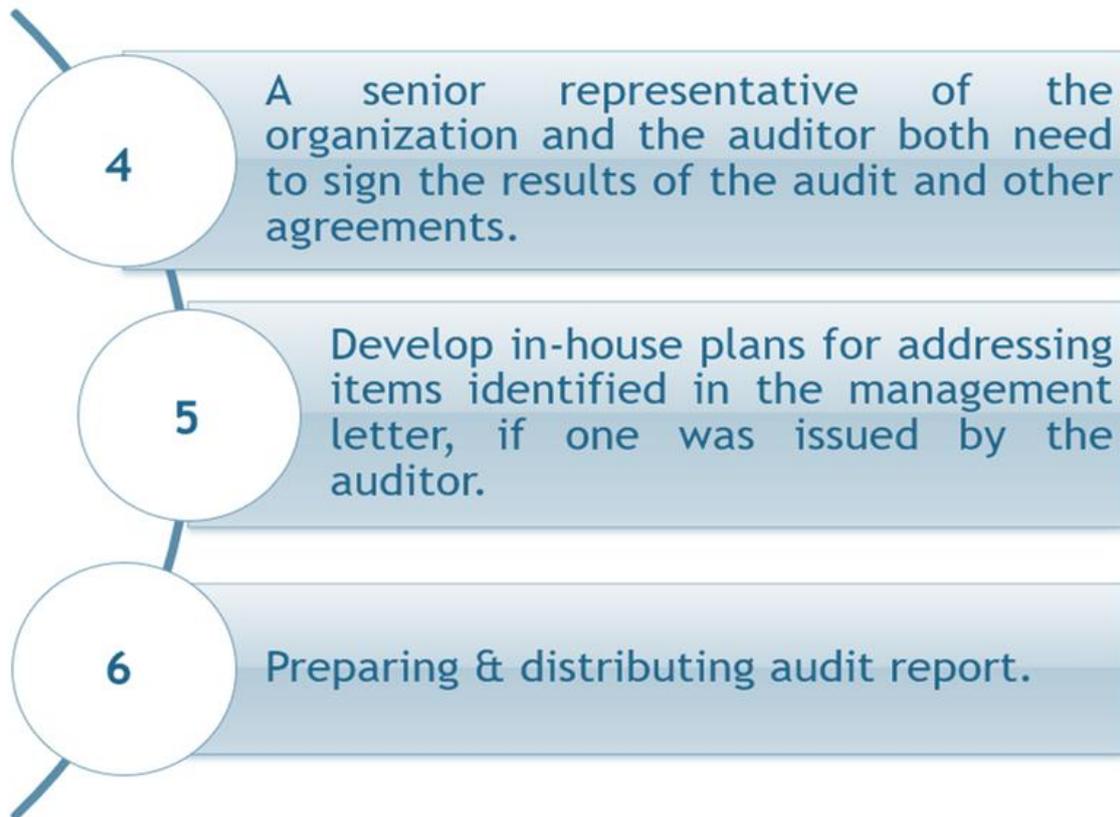
# Assessing the ability for change



## Post audit steps

- ⦿ Completing the audit, the auditor develops and issues a draft of the required reports, which allows the organization to address, and hopefully resolve, problem/areas of concern.
- ⦿ Once the auditor issues the final copies of required reports, the following post audit steps must be taken by the organization.





## Preventive & corrective actions

● Corrective and preventive action (CAPA) consists of improvements to an organization's processes taken to eliminate causes of non-conformities or other undesirable situations.



### Corrective action

- Action taken to eliminate the causes of non-conformities or other undesirable situations, so as to prevent recurrence.

### Preventive action

- Action taken to prevent the occurrence of such non-conformities, generally as a result of a risk analysis.

## How to do corrective and preventive action?

**1) Identify the process problem – Define what the problem actually is.**

◎ First, make sure the problem is, in fact, a real problem, and not a perceived problem.



- ⦿ A good test is if you can write the problem with a requirement to compare, what is often called a “Should Be” and “Is” statement (e.g. Parts should be nickel plated, parts were received painted black).
- ⦿ If you can’t say what the outcome should be (or is expected to be), then you may not have identified a real problem.

## **2) Identify how big the problem is – What is the scope of the problem?**

- ⦿ Make sure you understand how big the problem to be addressed is.
- ⦿ Is it just today’s product, or was yesterday’s product affected too?
- ⦿ Is it just this one product, or is it on more than one product?
- ⦿ Make sure you know what the problem is, and more importantly, what it is not.
- ⦿ If the problem only happens on Wednesday, this may be important information.



### **3) Take action to overcome the problem – How can we stop the problem while we fix the root cause?**

- ⊙ Make a correction to stop the problem for right now while you look for the ultimate cause and fix that.
- ⊙ Basically, what immediate checks or stop gap measures are you putting in place to make sure that you will definitely catch the problem again if it recurs while you are fixing it?

### **4) Identify the root cause of the problem – What is the base of the problem, not just the surface manifestation?**

- ⊙ This is the trickiest part. How do you make sure you have found the underlying issue?

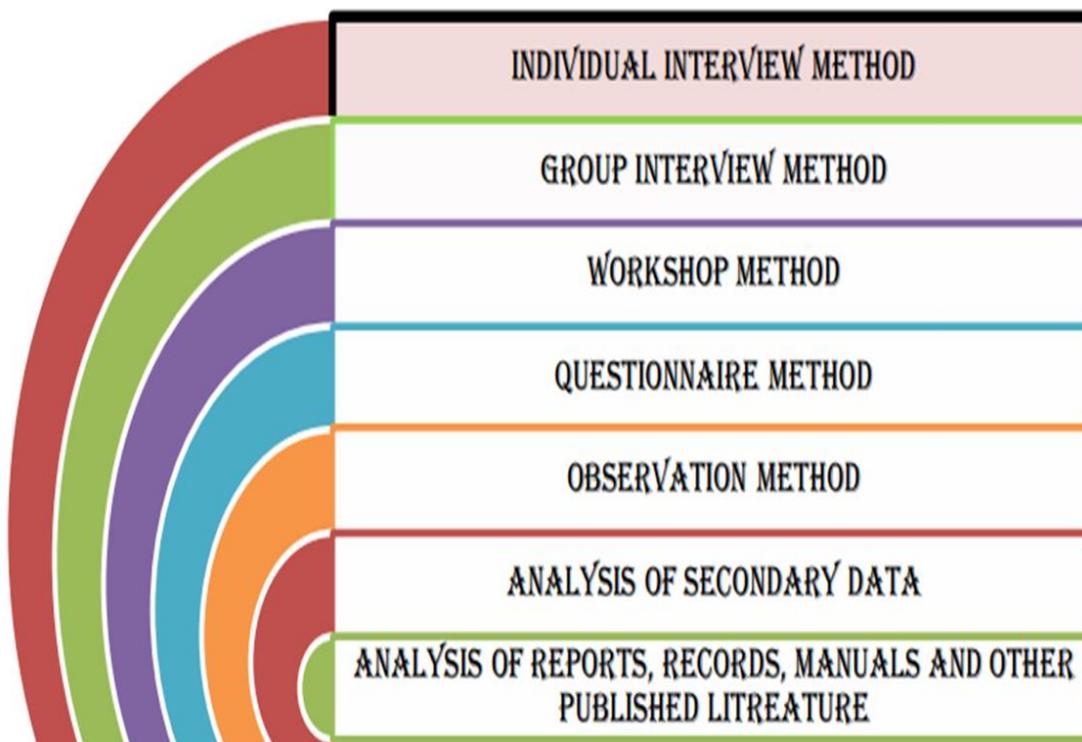


## Role in business improvement

1. Getting the Top Management to Think in Terms of Strategic and Long-Term Business Plans
2. Clarifying the Role of the HRD Department and Line Managers in HRD
3. Streamlining of Other Management Practices
4. Better Recruitment Policies and more Professional Staff
5. Changes in the Styles of Top Management
6. Improvements in HRD Systems
7. More Planning and More Cost-Effective Training
8. Increased Focus on Human Resources and Human Competencies
9. Strengthening Accountabilities through Appraisal Systems and Other Mechanisms
10. TQM Interventions

## Methodology & limitation

Methods for conducting HR Audit are as under.



