CHAPTER 3
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CHAPTER 3

HUMAN RESOURCE AUDIT: PROCESS AND METHODOLOGY

3.1 INTRODUCTION

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.

A study conducted by TVRLS (T.V. Rao Learning Systems) on effectiveness of HRM functions in India indicates that there is poor execution of HRM practices in India. This is because of lack of understanding of top management about importance of HRM and its association with business, deficiency of competent and professional HR staff and inadequate understanding of HRM frameworks.

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.

3.2 NEED AND OBJECTIVES OF HUMAN RESOURCE 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.

i. Alignment and realignment of HR with business goals.

ii. To make HR business driven.

iii. Promotion of professionalism among employees and company.

iv. Understanding the reasons for lower employee productivity and employee attrition; and improving the same.

v. To review and improve effectiveness of various HR systems like manpower planning and recruitment, training and development, performance appraisal, etc.

vi. To create high return on investment on HR.
3.3 SCOPE OF HUMAN RESOURCE AUDIT

From the above discussion it is clear that HR Audit is a detailed comprehensive evaluation, which comprises of detailed study of various aspects and components of HR. These components are:

3.3.1 HR Systems:

Systems are organized way of making things happen. They assist in planning, prediction and bringing professionalism, discipline and security. Every system has its own objectives, elements and process. The purpose of HR system is to build competencies and commitment of individuals, teams and entire organization through variety of instruments.

These systems include: manpower planning, performance management, feedback, training and development etc.

3.3.2 HR Strategies:

Strategies are organized way of doing the things. HR strategies imply the choice of the organization to use various systems related to HR functions like recruitment, training, motivation performance appraisal etc.

Some of the important strategies include: culture building strategy, communication strategy, quality and customer orientation strategy etc.

3.3.3 HR Competencies:

HR competencies are skill and knowledge required by the main stakeholders of the organization that hold the key for making human resources of the organisation work. These include competencies of people working in the HR department.

3.3.4 HR Culture and Values:

HR audit attempts to evaluate the extent to which organization has OCTAPACE values and culture. It indicates culture which encourages and promotes Openness, Collaboration, Trust, Authenticity, Pro-action, Autonomy, Confrontation and Experimentation.
3.3.5 HR Impact and Alignment:

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.

All the above components pertaining to the scope of HR Audit are discussed in detail in the later part of the chapter.

3.4 METHODS OF HUMAN RESOURCE AUDIT

In order to evaluate various components of HR function, HR audit uses multiple methodologies. The methods adopted for evaluation depends upon the nature of component to be evaluated. Such methods are:

3.4.1 Interviews

HR auditor conducts interview of top management, line managers and staff. Interview with the top management indicates their opinion of future plans and prospects available for the company. Interviews with other line managers and staff are conducted to get information about effectiveness of existing HR systems, culture and strategies.

3.4.2  Group Discussion and Workshops

In large organizations, where individual interviews are not possible, group discussions and workshops are conducted for diagnosis and evaluation of various aspects of HR.

3.4.3 Observation

Auditor observes various aspects of organization in terms of physical facilities, meetings, discussions and other events related to organizational culture and training. This will reveal the work place atmosphere and organizational climate.
3.4.4 Analysis of Records and Documents

An auditor scrutinizes and analyses various records and documents such as annual reports, employee records, training documents, performance appraisal forms, in house journals and periodicals etc. such scrutiny reveals strength and weaknesses of HR functions.

3.4.5 Questionnaires

Number of questionnaires can be designed and used by the auditor to extract the information about HR systems, processes, styles and competencies.

