CHAPTER - I

INTRODUCTION

Organizations are managed by people and through people. Without people, organizations can never exist. Indeed, people who make up the human resources of a company are unique and they can make or break an organization, depending upon their level of commitment, contribution and cooperation. The primary Objective of HRM is concerned with the policies and practices that ensure the best use of the human resources to fulfill the organizational and individual goals.

Human resource management (HRM) has experienced a strong evolution. From mere employee welfare, activity to strategic management practices, the nature and extent of growth is simply mind blowing. Today HR practices are capable of determining the success or failure of the organization. It will not be an exaggeration to claim that HR policies and practices are the lifeline of the business on par with cash, which is conventionally called the lifeblood. The policies that can act as the springboard of an organization can also become its death pit if these policies are not tested for its effectiveness. The present study attempts to identify the effectiveness of various HR policies and aims at discovering an apt mechanism for measuring such effectiveness. Thus, the present study not only aims at measuring the existing effectiveness of HR practices but also endeavors to design and develop tools like HR auditing for accomplishing that goal.

Indian Industrial organizations are gradually realizing the benefits of HR audits to their business in the short and long term. Recent factors like rising cost of human resources, the compulsion to reduce the cost of production due to intense competition in the market, and other business challenges acted as a revelation for many of the companies in realizing the utility value of HR audit.

1.1 Human Resource Audit- an Overview

HR effectiveness tools such as HR audit are concerned with the examination and evaluation of the policies, procedures and practices with reference to the human resource of the organization. It is a periodic review to measure the efficiency and effectiveness of Human Resource Management. HR auditing per se attempts (i) to review the entire system of procuring, developing, allocating and utilizing the human
resources in an organization (ii) to evaluate the extent of implementation of the human resource policies and practices of an organization (iii) to measure the HR department’s record of compliance with the statutory provisions regarding hiring, compensation, safety and health and dispute settlement (iv) to have an improved control over and check on all internal operations of the organization and (v) to evaluate the performance of the staff looking after HRM function.

There is a growing realization among the companies about the need to develop HR auditing as an independent, objective, and systematic evaluation process to ensure that compliance and governance requirements are being met, business and talent management objectives are being achieved, human resource management risks are fully identified, assessed, and managed and the organization’s human capital adds value. The top management now realizes that HR audits are more than an assessment that solely collects and presents evidence of compliance. HR audits are increasingly expected to look behind and beyond the organization’s assertions of sound and proper HR management practices and to assess the assumptions being made, benchmark the organization’s processes and practices, and provide the necessary consultative services that help the organization achieve its business goals and objectives.

1.2 Problem Statement

Employees represent one of the most important assets a company has. It thus becomes the responsibility of the HR department to secure those assets. To evaluate the competency of a company's human resource department, senior management may require HR audit. Moreover, the advent of Globalization compelled companies to reduce the cost of production due to intense competition in the international market. There is also a rapid growth of manufacturing firms all over the world and increase in environmental variability. The acute shortage of labor, the corresponding increase in labor turnover, costs of employee replacement and other business challenges acted as a revelation for many of the companies in realizing the utility value of HR audit. HR audit helps a company's senior management evaluate the efficiency of its human resources department and programs. Depending on the needs of the individual company, HR audit evaluates the department's effects, services and its place in the achievement of company goals and objectives. Therefore, the researcher attempts to find whether the HR audit practices can positively affect organizational performance
and its effectiveness. It is therefore necessary to study the effectiveness of HR practices with the relevance of HR audit.

1.3 Objectives

The objectives are classified into primary and secondary objectives. The secondary objectives make the primary objectives more specific.

1.3.1 Primary Objective of the Study

The primary objective of this study is to inquire into the effectiveness of HR practices with special reference to the role and relevance of HR auditing practices.

1.3.2 Secondary Objectives

To facilitate effective analysis of the primary objective of the study, a few specific objectives are framed. These are

1. To study the socio – economic profile of employees in the study domain namely Mando Automotive India Limited.
2. To clarify the employees’ perception about the HR audit practices in Mando Automotive India Limited.
3. To find the association between personal and organizational variable of employees and their HR audit perception.
4. To estimate the influence of HR audit on HR policies and practices effectiveness.
5. To devise strategies for improving the effectiveness of HR practices and HR auditing techniques.

1.4 Hypothesis

To keep the focus of the study intact and to facilitate the fulfillment of objectives, the following hypotheses have been framed

1. Experience of the employees is a critical determinant of their perception of HR practices.
2. Employee perceptions of HR practices differ significantly between staff and OE categories in Mando Automotive India Limited.
3. Organizational Members tend to view HR audit as an exercise in futility due to its obscurity and qualitative nature.
4. Corporate initiatives to popularize the uses and viability of HR audit practices are grossly inadequate and unpersuasive

1.5 Methodology

The present study is fundamentally descriptive in nature with an accent on discussing the effectiveness of HR practices of Mando Automotive India Limited through HR audit. This study has made use of both primary and secondary sources. The primary data are collected through Pre-tested questionnaires while the secondary data are compiled from published information available with different libraries, records of Mando and other sources.