### 1. Individual interview method

● Top level management and senior managers are interviewed, individually. It helps in following:



- Knowing their thinking about future plans and opportunities available for the company
- Knowing about their expectations from the HR audit
- Getting sensitive information pertaining to working styles and culture.

⊙How it becomes challenge?

- Time consuming
- Small scale study
- Biasness

## **2. Group interview method**

⊙Group interviews and discussions with the employees and executives of large companies for HR Audit; facilitate collection of information about effectiveness of existing systems.

⊙How it becomes challenge?

- Create a difficult competition
- Control of the discussion



- Overpowering candidates

### **3. Workshop method**

◎ Workshop Methods also known as Large Scale Interactive Process (LSIP) is conducted in some cases of audit.

◎ How it becomes challenge?

- Realizing all the right people
- Users attending may have a broad range of skills (computer and language)
- Handling large classes for hands-on practice may be difficult.

### **4. Questionnaire method**

◎ Feed back about various dimensions of HRD, including the competency base of HRD staff, the styles of line managers, the implementation of various HRD systems, etc. are obtained through a detailed questionnaire from individuals or groups for HR audit.



⊙ How it becomes challenge?

- Dishonest answer
- Skipped questions
- Interpretation issues

## **5. Observation method**

⊙ The auditors should physically visit the workplace

⊙ To assess the extent to which a congenial and supportive human welfare oriented climate exists in the company.

⊙ This is essential because employees are not likely to give their best if they do not live in good surroundings.

⊙ The observations can be conducted using a check list of questions.

⊙ How it becomes challenge?

- Observer's presence may create artificial situation.
- Potential to overlook meaningful aspects
- Difficult to analyze



## **6. Analysis of secondary data**

- ⊙ Analysis of secondary data can give an insight into the HRD assets and liabilities of the company.
- ⊙ Analysis of age profiles of the employees, analysis of the training attended, analysis of the minutes of the meetings held etc., help in determining the assets and liabilities.
  
- ⊙ How it becomes challenge?
  - Data availability
  - Quality of documentation
  - Outdated data

## **7. Analysis of reports, records, manuals and other published literature**

- ⊙ Published literature of the company including annual reports, marked hand-outs, training calendar personnel manual, and various circulars issued from time to time are also likely to help immensely in assessing the strengths and weaknesses of HRD.



## ◎How it becomes challenge?

- Record keeping
- Missing data
- Time consuming

### **How it becomes challenge?**

- Because of these all limitations, it gives major effect to HR Audit. And it becomes one major challenge for HR Auditors.
- Because auditors cannot do HR Audit transparently and properly. So, it creates major difficulty for Auditors to take any decision in further process and action plans.
- It is necessary for organization to remove the effect of limitation at the highest level for getting the proper result of HR Audit.



## Human resource audit report

- ⊙ The audit report is a comprehensive description of HR activities that includes both commendations for effective practices and recommendations for improving practices that are less effective.
- ⊙ A recognition of both good and bad practices is more balanced and encourages wider acceptance of the report.
- ⊙ An audit report contains several sections.
- ⊙ One part is for line managers, another is for managers of specific HR functions, and the final part is for the HR managers.
- ⊙ For line managers, the report summarizes their HR objectives, responsibilities and duties. Examples of duties include interviewing applicants, training employees, evaluating performance, motivating workers, and satisfying employee needs.
- ⊙ The report also identifies people's problems.
- ⊙ Violations of policies and employee relations laws are highlighted.
- ⊙ Poor management practices are revealed in the report along with the recommendations.



## HRA report - purpose

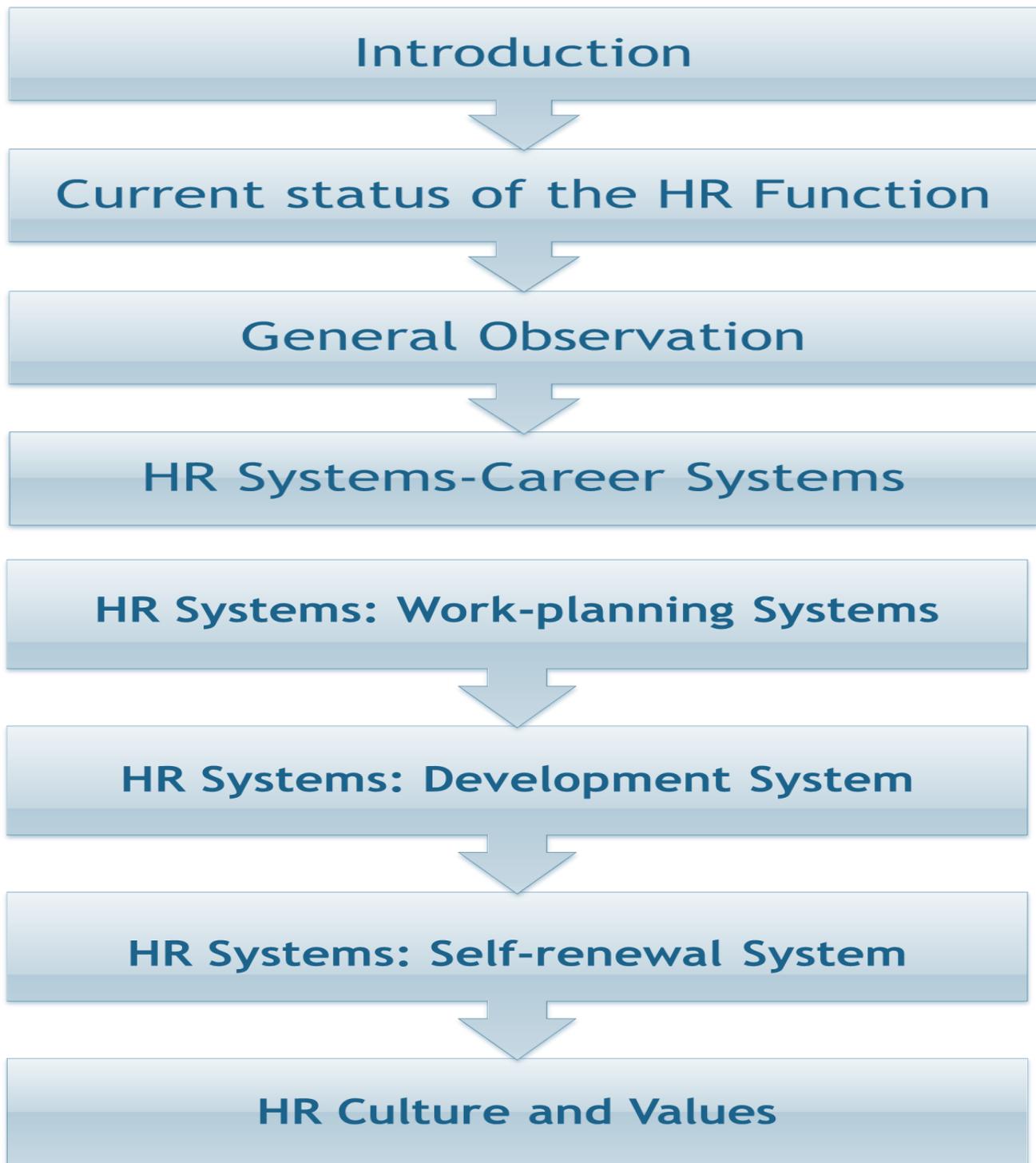
- ◎ To provide quantitative and qualitative information about employees to top managers.
- ◎ To know about the implementation of HR policies in the organization.
- ◎ To accept new trends and opportunities in the organization.
- ◎ To find out problems and difficulties at all levels of organization.
- ◎ To find out need of training for employees in the organization.
- ◎ To find out employees satisfaction level in the organization.
- ◎ To find out employees interest towards the work in the organization.
- ◎ To make easiness in decision making for current and future plans of the organization.
- ◎ To make a decision for investing money in appropriate field. (e.g. infrastructure, productivity , manpower, machinery etc.)
- ◎ To make further beneficial plans.



