CHAPTER-1
INTRODUCTION

“HR audit is a process to review implementation of your institutions, policies and procedures, ensure compliance with employment law, eliminate liabilities, implement best practices and educate managers”

A point needs to be mentioned here about HRD and HR. The former stands for human resource development while the latter stands for the human resource function. The HR function is all-encompassing, and includes HRD and more. It goes far beyond the traditional personnel function. It is more proactive and change-oriented. It includes competencies of a different nature as the traditional personnel function required. The traditional personnel function had been more of a maintenance function with very little growth focus. The modern HR function has HRD at its core. HRD is its soul, as Uday Pareek once put it in a talk at the National Institute of Personnel Management convention in 1978 on 'Personnel Management in Search of a Soul'. The HR function, as it has evolved in India, consists of three main sub functions: HRD; Industrial Relations and Worker Affairs; and Human Resource Administration. All three can be combined to human resource management (FIRM). However, due to the restricted connotation of the term management, and in order not to lose focus of the proactive and growth orientation of Firm, It would rather call as HR functions rather than Firm. At the same time, all aspects of the HR function are not covered in using the term HR. For example, all areas dealing with industrial relations, labour laws, legal aspects, administration and so on are ignored or underplayed in the use of the term HR.

The HRD audit does not include these aspects. HRD includes all aspects of efficiency, commitment and culture building. Traditionally, these concepts were not considered. In the traditional HRD function, manpower planning, recruitment and placement have a limited place. The changing concepts become the part of HRD. However, as contextual factors influencing HRD they are significant. Thus, HRD cannot be dealt with in isolation of HR and HR cannot be dealt without HRD in the current global business scenario. HRD is treated as the soul of the HR function and both terms are used somewhat interchangeably. The reader must note this deliberate interchange ability of the terms. However, to communicate appropriately to the reader and to give the respect due to the all-encompassing HR function, the book focuses on HRD audit and
HR audit may require a lot more areas to be covered. In the changing scenario HRD should be the focal point of study, assessment, application and renewal.

Practices come from studies of HR practices and organizational performance. The National HRD Network and the Confederation of Indian Industry (CII) have been giving HRD awards to organizations having outstanding HRD practices. To confirm the linkages between organizational performance and HR practices, different researches have been carried in these areas. In previous studies HR has been compared with financial parameters like growth, sales to withstand competition. An ideal design is to compare them on various performance parameters together (Financial, market share, growth, customer satisfaction, etc.). This study has been attempted to incorporate all these parameters. For example, if the organizations have done well in spite of many odds, including the turbulent environment in India prevailing in the last few years, one can say with some degree of confidence that HRD practices did matter.

HRD practices do make a difference on many counts and enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. HR practices energize people by building their commitment & motivation if implemented strategically. It has a multiplier effect on the conversion of human capital to organizational capital. It creates sustainable culture and increases the organizational capability.

HRD has been defined as 'a process by which the employees of an organization are helped, in a continuous, planned way, to: acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles; develop their general capabilities as individuals and discover and exploit their own inner potential for their own and/or organizational development purposes; develop an organizational culture in which the supervisor-subordinate relationships, teamwork, and collaboration among subunits are strong and contribute to the professional well being, motivation and pride of employees (Rao,1985) Put simply, HRD also means efficiency building, commitment building, and culture building (Rao,1990).

In the past HRD definitions have also differentiated the HRD instruments/subsystem/mechanisms (e.g., HRD departments, appraisal systems, job rotation and training) from the HP) processes and culture (e.g., role clarity, trust, openness, proaction, collaboration, etc.), HRD outcomes (e.g., more competent people, better developed roles, better organizational
health and more teamwork), and organizational outcomes (profits, diversification, image productivity, etc.) (Rao, 1990).

Starting with six subsystems in the mid seventies, HRD came to include several other components as newer subsystem. For example, job rotation, quality circles, shop floor committees, task forces, communication systems, meetings, mentoring systems, worker development programs, etc., came to be considered as HRD mechanisms. The HRD department or its functionality has sometimes been treated as an HRD instrument. However, the significance of the HRD department in producing efficient employees makes it a separate element.

HRD and HR practices should be linked to business goals and corporate strategy. As indicated by Pfeffer (1998) irrespective of the business strategy, human resources should be continuously aligned with it. Such an alignment is in the interest of the organization. The organization may use a variety of strategies like change in technologies or introduction of new technologies, change in markets (acquisitions and mergers, internationalization of business, addition of new products and services), cost-reduction efforts, quality-enhancement programmes, reorganization or rationalization of organizational structure (including downsizing or upsizing), change in equity, financial structures and joint ventures.