3.5 PRE-REQUISITES OF HUMAN RESOURCE AUDITOR

Firm has to arrange for special person or team for conducting HR Audit. Such person i.e. HR auditor and HR audit team must have thorough knowledge of the systems to be audited. The firm can get its HR system audited by-

i. External Auditor

ii. Internal Auditor

iii. Internal team of auditor comprising of HR specialist

iv. In-house team comprising of line managers and HR specialist

An auditor is a person who is trained specially in HRD audit. TVRLS and Academy of HRD conducts certificate programs and trainer programs in HR audit. Some of the important pre-requisites of HR auditor are:

i. A thorough knowledge of various HR systems, their components, objectives, functioning, implementation difficulties, indicators of success and world class practices.

ii. Knowledge of HR departments, their role, competencies and HR models.

iii. Knowledge of various assessment methods, tools and techniques.
iv. Assessment tools in terms of skills in observation, questionnaire, use of secondary data and interviews.

v. Positive attitude towards audit i.e. viewing audit as an empowering tool and not as a fault finding tools.

vi. Communication skills for presentation of audit report.

3.6 LIMITATIONS OF HUMAN RESOURCE 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.

i. 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.

ii. When results of audit are not taken seriously and they are not implemented.

iii. 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.

iv. 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.
3.7 HUMAN RESOURCE AUDIT DIMENSION

For such detailed evaluation of HRM policies auditor makes use of various techniques and methods. Such techniques include interviews, group discussion and workshops, observation and questionnaire. Each of such components requires different technique at different stages of audit. This chapter attempts to discuss each of such components of HR and to evaluate the same. Such audit will reveal the effectiveness and maturity level such components. This methodology is based on HRD Audit manual presented by T.V.Rao.

The main dimensions of HR Audit are explained with the help of following table.

<table>
<thead>
<tr>
<th>MAIN AREA</th>
<th>CATEGORIES</th>
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| HUMAN RESOURCE SYSTEMS AND STRATEGIES | i. HRD Systems: Objectives, structure, Understanding Implementation and Business Relevance of Manpower Planning, Performance Management, Training, Recruitment, OD and Self-renewal, etc.  
ii. HRD Strategies: Quality, Cost, Customers, Culture Building, Entrepreneurship, Communication and Commitment. |
| HUMAN RESOURCE COMPETENCIES | i. Competencies of HR staff  
ii. Learning attitude of line managers  
iii. Empowering styles of top management  
iv. Learning orientation of non-supervisory staff  
v. Credibility of HR department and its activities |
| HUMAN | i. OCTAPACE Values |
3.8 AUDIT OF HUMAN RESOURCE SYSTEMS

Systems are organized way of making things happen. They assist in planning, prediction and bringing professionalism, discipline and security. Every system has its own objectives, elements and process. The purpose of HR system is to build competencies and commitment of entire organization. The HR audit helps in assessing the orientation, process and mechanisms, degree of participation, cost-effectiveness and efficiency of overall HR systems and subsystems. HR audit focuses on all systems that exist in the organization and assesses them for their clarity of objectives, structure (scientific base and comprehensiveness), its understanding by users, implementation and relevance in achieving organizational goals. The comprehensive list of HR systems includes:

Table 3.2: HR Systems Dimensions

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<td>3.8.6</td>
<td>Potential Appraisal and Assessment Centers</td>
</tr>
<tr>
<td>3.8.7</td>
<td>Career Planning and Development</td>
</tr>
<tr>
<td>3.8.8</td>
<td>Job Rotation</td>
</tr>
<tr>
<td>3.8.9</td>
<td>Training and Learning</td>
</tr>
<tr>
<td>3.8.10</td>
<td>Organization Development</td>
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Each of this system can be audited in detail with the help of its components and its dimensions. The auditor should evaluate these systems in detail.

### 3.8.1. COMPETENCY MAPPING:

This system aims at measuring and developing the competency level in employees across the organization. Competencies include: knowledge and skill of the employees to perform different organizational tasks at all the levels in the organization. The different dimensions for auditing competency are:

**A. The system, process and practice**

i. Standardized practices.

ii. Documented and clearly stated.

iii. Availability of competence directory.

iv. Availability of competency profiles with managers.
B. In-house competencies are available and people are trained in competency mapping

i. Awareness about process.

ii. Line managers contribute to the process.

iii. HR staff is internally trained for competency mapping.

iv. Accessibility of details.