## Report design – preparation of report

- ⦿ There are many different types of audit and audit reports and one of them is an HR audit report.
- ⦿ The HR Audit report is meant for practitioners. It is not a research report.
- ⦿ Its main objective is to highlight areas that need improvement and that need to be acted upon.
- ⦿ Its purpose is also to help the top management and the HR Staff recognize and retain the company's strengths.
- ⦿ Extra care should be taken to make the HR Audit report short and precise.
- ⦿ It is useful to prepare it in bullet form highlighting the strengths and weaknesses.

**The audit report should include the following significant aspects:**





## Use of HRA report for business improvement

- ⊙ Auditors visit our organization properly and make the whole report of HR Audit.
- ⊙ This audit report gives us thoroughly information and idea of our organization that actually is going on.
- ⊙ Sometimes it may happen that we have no any idea about some situation which actually needed improvement in our organization.
- ⊙ And through proper audit report we can get idea about it. So it is very beneficial to corrective actions at the top level.
- ⊙ Like this...HR Audit report is very useful for business improvement in many areas of our business in the organization.

### Some of it's as under;

- ✓ Use for improvement in HR policies and practices.
- ✓ Use for taking decision in various HR functions like recruitment, selection, training & development etc.



- ✓ Use for taking corrective action where actually needed.
- ✓ Use for performance appraisal for deserving candidates.
- ✓ Use for establishing new goals for long term and short term.
- ✓ Use for knowing about employees concentration towards the productivity.
- ✓ Use for taking decision about investing money in actual needed field/area.
- ✓ Use for knowing actual requirement of employees and organization both.
- ✓ Use for HRD (Human Resource Development) in our organization.
- ✓ Use for increase overall efficiency and effectiveness.
- ✓ Use for decrease employees turnover ratio.



## MCQs

<u>SR. NO.</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	----- is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.	Performance appraisal
2	Who is in the best position to observe and evaluate an employee's performance for the purposes of a performance appraisal?	Immediate supervisor
3	Organizations put maximum effort in measuring performance of organizational people because:	It helps in detecting the problems
4	Which of the following measurement methods rates employee performance relative to other employees?	Comparative method
5	Groups are called _____ if jobs are similar.	Classes
6	What is another term for 360-degree feedback?	Multi-source assessment
7	Which of the following benefits could be awarded as workers' compensation?	→Cash benefit →Medical services
8	Obtaining and using information about the current operational context that is about individual difficulties, organization deficiencies and so on	Context evaluation
9	Human Resource Audit is an audit of	Human resource of the organization



10	Focusing on core competencies means companies have the possibility of generating?	Human capital advantage
11	Assertion (A) : Job analysis information provides the foundations of an organisations human resource informationsystem. Reason (R) : The job analysis information can be collected through interviews, juries of experts, mail questionnaires, employee logs, direct observation or some combination of these techniques.	Assertion (A) and Reason (R) both are true
12	The components of the information systems should be made up only of information units which enhance effective?	Human resource decision
13	Top management is interested how human resource management is contributing to?	Value of organization
14	Which is the objectives of training?	To arouse loyalty towards the institution Awareness of the problems Increase in employee morale, confidence skill and productivity



15	"FIRM is a responsibility of all those who manage people as well as bring a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationships within an enterprise. It applies not only to industry and commerce but to all fields of employment." Known as	Personnel management
16	Which is the component of Mechanism of Human Resource Development?	Research Performance appraisal Potential appraisal
17	Which of the following point is not important for training?	reduction in supervision reduction in cost increased stability
18	Grievance is affecting one or more individual workers in respect of their conditions of work and not disputes over matters of general applicability to all_____	Complaint
19	Job analysis is a systematic procedure for securing and reporting information defining a_____	Specific job
20	Which is the method of wage payment?	Time wage Piece wage Debt wage



21	Human resource planning includes	Creating a climate of opportunity and professional change Recognition of excellence in performance Improvement of excellence in performance
22	Human Resource departments are _____	Service department
23	Job Analysis is a systematic procedure for securing and reporting information defining a? .	Specific job
24	Which among the followings describe the skills that are available within the company?	Human resource inventor
25	Resources and capabilities that serve as a source of competitive advantage for a firm over its rivals are called?	Core competency



26	Human Resource planning is compulsory for_____	Effective employee development programme Base for recruitment Base for selection policy
27	Job analysis, HR planning, recruitment, selection, placement, inductions and internal mobility are few important functions which come under the heading Of_____of HRM.	Procurement function
28	Whom does Human relation approach refer to?	Integration of people into a work situation that motives them to work together to achieve productivity and also economic, psychological and social satisfaction
29	Which of the following is a method of collection of information for job analysis?	Questionnaire method
30	Compensation can be_____ benefits.	Monetary Non-monetary



31	Incentives depends upon-----	Productivity  Sales  Profits
32	The following is paid only at the time of employees exit after serving more than five years.	Gratuity
33	Any compensation plan must be_____	Understandable  Workable  Acceptable
34	In an organisation, the periodic status report of the team should be given to the quality council.	True
35	In an organisation, open communication should be encouraged in a successful team.	True



36	Which of the following is not a characteristic of a successful team in an organization?	Mutual enmity
37	Which of the following is not part of the forming stage of team development in an organization?	Hostilities and personal needs
38	During the norming stage of team development in an organization,-----and-----relationships get established among team members.	Formal, informal
39	Which of the following terms refers to the process of evaluating an employee's current and/or past performance relative to his or her performance standards?	Performance appraisal
40	Supervisors should provide employees with feedback, development and incentives necessary to help employees eliminate performance deficiencies or to continue to perform well.	True



41	SMART goals are best described as-----	Specific, measurable, attainable, relevant and timely
42	Compliance is the most important area of HR audit.	True
43	Preliminary steps can be ignored if the audit manager is short of time.	False
44	A pre-audit information request should be forwarded to the client who compiles the necessary information for review by auditors.	True
45	Organizational efficiency is improved by the use of----- -	Programmed decision



46	If company value teamwork, then promotions, pay raises and other forms of recognition should be given to individuals for how effectively the work as:	Team members
47	The challenge of creating teams is less demanding for management when teams are introduced where employees have strong values.	Collectivist
48	Successful teams translate their -----into specific, measurable and realistic goals.	Common purpose
49	Performance management audit helps in improving ----- -----	Organizational performance
50	Which of the following is the correct abbreviation of HRM?	Human Resource Management



51	Which of the following correctly defines the Human Resource Department?	Service department
52	Human factor can be defined as	Interrelated Physiological, Psychological and Socio- ethical aspects of a human being.
53	Finding ways to reduce is a crucial responsibility of management.	Uncertainty
54	Which of the following components are reformed to support the strategies of human resource function?	Control systems, rewards
55	What is the need for Human Resource Planning?	For undergoing an effective employee development program  To represent a base for recruitment