All these have an impact on the employees or human resources in the organization for the successful implementation of these strategies. Organizations are required to have a high degree of commitment. They are also required to develop new competencies. For example, all expansion programs require a stretch in competencies, or the use of new competencies. No technological change can be brought about without a proper HRD effort, as all technological change requires readjustment of people in relation to the new technology. Acquisitions and mergers put loads on the culture building and culture integration exercises. Even cost-reduction exercises require HR interventions or can, at least, be greatly facilitated by HR departments by getting employee involvement and commitment. Performance management systems can be redesigned to promote cost reduction. Quality enhancement programs can be facilitated by redesigning the performance management systems. Training plays a role in most of these interventions as a direct efficiency building tool. Cultural integration can be achieved through mission & vision workshops and redesigning various HR Systems.
In an earlier research, it has been found that good companies use HR activities for short-term goal considerations. If these organisations will not ensure linkage of organizational activities to corporate strategy, they may move in the wrong direction. Hence, it is important to ensure linkage between HRD and corporate strategy. All assessments of HRD should start with the business goals and business considerations. Any assessment of HRD should examine the extent to which such linkages exist.

HRD cannot be a series of ad hoc decisions and practices. It has to be based on a set of predictable practices and measures. HRD literature identifies a number of systems and subsystems. On the basis of the last 20 years of work in this area, Pareek and Rao (1992) have developed the systems framework of HRD which is useful for the in-depth understanding of HRD.

- **Career System** Attracting and retaining the right kind of people can be ensured through manpower planning, recruitment, continuous potential appraisal and career planning, and development activities. These constitute career subsystem of the HRD System.

- **Work-planning System** Employees will effectively contribute to organizational goals if they are helped to understand organizational needs, plan their work to meet these needs, and review their work and make improvements. These activities can be grouped under the work planning subsystem, this system deals with human resource utilization.

- **Development System:** The required competencies are available continuously to the organisations in the present as well as the future. It can be ensured through training, counseling and other development mechanisms. These constitute the development subsystem.

- **Self-renewal System:** The organization as a whole, and its sub-units, are constantly kept dynamic, responsive, as well as proactive. It can be ensured through role efficacy, team building, survey feedback, research and other related activities. These, and other activities, constitute the self-renewal System.

- **Culture subsystem** A climate that sets norms, values and culture, and ensures a high level of motivation for employees constitutes culture building subsystem. The systems approach to HRD is inevitable. It is only a systems approach that can institutionalize HRD and facilitate its contributions.
In the last four decades a large number of corporations have established HRD departments, introduced new systems of HRD, and made structural changes in terms of differentiating the HRD function and integrating it with the HR function. A good number of CEOs has discovered a ray of hope in HRD for most of their problems, issues and challenges. It is estimated that on an average, establishing a new HRD department with a small size of about five professionally trained staff costs about two million rupees per annum in terms of salaries, another ten million in terms of budget (e.g., training budget, travel, etc.) and probably about five to 10 times the amount in terms of managerial time costs and opportunity costs. This is because HR Systems are people-intensive and require a lot of managerial time.

In spite of these investments in a number of corporations, there is a widespread feeling that HRD has not lived up to the expectations of either the top management or the line managers. There are also examples of corporations where HRD has taken the driver's seat and has given a lot of benefits. In today's competitive world, 'people' or employees can give a good degree of competitive advantage to the company. To get the best out of the HR function, there should be a good alignment of the function—its strategies, structure systems, and styles—with business goals (e.g., financial and customer parameters). It should be aligned both with the short-term goals and long-term strategies. Besides this alignment, the skills and styles of the HR staff, line managers and top management are also needed to be in synergy with the HR goals and strategies. HR audit is an attempt to assess these alignments and ensuring that it takes place at the right time.

HR Audit is a comprehensive evaluation of the current HRD strategies, structure, system styles and skills in the context of the short- and long-term business plan of the company. It attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs. Initially T.V. Rao along with his colleague Udai Pareek pioneered, in India, a methodology for auditing the HRD function called HRD audit, and implemented it in many companies.