C. Comprehensiveness of the competency mapping process

i. Availability of competency model.

ii. Coverage of technical, managerial, behavioral and conceptual aspects of the job.

iii. Description of levels of competencies.

iv. Review of profile periodically.

D. Use of competency mapping process for HR interventions

i. Use of competency mapping for recruitment, induction, promotion, assessment centers, performance management, rewards and recognition, compensation management and organizational development.

ii. Training based on competency mapping.

E. Periodic review and updating of mapped competencies

i. Change of competency profile when new jobs are created.

ii. Review at least once in three year.

iii. Dynamic review and updating system.

iv. Availability of competency profile along with tasks on the web.
AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

Interviews of line managers, HODs and HR staff to find out awareness, usage and knowledge about the system.

ii. OBSERVATION:

Observation of competency mapping process, knowledge of line managers and HR managers on competency mapping, competency directory, interview records, selection process.

iii. EXAMINATION OF RECORDS:


b. Circulars and documents stating objectives.

c. Competency directory.

d. Interview records.

e. Training details.

f. Promotion circulars.

3.8.2. MANPOWER PLANNING:

Manpower planning system implies estimating desired level of human resources in terms of quality and quantity to meet organizational goals and objectives. It estimates manpower need for future keeping in mind long term goals of the organizations and compares it with present available manpower and analyses them. If surplus is found arrangements are made to separate them and if deficiency is recognized, necessary arrangements are made for recruitment. It also takes into consideration various internal and external sources for recruitment and training needs to match future needs. The various components for auditing manpower planning are:
A. Situation Analysis

i. Assessment of external environment

a. Consideration of market trends, technological developments, business challenges and government policies.

b. Documentation of the analysis for reference of manpower decision.

ii. Consequences of changes in working practices

a. Impact of new technology on manpower involvement and output.

iii. Impact of manpower turnover on organizational performance

a. Calculation of manpower turnover ratio.

b. Comparison of past trends and projection of future trends.

c. Studying reasons for high/low turnover.

d. Studying its impact on turnover.

B. Manpower demand analysis

i. Assessment of manpower requirements are from business plans

a. Consideration of various aspects of business plans, capital equipment plans, marketing plans, financial limitations etc.

b. Analysis of required changes in manpower with respect to growth plans.

ii. Analysis of more relevant skills and competencies for future

a. Ascertain important existing skills for future demands.

b. Ascertain new skills to be developed.
iii. Analysis of current manpower profile and utilization to meet future manpower requirements

a. Available data on employee category, qualification, experience etc.

b. Performance appraisal data.

c. Extent of training possible.

d. Retirement plans.

iv. Assessment of organizational capability to retain current manpower

a. Reputation of organizations and its brands in the market.

b. Pay scales against industry standards.

v. Ability to attract people from current manpower

a. Comparison of pay scales, culture and reputation against other organizations.

b. Motivational and retention strategy.

c. Organizational and individual growth plans.

C. Manpower supply

i. Analysis of current manpower profile and utilization to meet future manpower requirements

a. Available data on employee category, qualification, experience etc.

b. Performance appraisal data.

c. Extent of training possible.

d. Retirement plans.

ii. Assessment of organizational capability to retain current manpower

a. Reputation of organizations and its brands in the market.
b. Pay scales against industry standards.

c. Ability to attract people from current manpower.

d. Comparison of pay scales, culture and reputation against other organizations.

e. Motivational and retention strategy.

f. Organizational and individual growth plans.

**D. Manpower plan**

i. **Availability of adequate supply of manpower when required**

a. Thorough manpower demand and supply analysis.

b. In depth plan to meet manpower requirement.

c. In-depth plan for recruitment, motivation and retention strategies.

ii. **Ensuring optimum utilization of manpower**

a. System of performance management and development.

b. Clear job description.

iii. **Involvement of other departments**

a. Participation of committee consisting of top management.

b. Detailed instruction to all departments about plan.

c. Adequate information collected from functional heads in terms of manpower required with respect to business strategy and growth.