56	Directing, being one of the preeminent functions of Human Resource Management that falls under	Managerial functions
57	Human relation approach refers to	Forming a group of people on the work front so as to inspire them to work collectively for the company's growth in terms of social, economic, and psychological productivity.
58	Which of the following fields requires a skilled HR professional?	Clarifying
59	Which of the following is considered as strategic activity?	Recruitment
60	Who laid the foundation of Human Resource Management practices?	Peter Drucker and Douglas McGregor



61	The business side of the process begins with the strategic Plan as one of the guiding frameworks.	
62	How has HRM become one of the highly focused jobs?	It results in maximum output with the increased customer satisfaction.
63	What does a job specification include?	→Personal characteristics  →Physical characteristics  →Psychological characteristics
64	What are those aspects on which the HR professionals apply the risk management techniques?	HR Strategies
65	Developing characteristics of people are needed to run business in .	Long term



66	Which of the following issues tends to be well disguised?	Territorial
67	Who suggested that Human Resource Strategy isn't as effective as it was supposed to be?	Tony Groundy
68	How many factors were identified by Pettigrew & Whipp to manage the successful change?	Five
69	What is the scope of Human Resource Management?	Accomplishing advanced research in behavioral sciences, new ideas in man, management, and advances in the field of training and development.
70	Which of the following takes a full interest in the process of strategic planning?	Training & Development



71	Which of the following tells the correct importance of controlling?	To ensure that all of the activities are coordinated as per the plan.
72	Which of the following aims to put the financial measure on an organization's intellectual capital?	Exchange of knowledge
73	What is mean by decision in management?	To formulate a proper conclusion after considerations.
74	What does quantitative technique refer to?	→Waiting line problems and the queuing theory  →Gaming, Game theory and Probability theory  →Models, simulation, and resource allocation technique
75	Which of the following is evolved in staffing?	→Termination  →Estimation of workload



76	Which of the following is the correct abbreviation of MPDQ?	Management position description questionnaire
77	What is defined as a record of outcomes resulting from a particular job or an activity at a specific time?	Performance
78	A/An _____ is a plan or a program scheme that helps to motivate an individual or a group to deliver outstanding performance.	Incentive scheme
79	A/An _____ is considered to be a vertical move in terms of rank and responsibilities.	Promotion
80	Which of the following provides necessary information for job evaluation?	Job description



81	What is the 'Laissez Fair' viewpoint?	A minimum of public intervention in economic activities.
82	What do you understand by the written record of duties, responsibilities, and conditions of a job?	Job description
83	What are the possible factors that help in understanding the nature of a human being?	As per one's behavior at his/her workplace
84	What is meant by the factual statement of the duties and responsibilities?	Job description
85	Why is the career path in Japanese employee management non-specified?	Japanese management system emphasizes creating skilled workers by making them adapt to organizational changes as and when required.



86	Which of the following are one of kind of skills inventory, regression, replacement charts, Markov analysis?	Forecasting methods
87	For closure, each worker has to compensate with average pay for each preceding year of completed service.	15 days
88	Which of the following refers to the term quality improvement?	Achieved by the quality inspector
89	Which of the following pairs in the given sequence represents the initial as well as the final step incurred in the T&D program?	Determining the need for the T&D program and then evaluating the T&D program.
90	How are the union leaders elected at different federations?	Based on the demographic principle



91	What does job evaluation seek?	Determining the relative worth of Various jobs
92	What is included in the content of the job description?	Job title and work environment
93	What is the difference between the Japanese management system and other management systems?	It is a system in contrast to the American management system.
94	Which of the following is enhanced by 360-degree feedback?	Managerial decisions  HR decisions  HRD
95	Stress is laid on in the grid seminars.	Teaching



96	Which of the following involves one to one interaction amid the administer and the participant?	Counselling
97	Under which of the following methods, common factors related to all jobs are identified?	Point
98	Which of the following is involved in the in-basket training?	Simulation



## MODULE - 4

### HR audit for legal compliance & safe business practices

- ⊙ Often in assessing a company's business practices and legal compliance, the emphasis is on the company's financial records.
- ⊙ It is equally important, however, to assess HR policies and practices, including the less concrete and less tangible areas that deal with employee dignity and well-being.

### Scope of HRA

#### 1. HR Strategies and Policies

- The starting point of HRM audit should be an evaluation of HR strategies and policies and the way these are in tune with those of the organization.



- For formulating HR strategies and policies, it is essential that the objectives of HRM functions are clearly defined.

**Various HR strategies and policies may be audited by evaluating their:**

- i. Consistency with the organizational objectives, strategies, and policies;
- ii. Consistency with the environment;
- iii. Appropriateness in the light of organizational resources;
- iv. Appropriateness in the light of time horizon; and
- v. Workability

## **2. HRM Functions**

- The major thrust of HRM audit is on evaluation and review of various HRM functions relating to acquiring and employing human resources, developing human resources, compensation management, integration and maintenance of human resources, and industrial relations.



**The audit should measure and evaluate these functions in the following context:**

- i. The type of HRM functions performed;
- ii. The degree to which these functions are related to HRM objectives; and
- iii. The degree to which these functions are performed effectively.

### **3. HR Compliance**

- HR compliance refers to the adherence to various HR strategies and policies by line managers and adherence to legal requirements.

**In this context, evaluation revolves around the following:**

- i. The extent to which line personnel adhere to various HR policies in dealing with personnel working under them; and



- ii. The extent to which there is compliance with the legal requirements as provided under various legal Acts relevant for management of human resources.

#### **4. HR Climate**

- Quality of HR climate has important impact on motivation, job satisfaction, morale, and performance of human resources.

**HR climate can be evaluated by various outcomes which are as follows:**

- i. Degree of employee turnover,
- ii. Degree of employee absenteeism,
- iii. Degree of accidents,
- iv. Status of grievances and disciplinary actions, and
- v. Findings of attitude and morale surveys.

## Pre-employment requirements

- ⦿ A pre-employment checklist ensures that a new hire knows what is expected of him on the job and informs him of any pre-employment requirements, such as drug testing or a credit check.
- ⦿ The employer uses the checklist to make sure the employee has received and submitted all the necessary paperwork.





## **Pre-employment checks are an important part of the recruitment process. They helps to....**

1. Comply with the law
  2. Check that the potential employee is suitably qualified or skilled for the job
  3. Check that the employee is able to carry out the job
- ◎ Pre-employment testing and new screening tools and technology can help HR Professionals minimise hiring time and select the most qualified individual who best fits the organization.
- ◎ A pre-employment test is an examination given to job candidates by a potential employer prior to hiring.



◎ Pre-employment tests are used by hiring managers, HR departments and businesses to screen candidates and test for many things, including:

1. Personality or character traits
2. Skills & abilities
3. Job knowledge
4. Software or language proficiency
5. Emotional intelligence
6. Integrity
7. Drug or alcohol use

## Hiring process

- ◎ An efficient and effective hiring process is a step-by-step process for hiring a new employee, whereby an organization identifies its talent needs, recruits from its talent pool and eventually hires the most qualified candidates.



- ◎ Most companies have their own hiring processes.
- ◎ What follows are the most common steps in the hiring process across industry and regardless of company size. Keep in mind, however, that the specific details of the hiring process are unique to each company.

## 15 Steps of the Hiring Process





## 1. Identify the hiring need:

- ⊙ The hiring process begins by identifying a need within your organization.
- ⊙ This need could vary from filling a vacated position, better managing a team's workload, or expanding the reach of organizational tasks.
- ⊙ Positions are, in other words, either newly formed or recently vacated.