HRD audit starts with an understanding of the future business plans and corporate strategies. While HRD audit can be done even in organizations that lack well-formulated future plans and strategies, it is most effective as a tool when the organization already has such long-term plans. They identify the nature of the core competencies the organization needs to develop
in order to achieve its long-term, 5-10 year plans The consultants also identify skills to be developed at various levels (e.g., workmen level, supervisors, junior-management level, middle-management level, top-management level) and with respect to various functions (e.g., finance, production, marketing, etc.). Listing all these core competencies and skills for the future is the starting point of HRD audit. HRD audit normally attempts to assess existing skills and competency gaps in order to achieve the long-term and short-term results. The competencies may deal with technical aspects, managerial aspects, people or conceptual aspects. They may cover the knowledge base, attitudes, values and skills. This can be assessed through an examination of the qualifications of employees, job descriptions, training programmes attended, and so on. Besides this, interviews are conducted to identify the skill gap in the organization. Training needs and performance appraisal forms provide further insights. Departmental heads and other employees provide insights into the competency and other skill requirements.

The auditors identify various HRD subsystems that are available to ensure the availability, utilization and development of skills and other competencies in the company. The framework for evaluating these HRD subsystems has been presented earlier. These systems and other HRD tools that an organization may be using are studied in detail for arriving at the systems maturity score.

The effectiveness of performance appraisal system is assessed by discussing with employees, individually and in groups, about the efficacy of the system. The auditors look at the appraisal forms, set the linkages between appraisal and training, conduct questionnaire surveys to assess the implementation of appraisal and training. If required, workshops are also conducted to assess the effectiveness of these systems. Similarly, in relation to induction training, the consultants discussed it with new and existing employees to improve the induction training methodology, and so on.

The existing skill base of the HRD staff, their professional preparation, attitudes, values, developmental needs, the line managers' perceptions regarding are examined. In addition to the full-time staff, the consultants also assess the HRD structure in terms of the use of task forces and other mechanisms. The leadership styles, human relations skills, and so on, of senior managers are also examined. The extents to which their styles facilitate the creation of a learning environment are examined.
The HR Audit also examines the linkages between HRD and other Systems like total quality management (TQM), personnel policies, strategic planning, etc. The consultants suggest on the basis of evaluation, the future HRD strategies required by the company, the structure the company needs to develop new competencies, the system needed to be strengthened, and the styles and culture that have compatibility with the HRD process.

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

Generally, no one can measure the attitude of the human being and also their problems are not confined to the HR department alone. So it is very much broad in nature. It covers the audit of all the HR function, managerial compliance of personnel policies, procedures & legal provisions, corporate strategy regarding planning, staffing, IRs, remuneration & other HR activities, HR climate on employee motivation, morale and job satisfaction.

It helps to find out the proper contribution of the HR department towards the organization, development of the professional image of the HR department of the organization. It also reduces the HR cost. It may be helpful in increasing motivation of the HR personnel. Other benefits include tracing the problems and solving them smoothly & providing timely legal requirement. It also reinforces sound performance appraisal systems, systematic job analysis and smooth adoption of the changing mindset.

An HR audit is a tool for evaluating the personnel activities of an organization. The audit may include one division or an entire company. It gives feedback about the HR functions to operate managers and HR specialists. It also provides feedback about how well managers are meeting their HR duties. In short, the audit is an overall quality control check on HR activities in a company and an evaluation of how these activities support the organization’s strategies.
An HR audit is a dreaded activity for human resources department heads. But for the skilled HR representative, it is a valuable tool that points to areas in need of employee development. In some cases an HR audit may even help a company in finding areas where savings could be realized with the help of job cuts. The funds may then be allocated to different departments in an effort to either streamline productivity or launch a new program/product line. It can be possible by moving personnel/hiring additional staff. How to define an HR audit is not hard. One must be able to follow the right procedure. It is also helpful in providing an abundance of facts with respect to educational standards.

It also involves an audit of the managerial compliance of personnel policies, procedures and legal provisions. How well are these complied with should be uncovered by the audit so that corrective action can be taken. Compliance with the legal provisions is particularly important as any violation makes the management guilty of an offense to the HRM climate and has an impact on employee motivation, morale and job satisfaction. The quality of this climate can be measured by examining employee turnover, absenteeism, safety records and attitude surveys. High turnover involves increased costs on recruitment, selection and training. In addition, high labour turnover may lead to disruption of production, problems in quality control, and difficulty in building teamwork and morale. A certain percentage of labor turnovers are unavoidable. Resignation, retirement, death and transfers do take place, causing displacement in the workforce. Similarly, business expansion necessitates hiring of human resource may adopt comparative approach, outside authority approach, statistical approach, compliance approach and management by objective approach for the purpose of evaluation.