**D. Action Strategy**

i. **Recruitment of manpower**

ii. Retention of skilled employees

a. Plan for motivation and commitment.

iii. Performance management and training and development to meet manpower

a. Systematic process and systems.

b. Involvement of line managers in HR systems.

iv. Strategy for reduction of manpower to avoid redundancy

a. Pre-retirement plans.

b. Early retirement strategies.

c. Counseling to manpower likely to retire.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. Interview of HR manager

To know about:

1. Methods of assessing manpower requirements.

2. Sources of manpower supply.

3. Reputation of the firm in the market.

4. Recruitment strategies used.

5. Retention and separation strategies.


7. Involvement of line managers in HR decisions etc.
b. Interview of line managers

1. To be familiar with their participation, knowledge, contribution and belief about functioning of HR interventions in the organization.

ii. DOCUMENTS/SECONDARAY DATA

a. Reports on analysis of external environment, changes in working practices;

b. Reports on key reasons for high/low turnover.


d. Data available about employee categories, qualification, experience etc.

e. Performance appraisal plan.

f. Documents about retirement plans.

g. Documented plans about recruitment, motivation and retention strategies.

iii. QUESTIONNAIRE DATA

Information from HR managers, line managers and staff from HR Audit questionnaire*

(*presented at the end of the chapter)

3.8.3. RECRUITMENT:

Recruitment is the process of searching and attracting capable candidates to apply for the job. It involves identifying vacancy in the organization, analyzing the job to be filled in terms of its duties and responsibilities, finding various sources from where perspective candidate can be found and finally arranging for the tests and interviews for selection. Audit of recruitment system involves:
A. Understanding the jobs to be filled

i. Use of job description or competency profiles

   a. Use of job description or competency profiles in clarifying requirements of job vacancy.
   
   b. Availability of manual with job description or competency profile.
   
   c. Preparation of them in consultation with top management.
   
   d. Updating them periodically.

B. Tapping the sources of recruitment

i. Use of cost-effective methods of advertising

   a. Advertising method that ensures better reach to candidates.
   
   b. Response to the advertisement in past.

ii. Attracting and short-listing candidates

   a. Advertisement is well worded and giving adequate information about the job and criteria for selection.
   
   b. Mention of process of applying.
   
   c. Internal advertisement of vacancy.
   
   d. Consideration of candidates within the organization.
   
   e. Use of placement agencies.
   
   f. Short listing of candidates by comparing profiles with job description.
   
   g. Consultation of functional heads before final short listing.
   
   h. Reference check.
C. Using various strategies and approaches for selection

i. Methods

a. Use of application blank.

b. Conducting panel interview consisting of senior and line managers and HR person.

c. Use of assessment centers for selection at the higher levels.

d. Use of aptitude, ability and behavioral tests.

e. Use of experts for interpretation of tests.

ii. Strategies

a. Person-organization interaction based selection.

b. Assessment of attitudes towards the job.

c. Role set strategy for selection.

d. Assessment of congruence between individual needs and organizational culture and nature of job.

e. Involvement of role set members in selection process.

D. Setting selection process

a. Information to candidates in advance about interview schedule.

b. Confirming attendance of the candidate.

c. Treatment with respect to candidate when called for interview.

d. Comfort to outstation candidates.

e. On time process.

f. Circulation of format for selection to panel.

g. Experienced members for assessment.
h. Salary negotiations for final candidate.

E. Final selection process

i. Attention on capabilities and potential to learn and develop in the organization

a. Comment on differentiation between suitability for current job, and capacity to learn and grow in the organization of employees.

b. Satisfaction of employees that their capabilities are properly utilized.

ii. Timelines of the entire process

a. Decision taken within the time limit.

b. Intimation to candidate.

c. Paper work on time.

d. Appointment letter.

e. Proper workplace facilities for new employees on time.

f. Induction schedule.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. Interview of HR manager:

To get information about:

1. Availability of job descriptions.

2. Involvement of others in its preparation.

3. Updating them.

4. Use of competency profile in recruitment.
5. Use of advertising media for vacancy.

6. Use of placement agencies.

7. Reference check.

8. Use of various selection methods.

9. Use of psychometric tests.


11. Time taken for selection process.

12. Induction schedules etc.

b. Interview of line managers:

To know about

1. Availability of job descriptions.

2. Information of vacancy to internal employees.

3. Clarity in the process of application.

4. Involvement of functional heads in selection process.

5. Strength and weaknesses of selection process.

c. Interview of new recruits:

For understanding

1. Experience about selection process.

2. Attitude of the contact person.

3. Permission to visit entire site before interview.

4. Time line of the process.
5. Management of the process.

**ii. DOCUMENTS/SECONDARY DATA:**

a. Job descriptions.

b. Vacancy advertisements.

c. Internal job postings.

d. Database of external applicants.

e. Format of application blank.

f. Psychometric tests.

g. Time table of selection process.

h. Communication sent to candidates.

i. Employee satisfaction surveys etc.

**iii. OBSERVATION:**

Physical infrastructure used for running assessment center.

**iv. QUESTIONNAIRE DATA:**

Information from HR managers, line managers and staff from HR Audit questionnaire*

(*presented at the end of the chapter)

---

**3.8.4. INDUCTION AND INTEGRATION:**

Induction and integration system involves training to newly employed employee in the organization. It is a process whereby an attempt is made to familiarize and integrate newly employed person with the organization. Points to be noted while auditing the system are:
A. Existence of a system or a process

i. Formal and standardized induction system and policy at all levels.

ii. Formal integration system for those who come from outside at senior level.

iii. Induction process aiming into business, function, organization, role and team.

iv. Well documented system.

B. Comprehensive coverage of different categories

i. Induction at all levels and all categories

Coverage of:

a. Freshers from college/University.

b. Promotees from within the organizations.

c. Transferees and job rotated candidates.

d. External appointees.

C. Comprehensive coverage of content

i. Induction and integration dimensions

a. Business area.

b. Organization structure.

c. Vision, mission, values and goals.

d. Products/services.

e. Customers & markets.

f. Procedures & procedures.

g. Policies.
D. Appropriate and effective methodologies

i. Based on principles of integration, assimilation and psychological contract.

ii. Use of role analysis, competency maps etc.

iii. Sensitive to the dilemmas of new entrants.

iv. Well designed program.

v. Informal/social get-togethers etc.

E. Implemented seriously

i. High commitment to induction program by:

a. HR department.

b. Top management.

c. HODs.

d. Candidate.

F. Results in tangible outcomes and fast integration:

i. Helps in fast settle-down and start contribution.

ii. Linked to development, engagement, retention and satisfaction of employee.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. New entrants (fresher):

To ascertain

1. Level of clarity at the end of induction.

2. Awareness regarding organization, products, markets, values, structure, policies etc.
b. New entrants at senior/middle level:

(Who joined from other organization)

1. Time taken to settle down.

2. Issues faced etc.

c. HR staff:

To know about:

1. Induction process and policy.

2. Difficulties faced by new entrants.

3. Their role in induction.

d. Top management/line managers/ HODs:

1. To ascertain their level of clarity on induction program.

ii. RECORDS/ SECONDARY DATA:

a. Manuals

b. Policy statements

c. Training material

d. Induction kits etc.

iii. OBSERVATION:

Observing actual induction program in process to observe care taken, time spent and seriousness attached.

iv. QUESTIONNAIRE

Relevant items from HR audit questionnaire.
3.8.5. PERFORMANCE MANAGEMENT

It refers to system of monitoring and measuring the performance of the employees in the organization. It includes performance planning, performance coaching and performance appraisal. The dimensions to be audited are-

A. Performance planning system and performance appraisal

i. Alignment of organizational goals with departmental goals.

ii. Alignment of departmental goals with individual and team goals or KRAs/KPAs.

iii. Breaking of KPA into objectives.

iv. Jointly set targets.

v. Clear weightage of each task/activity.

vi. Recording of time bound goals.

vii. Clear communication of behavioral qualities to be assessed.

viii. Analysis of time spent on various activities.

ix. Support for performance planning through training.

x. Providing review and mid-year evaluation.

xi. Accessibility of performance management manual for employees.