## 2. Devise A Recruitment Plan:

- ⊙ Once an organization identifies a hiring need, it should begin recruitment.
- ⊙ In the case of newly formed positions, organizations should clearly identify how the new role aligns with its goals and business plan.



- ◎ Organizations should also keep relevant internal teams and employees apprised of the new position at each stage of the hiring process.
- ◎ It's important that all those involved in the hiring decision agree to the hiring process, steps, and appropriate communication channels.
- ◎ Recruitment also includes strategizing how to publicize the new position, both internally and externally; criteria for initial candidate screening; what the interview process will look like; and who will conduct interviews.

### 3. **Write a job description:**

- ◎ The hiring staff should start by generating a job description that includes a prioritized list of job requirements, special qualifications, desired characteristics, and requisite experience.



⊙The job description should also include information regarding salary and benefits.

#### 4. Advertise the Position:

⊙Identifying highly-qualified potential candidates begins internally. Start, therefore, by notifying current employees of the opening.

⊙Advertising the job may stop there, if you are determined to fill the position internally. If, however, you are interested in external candidates, you should include this information when you notify internally.

⊙External publicity will likely consist of utilizing a combination of the company's website and social media platforms, job posting sites like LinkedIn, job fairs, industry publications and events, local newspaper advertisements, and word-of-mouth recruitment.



☉Publicity will likely consist of utilizing a combination of the company's website and social media platforms and job posting sites like LinkedIn, industry publications, and local newspaper advertisements.

#### 5. **Recruit the Position:**

☉Beyond simple job posts, the hiring staff should reach out directly to desirable candidates via LinkedIn, social media, and job fairs.

☉Active recruitment will help generate applications from potential candidates who are not actively searching for new jobs but may be perfect for the available position.

#### 6. **Review Applications:**

☉Your organization likely already has a mechanism in place to receive applications--via email, an applicant tracking system (ATS), etc.



- ⊙ In many cases, the review process begins with Human Resource representatives who review the applications and eliminate any candidate who does not meet the minimum requirements for the position or the company more generally.
- ⊙ In other instances, the hiring team or hiring manager may prefer to review each application.
- ⊙ Once a batch of qualified applications are assembled, the hiring staff should review the remaining candidates and identify those they want to interview.

#### **7. Phone Interview/Initial Screening:**

- ⊙ Initial interviews typically begin with phone calls with HR representatives. Phone interviews determine if applicants possess the requisite qualifications to fill the position and align with an organization's culture and values.
- ⊙ Phone interviews enable organizations to further pare down the list of candidates while expending company resources efficiently.



## 8. Interviews:

◎ Depending on the size of the organization and hiring committee, one or several interviews are scheduled for those remaining candidates.

### **Interviews include:**

- Early interviews are typically one-on-one, in-person interviews between the applicants and the hiring manager. Early interviews conversations typically focus on applicants' experience, skills, work history, and availability.
- Additional interviews with management, staff, executives, and other members of the organization can be either one-on-one or group interviews with the hiring committee.



- They may be formal or casual; on-site, off-site, or online via Skype, Google Hangouts, etc.
- Additional interviews are more in-depth; for example, in interviews between a candidate and multiple members of the hiring team interviewer, each member of the hiring team focuses on a specific topic or aspect of the job to avoid redundancy and ensure an in-depth conversation about the role and the candidates qualifications and experience. Note: at this stage, you should also inform the candidates you elect not to request an interview that the search has moved forward and they are no longer under consideration.
- Final interviews often include conversations with the company's senior leadership or a more in-depth discussion with an interviewer from an earlier stage in the hiring process. Final interviews are typically extended only to a very small pool of top candidates.



## 9. Applicant Assessment:

- ◎ Once the interviews are completed, or during their completion, company's often assign applicants one or more standardized tests.
- ◎ These exams measure a wide range of variables, including personality traits, problem-solving ability, reasoning, reading comprehension, emotional intelligence, and more.

## 10. Background Check:

- ◎ Your initial job posting should indicate that all candidates are subject to a background check. Background checks review candidates' criminal record, verify employment history and eligibility, and run credit checks.
- ◎ Some organizations also check social media accounts (Facebook, Twitter, etc.) to make sure potential employees are likely to represent the company in a professional manner.



⊙ Drug testing may also be warranted, depending on the position.

#### 11. **Decision:**

⊙ After conducting background and reference checks, the hiring staff identifies their top choice. The hiring staff should also select a backup candidate, in case the top choice declines the offer or negotiations fail to produce a signed offer letter.

⊙ In the event that no candidates meet the hiring criteria, the hiring staff should determine whether or not to start the hiring process over. If so, the hiring staff should discuss whether or not to adjust or alter the hiring process in order to yield more favourable candidates.

#### 12. **Reference Check:**

⊙ Reference checks should verify any pertinent information shared by the candidate about previous employment--job performance, experience, responsibilities, workplace conduct, etc.



◎ A typical question to ask references is “Would you rehire this person?”

### 13. **Job offer:**

◎ Once a top candidate is identified, the organization should extend an initial offer. The offer letter should include the position’s salary, benefits, paid time off, start date, potential severance pay, working remotely policy, included company equipment and other terms and conditions of employment.

◎ Negotiations are likely to follow. Therefore, the hiring staff should determine internally which elements of the offer letter are negotiable, and which are not.

◎ It is typical for terms like salary, flexible work schedule, and working remotely to be negotiable.

### 14. **Hiring:**

◎ After negotiations, once the candidate accepts the job offer they are hired. An accepted offer letter begins a



process of filling out and filing paperwork related to employment. Forms and paperwork might include:

→Form W-4

→Form I-9 and E-Verify

→State Withholding and Registrations

→A checklist with all required paperwork to be completed by new employees

→An organization's employee handbook

#### 15. **On boarding:**

- ⊙Hiring a new employee does not conclude the hiring process.
- ⊙On boarding your new worker in a welcoming and professional way will help integrate them in a manner that lays the groundwork for a long-term productive relationship between them and your company.



- ◎ A welcome letter is strongly advised. From there, relevant management should reach out to the employee before their start date to welcome them to the organization.
- ◎ Their work space should be prepared, cleaned, and equipped with the necessary credentials and equipment before their first day.
- ◎ If an orientation is part of the on boarding process, make sure your employee has a clear understanding of the expectations and scheduling of those events.
- ◎ Lastly, consider assigning your new employee a mentor, which will help them settle in to their new position and organization, and set them up for long term growth and success.



## New-hire orientation process

- ◎ “A new-hire orientation is a process for giving new employees important information about their workplace, equipment, pay, benefits and dress code.”
- ◎ New hires are also introduced to their co-workers during an orientation, which sets them up for success and integrates them into the company culture.

**There are mainly 5 stages in new-hire orientation process. These are as under.**

1. Describe basic organization elements



2. Introduction with new supervisor



3. Explain the organizational management



4. Familiarize with fellow employees



5. Familiarize the workplace



## **Stage-1 Describe basic organizational elements:**

This is the first stage of orientation process. In this organization has to give basic information to the new employees that what are the elements of our organization. Through it, new employees can be easily comfort in the organization. So, it is necessary to give information about the basic elements of our organization to the new employees.

For example,

- ✓ Working timings
- ✓ Rules and regulations
- ✓ Working procedure etc.

## **Stage-2 Introduction with new supervisor:**

This is the second stage of the new-hire employees orientation process. In this, organization gives introduction of the supervisor to new employees. With the introduction of new supervisor, employees can feel



free to communicate with supervisor and can work comfortably. It helps employees in...