The researcher studied the HR audit methods of Mando and prepared the research questionnaire based on HR audit format 2012 of Mando to ascertain the effectiveness of HR practices. Prior to final data collection, the researcher collected sample data from 30 study respondents for pre-testing the interview schedule. After the collection of sample data, the researcher checked the consistency, reliability and validity of the questions given in the questionnaire. The researcher also tested the consistency of the statement to know the stronger views of the respondents. After an in-depth analysis and discussion with experts, the researcher finalized separate questionnaires for staff and operating engineers of Mando Automotive Limited. The universe of the study comprises 310 staff and 560 OEs, totally 870 employees. From this universe, samples are chosen using stratified sampling method. 200 staff and 452 OE’s are selected for the study. Respondents willingly filled the questionnaire and submitted them to the researcher. The collected data were analyzed by using relevant statistical software’s like SPSS 11.5, SAS Enterprise Edition and M.S Technology Package. The researcher used statistical tools like Simple Percentage Analysis, ‘T’ test, Testing of Hypothesis using chi-square test, Factor analysis, Cluster Analysis, one way ANOVA, Post Hoc Tests, and Logistic Regression. The researcher interprets the results of the analysis based on the results and his own experience.

1.6 Period of the Study

As regards the period covered for the purpose of the study, the primary data was collected for a period of two years from 2012 to 2013. The secondary data was gathered for a period of 3 years until 2014 to ensure that the information available is up to date.
1.7 Need of the Study

Although there is no legal obligation to conduct HR Audit, it is considered important for improving the performance of human resource, controlling the cost of labor and meeting the challenges of the trade union. Just a few and far in between number of studies have been conducted on HR Audit topic, it is necessary to find out the organizations that have HR Audit practices and employee’s perception of such HR Audit practices.

1.8 Scope of the Study

Auditing HR programs address significant organizational risk in an area often viewed as “soft management”. However, overlooking management control practices can have serious ramifications for organizations. An organization should audit the HR function for routine check-ups (uncover any unfavorable conditions and set up a treatment plan); to determine how best to align HR operations with organizational goals; and to ensure compliance with federal and state employment regulations. To get started with an HR audit, auditors should review the organizational risk in the main HR areas of workforce planning, employee training, compensation and benefits, employee and labor relations, and workplace safety. Auditors may want to focus on regulation compliance, HR best practices, strategic plan alignment, or a particular area of HR.

There are very few companies practicing HR audit every year. The present study focuses on the HR audit practices of the Mando Automotive India Limited. Since 1997, this company is performing HR audit and three times the HR audit form was revised. The latest revision was in 2012. Therefore, the researcher selected this organization for an exhaustive and in depth study with an emphasis on the effectiveness and relevance of its HR Audit practices and the perception of employees vis-a-vis the HR Audit practices. The staff and Operating Engineer’s HR audit practices are classified. The study focused on examining the impact and effectiveness of HR practices through HR auditing in HRM service delivery in the category of Mando Automotive India Limited.
1.9 Significance of the Study

The findings of this study will be significant in different ways.

i) The study aims at strengthening the body of knowledge on the theory about human resource audit as hardly any study was carried out on this topic in India.

ii) The findings of the study will help future researchers, as a basis for further research in the fields of human resource audit on human resource management service delivery related issues.

iii) The findings of study will help HR managers realize the importance of HR audit during decision-making processes given that they provide accurate and timely information.

iv) The findings of the study will help developers of the HR audit in fine-tuning the contents and theoretical aspects of the subject matter.

v) The findings of the study will help HR consultants to gain an insight about the effect of human resource audit on human resource management service delivery which will be used in making recommendations for improving the use and values of human resource audit in the organizations.

1.10 Limitations of the Study

The study has a few limitations since it focused on only one company alone. The outcome is specific because the researcher has used only one kind of business field. It is quite possible that the other firms will have similar characteristics and problems. Hence, the generalization of the results of the study may be done taking care of the likely differences. The HR practices are same in nature but differ based on the companies’ size, business, strategy, vision and mission. However, the result is only indicative and not imperative because of the small size of the sample covered in a single firm though it may be representative in nature. The researcher summarizes few specific limitations.

- Bias from the respondents, however, the researcher tried to encourage the respondents to be as objective as possible.
There is little research done on human resource audit in India, therefore obtaining local literature was quite difficult. However, the researcher endeavoured to use the little literature available and supplement it with the one from developed countries to obtain the measures.

The researcher anticipated limited response especially from the respondents because these operate in a competitive business environment and by virtue of the sensitivity of the information. However, the researcher convinced the respondents by showing them the letter of introduction from the business school. Besides, he tried to convince them that the research is meant for academic purposes only.

1.11 Chapter Scheme

Chapter I: The first chapter envisions the design of the study. It includes introduction, Statement of the problem, Objectives, hypotheses, Methodology and chapter scheme.

Chapter II: The second chapter offers an insight into the literatures relating to study –topics of HR practices and HR audit.

Chapter III: The third chapter provides the origin and history of the study unit namely Mando Automotive India Limited

Chapter IV: The fourth chapter consists of the information gathered through data collection, the results of analysis and interpretations.

Chapter V: The fifth chapter summarizes the findings emerged from the study, offers suggestions based on those findings and depicts conclusion of the study.

Effective HR policies and practices can have a cascading effect on the entire organization by affecting the performance of all departments such as Production Department, Marketing Department, Purchased Department, Finance Department, and Research & Development Department. Thus, this study will have an implication for the whole organization and perhaps the industry as a whole.