In the comparative approach the auditors identify other similar organisations in the market and compare their organization performance with other organisations. Often, the auditors use standards set by an outside consultant as a benchmark for comparison of own results. This approach is called the outside authority approach. The third approach is the statistical approach. Here, statistical measures of performance are developed based on the company’s existing information. In compliance approach, auditors review past actions to determine if those activities comply with legal requirements and company policies and procedures. A final approach is for specialists and operating managers to set objectives in their areas of responsibility.
Any practice that deals with enhancing competencies, commitment and culture building can be considered an HR practice. The practice can take the form of a System, a process, an activity, a norm, a rule, an accepted or expected habit, or just a way of doing things. Human resource development (HRD) has been defined as essentially consisting of three Cs namely Competencies, Commitment and Culture.

All three are needed to make an organization function well. Without competencies, many tasks of the organization may not be completed cost-effectively or with optimal efficiency. Without commitment, such tasks may not be done at all or are done at such a slow pace that they lose relevance. Without an appropriate culture, organizations cannot last long. Culture provides the sustaining force and spirit of organizations to live. It provides the oxygen needed for them to survive. Its utility comes to the fore especially when organizations are in trouble.

Competencies are not merely related to a single individual. They can also relate to pairs of individuals. For example, the boss and his subordinate, two department heads, two managers, or any two people who transact organization-related activities. When a particular boss and subordinate meet, they could have such a high mutually empowering attitude and style that they end up doing many more things and more effectively than other pairs in the same organization. Similarly, two departmental heads may have a high degree of conflict-resolution capability so that their transactions are extremely smooth even when their tasks may require them to pull in seemingly two different directions. Competencies may also relate to a team or a group of individuals. This includes departments, task forces, teams and other formal or informal groups and teams that may come into existence from time to time on a temporary, permanent or semi-permanent basis. Competencies may also be related to the organization as a whole. They may also deal with various areas and functions: technology, organization and management, behavioral, conceptual, etc. They may include a variety of skills and abilities ranging from simple awareness, knowledge, and information to highly sophisticated and complex ones. Attitudes, values and habits also become competencies though they more often deal with patterns of working.

Developing commitment has a lot to do with motivation and work habits. Commitment is indicated by work effort, zeal, involvement and enjoyment of the work or the job. Commitment building and its management are HR functions. Management of commitment should go beyond
incentives and rewards. Commitment building should be at the level of individuals, dyads, teams, the work unit, and the entire organization. Various HR Systems, processes and activities contribute to developing commitment among employees. At the more visible level, rewards, recognition and similar interventions can lead to greater commitment and motivation. At the less visible level, managerial style, work culture, the behavior of seniors towards their juniors, etc. influence commitment. Unlike competencies which once developed, are difficult to lose, it is easy to lose commitment, though it can be as easily gained for instance, a particular personnel policy may de-motivate some employees to the extent that stop giving their best. At the same time, a particular reward system or practice may have a high motivational value. Often, an individual does not respond to all interventions in the same way in terms of commitment. Thus, salary increases may have a high motivational value at one time. It is the job of an HR manager to be in constant touch with employees and be aware of the HR systems, tools and interventions to keep their motivation and commitment levels high.

A strong culture has a long lasting impact and act as a fuel for an organization. It gives a sense of pride to the individuals and teams. It enhances predictability, reduces transaction costs and also contributes to the commitment. However, the culture and values associated with an organization need to be appropriate and well articulated. The instruments of culture building include organizational climate surveys, total quality management (TQM) interventions, value-clarification exercises, vision-mission workshops, organizational-renewal exercises and various other organization development interventions. Good HR practices are those that contribute to one or more of the three Cs—Competencies, Commitment and Culture. They need to be identified and implemented cost-effectively, reviewing and revising them from time to time to enhance their effectiveness and appropriateness.

Good HR practices and policies can go a long way in influencing business growth and development. The researchers indicated that the financial incentives, work organizational practices, rigorous selection and selectivity in recruiting, higher than average wages, employee share-ownership plans, extensive information sharing, decentralization of decision making/empowerment, work organization based on self-managing teams, high investment in training and skill development, multiple jobs and job rotation, elimination of status symbols, more compressed distribution of salaries across & within levels, promotion from within, long-term
perspective, measurement of HR practices and policy implementation and coherent view of employment relation moves the employee in right direction (Pfeffer, 1994).

Yeung and Berman (1997) point out that HR practices can play three major roles in building critical organizational capabilities, enhancing employee satisfaction and improving customer and shareholder satisfaction.