- ✓ Easy communication
- ✓ Easy work submission
- ✓ Easy problem solving etc.

### **Stage-3 Explain the organizational management:**

This is the third stage of the new-hire employees orientation process. In this stage, information about the whole organisational management is given to the employees. So that employees can get the whole idea about the organisation that how actually our organisation works and running. Through this employees can know about the...

- ✓ Top levels management
- ✓ Rules and regulations of the organisation
- ✓ how they have to work appropriately?



### **Stage -4 Familiarize with fellow employees:**

This is the fourth stage of the new-hire employees. In this stage employees get the detailed information about their fellow employees. Through this employees can get familiarize with the fellow employees. It helps to employees in...

- ✓ easy working
- ✓ easy collaborating
- ✓ easy co-ordination

### **Stage-5 Familiarize the workplace:**

This is the fifth stage of the new-hire employees orientation process. In this stage, organisation gives all the information about the workplace to the new-hire employees. Through this employees can easily familiarize with their workplace. It helps employees in...



- ✓ workplace system
- ✓ workplace mechanism
- ✓ workplace environment etc.

**Thus, here are the all stages of the new-hire employees orientation process**



## Workplace policies & practices

- ⦿ Policies and practices go hand-in-hand but are not interchangeable.
- ⦿ A policy is a set of general guidelines that outline the organization's plan for tackling an issue.
- ⦿ Policies communicate the connection between the organization's vision and values and its day-to-day operations.
- ⦿ A practices explains a specific action plan for carrying out a policy.
- ⦿ Practices tells employees how to deal with a situation and when.
- ⦿ Using policies and practices together gives employees a well-rounded view of their workplace.
- ⦿ They know the type of culture that the organization is striving for, what behavior is expected of them and how to achieve both of these.



## The Importance of Policies and Practices

- ◎ Regardless of your organization's size, developing formal policies and practices can make it run much more smoothly and efficiently.
- ◎ They communicate the values and vision of the organization, ensuring employees understand exactly what is expected of them in certain situations.
- ◎ Because both individual and team responsibilities are clearly documented, there is no need for trial-and-error or micromanaging.
- ◎ Upon reading the workplace policies and practices, employees should clearly understand how to approach their jobs.
- ◎ Formal policies and practices save time and stress when handling HR issues. The absence of written policies results in unnecessary time and effort spent trying to agree on a course of action.
- ◎ With strict guidelines already in place, employees simply have to follow the practices and managers just have to enforce the policies.
- ◎ Implementing these documents also improves the way an organization looks from the outside.



- ⦿ Formal policies and practices help to ensure your company complies with relevant regulations.
- ⦿ They also demonstrate that organizations are efficient, professional and stable. This can lead to stronger business relationships and a better public reputation.

## **How to Develop Policies and Practices in the Workplace**

- ⦿ When creating a policy or practices for your workplace, start by reviewing the mission statement, vision and values.
  - ✓ set out the aim of the policy
  - ✓ explain why the policy was developed
  - ✓ list who the policy applies to
  - ✓ set out what is acceptable or unacceptable behavior
  - ✓ set out the consequences of not complying with the policy
  - ✓ provide a date when the policy was developed or updated



## **Types of Policies and Practices Every Workplace Needs**

1. Policies and Practices for Attendance
2. Policies and Practices for Employee Conduct
3. Policies and Practices for Use of Company Property
4. Policies and Practices for Harassment and Discrimination
5. Policies and Practices for Internet and Social Media Use
6. Policies and Practices for Health and Safety
7. Policies and Practices for Expenses
8. Policies and Practices for Remote Work



## **HRA as a tool of human resource valuation**

- ◎ The human resource valuation system cannot be considered to be a complete system of accounting unless it is followed by an equally competent system of auditing.
- ◎ Application or use of human resource accounting, therefore, must also be followed by a separate HR audit to ascertain whether or not the performance of the managers has been true and fair in the overall interests of the organization they serve.
- ◎ The application and usefulness of human resource valuation depends on the future efforts and experiments to be made by practicing managers, accountants and academicians.
- ◎ It also needs support from the professional bodies and government.
- ◎ In the absence of human resource valuation, the management may not realize the negative effects of



certain programs aimed at improving profits in the short run.

- ⊙ Such programs may result in decreased value of human assets due to a fall in productivity levels, high labor turnover and low morale.
- ⊙ Audit of human resources could help in finding out the efficiency of every segment.
- ⊙ Human resource audit could enable the appraisal of the performance of various managers. The basic function and management of human resources is also greatly facilitated.
- ⊙ Hence human resource valuation and audit activity could be helpful in improving the efficiency of human resources in the changing business scenario.



## Rationale of human resource valuation & auditing

1. Guarantee to customers/clients

2. Establishing investor confidence

3. Planning outgo

4. Monitoring performance

5. Employee motivation

6. Costing exercise

7. Assessing segment efficiency



## **1. Guarantee to Customers/Clients**

- ◎ A human resource valuation assures customers quality and consistency.
- ◎ The valuation of human resource is a means of guarantee available to customers and outsiders that the enterprise is through its personnel efficient to honor commitments.

## **2. Establishing Investor Confidence**

- ◎ The performance of an organization depends mainly upon the quality of its human capital. This can be understood by the fact that human resource is the main product delivering assets.
- ◎ Just like an industrial unit will have tangible fixed assets like plant & machinery, even the least deterioration in the quality of the human capital assets of a service provider clearly reflects on the organizational performance.
- ◎ In the current competitive scenario, it is pertinent to communicate to investors that their human resource is quite efficient to deliver high returns on relatively low investments.



- ◎ Even in sectors other than those with heavy capital investments, the investors need to be assured that the personnel is capable enough to be trusted with the former's investments.

### **3. Planning Outgo**

- ◎ An HR valuation study assists management to project the future expenditure of personnel costs like training and development costs, salary and benefits, compensation costs, retirement benefits etc.
- ◎ Let's take the example of recent full computerization of the public sector banks. Earlier, these banks mostly relied on handwritten or typed documents, which was time consuming, so full computerization was sought.
- ◎ HR valuation was done to ascertain the computer usage knowledge and technical compatibility of the employees. It was found that most of the employees are not adequately computer literate. Based on this finding, a sufficient budget for training the employees, to make them adapt to the technological shift, was chalked out and training sessions were conducted.



## 4. Monitoring Performance

- ⊙ An HR valuation report play quite a significant role in monitoring efficiency of personnel and in designing the HR strategy.
- ⊙ The organization can analyse if its investment in human capital has paid off or not.
- ⊙ Such a valuation tabulates a database on personnel details, which serves as a basis of MIS reports on returns on personnel cost, return on human capital.

## 5. Employee Motivation

- ⊙ Depicting the value of human resource in the balance sheet and other reports can achieve a high level of motivation among the personnel associated with the organization and can thereby communicate to them that the management perceives them as assets and not merely expenses.



## 6. Costing Exercise

- ⊙ An HR valuation report helps the management to make a conscious move to capture its costs related to HR department by developing a human resource accounting system, which compliments the HR valuation exercise.
- ⊙ The organization can provide cost clarity to all its stakeholders in all areas related to the human resources of the company.

## 7. Assessing Segment Efficiency

- ⊙ Audit of human resources could help in finding out the efficiency of every segment.
- ⊙ Human resource audit could enable the appraisal of the performance of various managers.
- ⊙ The basic function and management of human resources is also greatly facilitated.



## Valuation of human resources

- ⦿ Human resource valuation involves measuring the costs incurred by business firms and other organizations to recruit, select, hire, train and develop human assets.
- ⦿ It also involves measuring the economic value of people to the organization.

### Need of Human Resource Valuation

- ⦿ To strategically plan any developmental agenda in an organization or country, knowing or valuation is key.
- ⦿ The human resources would walk and put into fruition, all the aims and objectives of an organization.
- ⦿ Human resource is the key asset of an organization which maintains its development.



## Methods of Human Resource Valuation

◎ There are 7 methods of Human Resource Valuation.

1. Historical cost method

2. Replacement cost method

3. Economic value method

4. Standard cost method

5. Present value method

6. Current purchase power method

7. Opportunity cost method



## 1. Historical Cost Method

- ⦿ This method is based on costs incurred or recruitment, training, familiarization etc. It is developed by Rensis Likert.
- ⦿ This is a very simple method based on traditional principles of accounting. Under this method an attempt is made to have a proper match between cost and revenue.
- ⦿ The plus point of this method is that the organization can show the value of human capital in its balance sheet and profit and loss account, the weak point of this method is that it fails to fulfill the need of developing a system of HRA based on systematic valuation of human resources.

## 2. Replacement Cost Method

- ⦿ Under this method the replacement cost of existing personnel is estimated.
- ⦿ Replacement cost includes the cost of recruitment, training and opportunity cost for the intervening period. This serves the purpose of making valuation of human resources periodically.



- ◎ It helps in planning for human resources in future. The difficulty in this method is that the value differs from person to person making it difficult to find identical replacement of the present human assets.

### **3. Economic Value Method**

- ◎ The payment made to the human resources till their retirement are calculated and appropriately discounted to get their present economic value.

### **4. Standard Cost Method**

- ◎ This method is in improvement over replacement cost method.
- ◎ Under this method the standard costs of recruitment, training and development are developed and established every year to overcome complications in calculations.
- ◎ There costs represent the value of human resources for accounting. It is easy for implementation and control.



## 5. Present Value Method

- ⦿ Under this method the net contributions of employees to the earning of the organization are discounted to have present value of human resources.

## 6. Current Purchase Power Method

- ⦿ In this method the historical costs are converted into current purchasing power of money with the help of index numbers.

## 7. Opportunity Cost Method

- ⦿ Under this method the value of human asset is determined in their alternative use or the next best alternative use.
- ⦿ This value forms the basis for valuation of human asset of organization.
- ⦿ For calculation of opportunity cost bidding method is used. But it is difficult to decide bid or offer.



## Issues in human capital measurement & reporting

### What is human capital measurement?

- ⊙ The economic value of human capital is a measure of each individual worker's human capital value for the economy at large.
- ⊙ In economic studies, some employees may also be assigned an additional economic value because of certain traits they have such as punctuality, loyalty, location in relation of job openings, etc.

### What is Human Capital Reporting?

- ⊙ Human capital reports provides qualitative information on the employees, HR practices, trends in the company etc. which can help the business grow.
- ⊙ It covers aspects like organization structure, employee data, expertise & skills of the employees, salaries, policies etc.



◎ Human Capital Reporting is reporting of valuation of human resource inside company, which usually consists intangible values.

## ISSUES IN HUMAN CAPITAL MEASUREMENT

1. The Reality – People are Critical to Business Performance
2. The Fantasy – Assets Can Be “Cost Reduced”
3. Human Capital – The Real but Intangible Asset
4. Managing by the Numbers

### 1. **The Reality – People are Critical to Business Performance:**

Most business managers understand that the capabilities of their employees are the difference between “make or break” results. They are keenly aware that capable people position their company to compete with current competition while simultaneously creating the ability to go after new markets and innovative new products and services. They make an organization strong, agile and



flexible, which gives a chief executive options. When the future is uncertain, options are what a chief executive needs most of all.

## 2. **The Fantasy – Assets Can Be “Cost Reduced”:**

When these same executives sit down with “the numbers,” people look like a huge cost, which makes them a target for cost reductions. It is hard to know what exactly this cost consideration includes. Consider salaries, benefits, training, relocation, HR department and information technology expenses, plus the time managers spend in hiring, performance appraisals, disciplinary actions and employee development. Few companies actually know their total investment or the percentage these investments represent in their total operating expense. More importantly, what is the company getting for all that money? When this question can’t be answered, cost reductions are sure to follow. Yet if people are an asset, these costs are actually investments. Investments are made with the expectation of a return, which implies that the asset must have value. A “cost reduction” of an asset is called decapitalization. Companies that “downsize” may be decapitalizing and not even realize it.



### **3. Human Capital – The Real but Intangible Asset:**

Finance will tell us that people cannot be an asset. They are not owned or controlled by a company. This is true. However, people are the owners of their own human capital – the knowledge, skills, talent and enthusiasm that they invest in various aspects of their lives. Some of their human capital will be invested in their work. Therefore, the collective human capital investment people make in a company is an asset that meets all the criteria of an intangible asset – a part of a company’s productive capability.

### **4. Managing by the Numbers:**

The “numbers” of financial accounting do not tell a business manager much about the investment or the value of human capital. These numbers can create serious distortions when making human capital investment decisions, causing managers to destroy shareholder value in the process of making the “numbers” look good. Managing “by the numbers” requires relevant measures. Most business managers know net income, revenues and earnings per share off the



tops of their heads; they can recite return on equity and assets. Do they know the return on investment in human capital? Not likely. This is where ProOrbis' expertise in human capital asset management and paradigm shifting methodology can transform the way large organizations view and value their human capital assets, leading to bigger and better returns on their investment and a more productive, sustainable organization.

## Issues with Human Capital Reporting

1. Marketing Strategy
2. Motivation
3. Quality Control
4. Customer
5. Capacity Management
6. Work Life Balance

### 1. **Marketing strategy:**

It gives important information to business which is very helpful to the business or any organization for growth.



Top level makes all the decision from the HR Audit reporting.

Auditors have to give detailed information about it.

At the time auditing, because of some wrong of different information by HR to auditors about the marketing strategy that what actually is happening. Then it will create difficulty in decision making for the organization.

Thus, marketing strategy becomes issue for HR Audit Reporting.

## 2. **Motivation:**

In HR Audit Reporting, motivation related information by HR is also very important. Because only HR gives right information about motivation to auditors that what actually organization is giving HR for the motivation.

And if HR gives some different or wrong information about motivation than it becomes issue for organization in future decision making for the growth.



### 3. **Quality control:**

It is very critical issue for the organization. Because if quality control managers do some manipulation in quality of the product and give wrong information to auditors. Then HR Audit Report becomes fake.

And it will create difficulty for the organization in decision –Making.

### 4. **Customer:**

It is also one major issue in HR Audit Reporting. Because sometimes Auditors are not able to find that what actually customer's wants and feels. Real picture about customer's needs and wants is difficult to find from HR by the Auditors to make an effective HR Audit Report. And it creates difficulty for organization and auditors both.

It affects adversely in organization decision-making.

### 5. **Capacity management:**



It is related with the actual HR requirement. And it is very important for the targeted result for the organization. Because to achieve targeted result of organization, proper HR is necessary. If isn't than it will create difficulty in achieving the targeted result.

So, it is necessary to do proper capacity management and for this, getting the detailed and right information from HR Audit report. And if it gives different or wrong information than it becomes an issue of HR Audit report.

#### **6. Work-life balance:**

It is the most important as well as effective factor to maintain by organization for employees. Because nowadays in this stressful day to day life, every employees wants job which can gives them best work-life balance.

And if any organization is not able to provide its employees proper work-life balance, than it will give negative effect to the organization.

If there is any problem in it, than HR gives this information to auditors which affects directly to HR Audit Report. Because of this, impression of organization is may decrease for auditors also.