Macduffie and Krafcik (1992) study indicated that manufacturing facilities with 'lean production Systems' are much higher in terms of both quality and productivity than those with 'mass production Systems'. For example, those with lean Systems took 22 hours to produce a car and with a quality benchmark of 0.5 defects, while those with mass Systems took 30 hours and 0.8 defects for 100 vehicles. The HR strategy of a mass production system was to create a highly specialized and de-skilled workforce to support a large scale production process, while that of the lean system was to create a skilled, motivated, and flexible workforce that could continuously solve problems. The study has also drawn inferences that the success of the lean production system depends upon high commitment of employees, decentralization of production responsibilities, broad job classification, multi-skilling practices, profit sharing, a reciprocal psychological commitment between firm and employees, employment security and a reduction of status barriers.

Ostroff (1995) developed an overall HR quality Index based on the aggregate ratings of all HR activities of a Firm. On the basis of this index, firms were grouped into four categories. The Firms that scored higher on the HR Quality Index consistently outperformed than those with a lower index on four financial measures: market/ book value ratio, the productivity ratio (i.e., sale/employees), market value and sales.

Pfeffer (1998) has reviewed considerable evidence on the effectiveness of good HR practices on business performance. Macduffie (1995) Pfeffer (1998) observed from his studies that innovative HR practices are likely to contribute to improved economic performance. It can be possible if employees possess knowledge and skills in which managers are lacking. Employees must be motivated to apply their knowledge and skills through discretionary effort.

Huselid (1995) used two scales—one to measure employee skills and organizational structure and the second to measure employee motivation. The First scale included a broad range
of practices intended to enhance employee knowledge, skills and abilities and provide mechanisms to use those performing the roles. The second scale measured how well designed the appraisal systems were and how well they were linked to compensation and merit decisions in the corporation. He has found that in a sample of 3,452 firms representing all kinds of industries, one standard deviation increase in management practices was associated with increases in sales, market value and profits. Similar results were found in Germany by Bilmes et al. (1997); this study reported a strong link between investing in employees and the stock market performance of the corporation. Companies that laced workers at the core of their strategies produced higher long term returns than those who did not.

In a 1989 study by Macduffle (1995) of 70 automobile plants representing 24 companies from 17 different countries, the traditional mass production system with a control-oriented approach to manage people were contrasted with a flexible production system that placed emphasis on people and their participation. In the traditional systems of management practice the emphasis was on the control-oriented approach to manage people for building inventories to maintain production volumes against inspection to ensure quality. In contrast, in the flexible System, the emphasis was on teams, employee involvement, and reduction of inventories to highlight production problems that could be remedied. The results revealed that quality and productivity were much higher in the flexible system rather than in the mass production system. The two systems differed substantially on how they managed their people—in terms of emphasis on training, use of teams, reduction of status differences, and the use of contingent performance-related compensation.

Arthur (1994) studied the impact of two different management approaches on the productivity of steel mills. His study of the 30 of 44 existing steel mills in the US at that time differentiated the will approach to HRM from that of the 'commitment' approach. In the control approach the goal of HRM is to reduce labour costs or improve efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. In the commitment approach the HR Systems are intended to shape desired employee behaviours’ by forging psychological links between organizational goals and employee goals. The focus is on developing committed employees. After statistically controlling for age, size, union status and business strategy of the mills, the results showed that using a
commitment strategy was significantly related to improved performance in terms of labour hours and scrap rate. Mini-mills using the commitment approach required 34 per cent fewer labour hours to produce a ton of steel and showed a 63 per cent better scrap rate.

Pfeffer (1998) observed even in countries like the US and the UK, the spread of the practices is not as rapid as one might expect. Research by Ichniowski (1992) has indicated that only 16 per cent of the US businesses have at least one innovative practice in each of the four major HRM policy areas: flexible job design, worker training, pay-for-performance compensation and employment security.

Pfeffer (1998) has also identified the seven practices of successful organizations on the basis of related literature

- employment security
- selective hiring of new personnel
- self-managed teams and decentralization of decision making as the basic principles of organizational design
- comparatively high compensation contingent on organizational performance
- extensive training
- reduced status distinctions and barriers, including dress, language, office arrangements and wage differences across levels
- extensive sharing information related to financial performance

HRD audit starts with an understanding of the business goals and strategies of the organization — both for the short term and long term. HRD audit takes the business strategies and goals as given. The auditors do not question the business strategies or plans. What they attempt, however, is to understand if enough thought has been given to the HR strategies to achieve the business goals. They audit the extent to which the HR strategies are aligned with the business strategies of the organization. The source of this information is the top management. As sharing business plans and strategies can be very confidential and sensitive matters for some of the organizations. The auditors have to maintain ethics for implications for HR strategies. However, sometimes it is difficult to differentiate what is useful from that which is not useful. It is the experience and wisdom of the auditor that matters most.
The strategy audit leading to an assessment of the business linkages of the HR functions involving two major issues. First, the extent to which the current HR strategies, systems, practices, activities, processes, etc., are derived from the business needs or organizational goals of the company or the agency. Second, the extent to which there are internal processes to ensure that the HRD plans; systems, processes and investments are sensitive to the changing needs of the organization. Both these need to be assessed.

It is useful to list all the important business needs or organizational requirements on the basis of the organizational mission, vision, strategic plan, current concern, etc. An exhaustive list can be made (for example, the list could run like this—cost reduction, productivity improvements, quality orientation, market change, new product introductions, and emphasis on research and development). The auditors should pick up item by item and look for HEW systems that can address these. The possible systems and practices that can be used to address these needs can also be generated. Depending upon the extent to which these issues have been addressed, a score could be assigned to these dimensions.

Similarly, to answer the second issue, one needs to look at the existing structure and process mechanisms. For example, the participation of the HR director in the strategic planning exercises, the role played by the HR department in policy formulation, the extent to which the HR staff and the director are made members of various committees and task forces, are all indicators of the internal processes that ensure business linkages of the HR function.

An octapace* culture can be built only by an enlightened top management. Top management refers to all those who are decision makers and event makers in the organization. This includes the owners, board of directors, unit heads, heads of departments and even sectional heads. It also includes office bearers of unions and associations. All heads of informal and informal organizations also have the capability to influence the course of action of the organization, its units, subsystem or functions the style of functioning of managers has a great impact on culture creation.

*Organizational Culture can be defined as cumulative, crystallized and quasi-stable shared life shared style of people as reflected in the presence of some states of life over others, in the response predispositions towards several significant issues and phenomena (attitudes),
in the organized ways of filling time in relation to certain affairs (rituals), and in the ways of promoting desired and preventing undesirable behavior (sanctions)

The most important aspect of organizational culture is the values it practices. Eight values may be examined to develop the profile of an organizational culture that is called octapace it openness, confrontation, trust, authenticity, proactively, autonomy, collaboration, and experimenting (Rao, 1986).

A Benevolent or Paternalistic leadership style in which the top level manager believes that all his employees should be constantly guided treated with affection like a parent treats his children, is relationship oriented, assigns tasks on the basis of his own likes and dislikes, constantly guides them and protects them, understands their needs, salvages the situations of crisis by active involvement of himself, distributes rewards to those who are loyal and obedient, shares information with those who are close to him, etc.

- A Critical leadership style is characterized as closer to Theory X belief pattern where the manager believes that employees should be closely and constantly supervised, directed and reminded of their duties and responsibilities, is short term goal oriented, cannot tolerate mistakes or conflicts among employees, personal power dominated, keeps all information to himself, works strictly according to norms and rules and regulations and is highly discipline oriented.

- A Developmental leadership style is characterized as an empowering style, where the top manager believes in developing the competencies of his staff, treats them as mature adults, leaves them on their own most of the times, is long term goal oriented, shares information with all to build their competencies, facilitates the resolution of conflicts and mistakes by the employees themselves with minimal involvement from him.

- Developmental style by nature seems to be the most desired organization building style. However some individuals and some situations require at times benevolent and critical styles. Some managers are not aware of the predominant style they tend to use and the effects their style is producing on their employees.

The effectiveness of various HRD Systems and the extent to which managers are likely to get the desired results depend upon the style of the top management. In a research study of the
effectiveness of HRD implementation, Nagabrahnam (1980) found that department heads have a high degree of moderating effect on the effective implementation of HRD Systems. The styles of departmental heads seemed to make a tremendous impact. Thus, any HRD audit has to take into consideration the styles of the top management and whether or not they are congruent with the HRD philosophy. While the developmental style is most congruent with HRD philosophy, other styles may have to be used depending upon the situation. The developmental and empowering philosophy constitutes the core of the styles; effective use of the other styles may be needed to run the system or its subsystem.