Thus, it becomes an issue for the HR Audit Report.

It is necessary for organization to reduce the effect of these all issues for the better HR Audit Report. Through this, auditors are able to make best HR Audit reports. And it will become very helpful to organization for further decision making in the organization for future growth.



# MCQs

<u>Sr. no.</u>	<u>Questions</u>	<u>Answers</u>
1	Uses of Job Analysis is/are-----	Human resource planning Recruitment & selection Training & development
2	-----is the process of analyzing & assessing the jobs systematically to ascertain their relative worth in an organization	Job evaluation
3	In order to promote unbiased management, organizations should develop:	Legal compliance
4	_____provides information on the human attributes interms of education, skills, aptitudes, and experience necessary to perform a job effectively.	Job specification
5	Job specification includes_____.	Physical characteristics Psychological characteristics Personal characteristics
6	TQM's major emphasis is on_____.	Product quality
7	Ability to perform exceptionally well and increase the stock of targeted resources within the firm is called	Competency
8	What is a decision in management?	Reaching at a proper conclusion after consideration.
9	The factual statement of the duties and responsibilities of a specific job is known as_____.	Job specification
10	Skills inventory, replacement charts, Markov analysis, regression analysis all are types of_____.	Forecasting method



11	-----is a process of searching for prospective employees and stimulating them to apply for jobs.	Recruitment
12	Which is not an advantage of internal source of recruitment.	New blood
13	Which is an advantage of external source of recruitment.	More competition
14	-----can be defined as process of choosing the right Person for the right job.	Selection
15	----is the application form to be filled by the candidate when he goes for recruitment process in the organization.	Application bank
16	-----is not an internal source of recruitment.	Job rotation
17	-----is a selection test which judges the emotional ability which will help to judge work in group.	Personality test
18	-----is not an external source of recruitment.	Internal advertisement
19	-----is a selection test to judge the coordination between hands & eye.	Psycho motor test
20	Promotion is a ---source of recruitment.	Internal
21	The form of training used to enforce the rules of organization is classified as-----	Discipline
22	The customary method used to handle the activities of employees is called---	Procedures
23	The guidelines that restrict and regulate behaviour of individual employees are called-----	Rules
24	The informal procedure of obtaining upward and input communication of employee is classified as	Suggestion system
25	The guidelines that portrays a look about organizational actions are called	Policies
26	-----is the systematic and planned introduction of employees to their jobs, their co-workers and the organisation.	Orientation
27	Which type of information is conveyed by orientation?	General information about the daily work routine
28	-----seeks to ratify the usefulness of the characteristics that the person brings to the new job.	Investiture orientation
29	Which of these is a stage which conducting formal orientation?	Specific orientation to the department and the job, given by the employee's supervisor
30	-----refers to the allocation of people to jobs; it include initial assignment of new employees, and promotion, transfer, or demotion of	Placement



	present employees.	
31	Which of these is a job in the context of placement problems and employee works?	Independent
32	-----is defined as the process of acquiring, training, managing, retaining employees for them to contribute effectively in the processes of the organization.	Human capital management
33	Types of human capital doesn't include	Behavior
34	Drivers of HCM doesn't include-----	Management support
35	Valuation of human resources in a strategic level includes-----	Replacement cost Skills and upgrading Strategic partner
36	Methods of valuation of HR doesn't include	Delphi method
37	HCM is---	Set of practices
38	The core concept of HCM contains	Talent acquisition Talent management Talent optimization
39	Human capital management is an approach to employee staffing that perceives people as-----	Assets
40	Through HCM the companies can-----	Assess current value and enhance future value
41	Human capital is the collective value of the---	Capabilities, knowledge, skills, life experiences of work force
42	The concept of HCM---the concept of HRM.	Complements and strengthens
43	Relative worth of a job is known by-----	Job evaluation
44	Methods of job evaluation are-----	Qualitative method Quantitative method
45	----arranges the job in numerical order from highest rank to lowest rank on the basis of duties and responsibilities.	Ranking method
46	-----a predetermined groups or classes are established and jobs are assigned to each classification.	Grading method
47	The combination of peer, superior, subordinate and self-review appraisal is known as-	360* appraisal
48	The essence of ethical organizational is-----	Code of ethics
49	-----are an important part of an employee's separation from the company.	Exit interview



50	HR scorecard-metrics hierarchy consists of:	Operation HR metrics that focus on efficiencies.
51	One of the problems for HR is that there is an almost limitless choice of----- -----	HR metrics
52	-----is part of the recruitment or selection process.	Psychometric testing
53	Aptitude and ability tests are designed to assess your or thinking capabilities.	Logical response
54	is defined as the process of acquiring, training, managing, retaining employees for them to contribute effectively in the processes of the organization.	HCM
55	Types of Human Capital doesn't include	Behavior
56	Drivers of HCM does not include	Management support
57	Valuation of human resources in a strategic level includes	Replacement Cost Skills and Upgrading Strategic partner
58	Methods of Valuation of HR doesn't include	Delphi method
59	HCM Human capital management is	Set of practices
60	Human capital management is an approach to employee staffing that perceives people as	Assets
61	Through HCM The companies can	Assess current value and enhance future value
62	Human capital is the collective value of the _	capabilities, knowledge, skills, life experiences of work force
63	The concept of HCM the concept of HRM	Complements and strengthens
64	can be regarded as vital component in the process of people management	HRM SHRM HCM
65	Upgrading the existing skills of an employee and extracting the best out of him/her refers to	Human capital management
66	To reap the most benefits from employees the business needs to	Invest actively on them
67	The teaching of current employees with the skills needed to perform effectively on job is-----	Training
68	Formulating 'SMART' performance training objectives is included in-----	Instructional design



69	The first step in the training process is-----	Need analysis
70	Providing new employees with the basic information regarding background is-----	Employee orientation
71	When an employee harms a third party because of inadequate employee training, it is called-----	Negligent training
72	_____ is a systematic and planned introduction of employees to their jobs, their co-workers and the organization.	orientation
73	Which type of information is conveyed by orientation?	General information about the daily work routine
74	In which country and year was orientation first developed?	U.S. in 1970
75	_____ seeks to ratify the usefulness of the characteristics that the person brings to the new job.	Investiture orientation
76	Which of these is a stage while conducting formal orientation?	Specific orientation to the department and the job, typically given by the employee's supervisor
77	_____ refers to the allocation of people to jobs; it includes initial assignment of new employees, and promotion, transfer, or demotion of present employees.	Placement
78	Which of these is a job in the context of placement problems and employee works?	Independent
79	Which of these is mentioned in the orientation checklist?	Parking Equal employment opportunity Complete form B
80	The form of training used to enforce the rules of organization is classified as-----	Discipline
81	The customary method used to handle the activities of employees is called-----	Procedure
82	The guidelines that restrict and regulate behavior of individual employees are called-----	Rules
83	the formal procedure of obtaining upward and input communication of employee is classified as-----	suggestion system
84	The guidelines that portray a look about organizational actions are called-----	Policies
85	during the lay off period, the employer has to pay of the basic wages.	Half



86	-----involves a one-to-one discussion between the participant and administrator.	Counselling
87	-----appraisal done separately will provide feedback on the potential of these managers.	Potential
88	Point system and factor comparison methods are placed under such category.	Quantitative job evaluation
89	-----system stresses on discipline and there is simplicity in the form.	Merit rating
90	Stephen Knauf defined HRA as “the measurement &----- of Human organizational inputs such as recruitment, training experience & commitment.	Qualification
91	A key HR role in the firm will be multidisciplinary consulting around----- --	Individual Team Business unit
92	Under -----method, common factors to all the jobs are identified.	Point

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