HRD Structure is essentially an instrument or a tool that not an end in itself. It is only a means to facilitate HRD. It has a characteristic of assuming permanence on its own, and sometimes without serving any purpose. It has also a tendency to multiply itself if unchecked. It is therefore requires to be reviewed, audited and sharpened periodically. A dynamic organization periodically reviews their structure to rejuvenate the HR function.

Developing HR strategies, designing and implementing various HR Systems, monitoring the alignment of HR processes with business goals require the services of a full-time professional staff. Earlier HRD departments were established to give an impetus to the HR function, which has now become quite specialized. Appropriate structures are required to manage the HR function that can be institutionalized through departmentalization. However, in small organizations the function can take different forms. Some common practices in structuring the HR function are discussed below.

The structure-related issues of HRD become linked to business goals. The structure and staffing of the HRD department is determined by the immediate and long term business goals, competencies required at all levels to achieve the goals, competency gaps and requirements. HRD Systems and processes required to meet the immediate competency requirements and business goals of the company. HRD competencies need to meet those business goals. It also requires the cost-effectiveness of outsourcing for the same. HRD creates the advantages over a long term of having an in-house capability to manage the competency requirements. It makes the feasibility of having an in-house team and task force to manage or facilitate the processes.

Through the HRD audit, auditor attempts to answer the structure related issue like: As per the competency requirements of the corporation the appropriate structure for this organization, well defining the existing structure to meet the business goals of the organization,
deciding the most appropriate structures that can be frame in the organization for the future, to know the strengths and weaknesses of the existing HRD structure, shortcomings and productivity under the existing structure and their cost, the most appropriate elements of the existing HRD structure and the steps to be taken to align the HRD structure with the business goals of the company.

Ulrich (1997b: 237) observes that the tools for creating competitive organizations come from redefining and upgrading human resources. HR policies and practices should create organizations those are able to execute strategy, operate efficiently, engage employees and manage change. All of the above mentioned parameters are the elements of a competitive organization.

In future, the HR professional will be dramatically different from the past. Under the rubric of becoming business partners, HR professionals will think more about results than programmes. They will focus on guaranteed deliverables from deployment of HR practices that create value for their organization. It will also focus on developing organizational architectures and using them to translate strategy into action. They will perform organizational diagnosis by applying their organizational architectures to set organizational priorities. HR professionals reengineer HR work through the use of technology, process reengineering teams and quality improvements. They will be the employees' voice in management discussions. It will ensure the employees that their issues have been heard. They will be catalysts, facilitators and designers of both cultural change and capacity for change. They will establish a vision for the HR function that excites clients and engages HR professionals (Ulrich, 1997b: 235)

HRD competencies can be audited by using several methods. The more important ones are: Knowledge testing, attitudes and values, self-assessment by HR professionals, peer level assessment or 360-degree assessment, assessment of the HRD function or department by line managers, assessment centre and knowledge testing.

HRD managers can assess themselves on the above-mentioned checklist. Such self-assessment can indicate the Efficiency areas and Efficiency gaps. It can be supplemented further by a 360-degree assessment. It may include the peers, bosses, direct reports and other internal and external customers. Two questionnaires in this section entitled, Professional Preparation in HRD and HRD Profile Questionnaire, are also used as self-assessment questionnaires that
provide information about the nature and extent of the professional preparation of the HRD manager.

The CEO play a very important role to ensuring that a worthy audit is done and the report is used for improvements. The CEOs are looking for only positive feedback about the corporation and expects the audit to compliment his accomplishments than he may be in wrong direction. This is because there is always scope for improvement, even the best organizations has some weak areas. After presentation had done an HRD audit done out of curiosity by CEOs; though they have a view regarding all weaknesses and audit reinforce their knowledge. Most of the organisations use an HRD audit to maintain a status quo. This danger of self-justification should be avoided because CEOs are likely to do harm more than worthy to their own corporation in the long run. The success of an audit also depends upon cooperation from line managers. Line managers are the main who supplies the information to an HRD audit and major beneficiaries of this programme. The line managers supply information regarding the HRD needs, their own perceptions and expectations from HRD function etc. The audit reports generally present the gaps in the attitudes and behaviour of line managers. It can deal with their attitudes towards HR Systems, commitment towards implementation of HR Systems, OCTAPACE & other values, and their own role in developing their juniors & others. Therefore, the audit report provides good avenues for reflection. Line managers can perform effectively by insisting on a department-wise audit and use audit reports for improvements.

HRD audit should not be used as an opportunity to express frustrations. Line managers should also get involved in seeking feedback from the audit. Most line managers treated HRD audit only for the sake of the HRD department and this attitude partly resulted to inadequate understanding of respective HR role. The managing and developing human resources is a critical factor for organizational success. Top-Level managers or CEOs of corporations must inspire, develop, motivate and manage the staff to perform well. Corporations should judge the potential of their employees to occupy top management positions on the basis of their HR competencies. Moreover, it creates the compulsions for line managers to compete with other organizations in global economies in terms of HRM skills. Therefore, HRD audit, presents a golden opportunity
for line managers to set their own HR agenda and realization of the same. For the department’s heads, an HRD audit data provides the direction as per the departmental needs.

The numerous organizations may undertake an HRD audit at different time intervals to fulfill various objectives. Who will conduct the HRD audit depends on the objectives, stage at which the HRD audit is being conducted and availability of experts to conduct the audit. It is beneficial to get an HRD audit conducted by an external team for the effective results. And external team may be of HRD consultants from consulting companies, or a group of trained and certified auditors from other organizations. The major disadvantage of having external auditors can be the cost factor. External consultant can be more expensive therefore; it is useful to make the costs-benefits analysis before taking a decision. The strategy that can be applied for reducing cost is to get external audit done once in three to five years or to get internal audit done more frequently.

For a corporation which is less than three years old, it is useful to get the audit done by external auditors. The primary purpose of the audit is to set up the HRD System from the initial stage and align them with the business goals of the company. The first year is the best stage for the development of organizational culture. The employees who join the company in early years matter a lot in terms of setting the organizational culture and values. Such employees brought the values and cultures from the previous organisations. Thus, the HRD audit need to focus on evolving culture and must influence it in the right direction.

The organization formed its own culture by the time and started their process of stabilization. In such cases, it is useful to get the audit done by an external agency. If an audit has been done in the third year and the internal capabilities are developed. Then it is useful to get the audit done by an internal team of trained auditors, or by a task force trained for this purpose.

For an organization that has crossed the first five years, there is likely to be more stability. By the eighth year organisations will have been established. It is normally in a reflective mood. This is the appropriate time to achieve more stability by reviewing or reflection exercise. For an organization that has crossed initial ten years, must have gone through at least three audits. By the third audit, most HRD Systems and processes will have been stabilized.
Business decisions, such as diversification, scaling up, new markets, new territories, expansion, new product additions and new technology additions, require efficient human resource support. The effectiveness of most of these decisions depends upon the competencies and talent available to execute them. Therefore, it is useful to get an HRD audit done by an external agency. This may help in competency mapping and HRD Systems building to be carried out the plan. In such case external audit is considered as best tool. As internal audit involve serious limitations in terms of in-house biases and political issues. For internal audits, it is valuable to associate with some line managers from other corporations or with in-house team to get insights about the competency requirements. On the other hand, a well-trained auditor will be helpful in addressing the important issues. After downsizing or reorganizing a corporation, the competency match is an essential step. In order to ensure that the new organization is managed and led efficiently, it is useful to get an HRD audit done. The focus of such audit should be on the competency gaps and to build the new competencies among the retained and redeployed employees. Synergy and cost reduction requires revamping of performance appraisal systems and re-establishing accountabilities. Sometimes, such processes create a low morale in the organization. In such cases, it is useful to get the audit done after things have begun to settle down rather than in the middle of these exercises. It is useful to undertake an HRD in a period of least six months to a year during downsizing or other synergy activities. Such audits can be done by an internal team of trained HRD auditors. However, use of external agents for auditing specific systems is more beneficial. Such restructuring may includes merging the personnel/ HRD departments, revamping the training function, downsizing the HR department, reengineering the HR functions to involve or shift the responsibilities to the line managers. The audit is likely to indicate the desirability of downsizing and the possible ways to reengineer the department. The HRD audit reports will provide a great deal of insight for the CEO or the top management. A change in the top management or the CEO provides an opportunity for HRD audit to experience up gradations. External auditors can be used for an unbiased view or to guard one from being influenced or seen as influenced by a small section of the managers or the HRD department. The corporation should get an annual audit done by an internal team every year after an external audit is done. It is
recommended that the external audit to be done once in three to five years. The internal audit can be done by task forces and internal teams specially trained for the purpose. The auditor should preferably be trained in auditing or evaluation studies. A certified auditor is better than an untrained and uncertified person. But there is lack of agencies providing training facilities. It may take some more time for professional bodies to establish training facilities for auditors. This may soon become a reality.