B. Promotion of culture of fairness, objectivity, performance orientation and motivation

i. Performance review and analysis

a. Quarterly progress review discussions among appraiser and appraise.

b. Discussion contains performance areas co-related with organizational goals.

c. Clear understanding of own performance in light of business goals and environment.

d. Discussion of behavioral traits of the appraisee (positive qualities & gaps).
e. Half yearly ratings.

ii. Identification of hindering and facilitating factors in performance

a. Identifying factors that helped individual in achievement of targets.

b. Provision of empathetic environment for discussion of problems, issues and conflicts.

C. Performance feedback, development and counseling

i. Performance feedback

a. System of giving feedback.

b. Seriousness of line managers.

c. Support to employees for acting on feedback.

ii. Employee development

a. Appraisal linkages to training and development and other systems.

iii. Performance counseling

a. Mentoring systems.

b. Counseling practices after appraisal.

D. Performance ratings

i. Clearly defined rating scale and systems.

ii. Training and counseling to appraiser to overcome rater’s bias.

iii. Assessment against pre determined performance standards.

iv. Use of multi source feedback mechanism to minimize bias (360° feedback, peer evaluation).
E. Implementation and facilitation of the process

i. Facilitative role of HRM

a. Designing of simple and suitable system with inputs from functional managers.

b. Availability of manual with guidelines, processes and schedules.

c. Continuous follow-up.

d. Consistency across departments in implementation.

e. Training to managers for review and counseling.

f. Periodic re-assessment of effectiveness of system.

ii. Commitment and implementation by line managers

a. Taking process seriously and timely adherence.

b. Role clarity and understanding of KPAs.

c. Adequate time for periodic review and counseling.

d. Non threatening atmosphere by empathy toward problems faced by subordinates.

e. Identifying and minimizing rating bias.

f. Opportunity to appraisee to voice out difference in opinions and resolve it.

METHODS AND TECHNIQUES OF AUDITING

i. INTERVIEWS:

a. HR manager:

For information regarding:

1. Process of role setting.

2. Involvement of employees in framing KPAs/KRAs.
3. Process of assigning weightages to KPAs.


5. Confidence of subordinates in system.

6. Training to managers for evaluation.

7. Documentation of the process.

8. Method of analysis and review.

9. Method of feedback to employees.

10. Linkages with other systems.

11. Involvement of line managers.

12. Consistency in implementation.

13. Periodic review of effectiveness of system.

b. Line managers/functional heads:

To know

1. Help and involvement of HR managers in the process.

2. Clarity about targets.

3. Planning of activities for team.


5. Understanding of the system and process.

6. Usefulness of performance analysis and review.

7. Expectations from HR managers.

8. Strengths and weaknesses of the system.
9. Transparency and openness of the system.

**ii. DOCUMENTS/SECONDARY DATA**

1. Documents of KPAs/KRAs.
2. Documents of goals, objectives etc.
3. Documents of target setting.
7. Filled in performance appraisal forms.
8. Data analysis and past years results.
9. Reports of performance review discussions.
10. Communication letters to employees.

**iii. QUESTIONNAIRE**

HR Audit questionnaire

**3.8.6. POTENTIAL APPRAISAL AND ASSESSMENT CENTERS**

This system aims at assisting top management in determining the suitable person for particular job by generating data about the employees and their potential for performing different higher level roles. It assists in developing managerial talent in promising and talented employees by providing necessary inputs.

A. System based on clarity of roles and functions associated with the same

i. Availability of extensive job description for each job along with required qualities.
ii. Competency mapping done.

iii. Differentiated skills: technical, managerial, behavioral categories.

iv. Operational definitions given.

v. Pointers given on methods of assessing skills and qualities.

B. Process for assessment of the qualities

i. Use of multiple mechanisms

a. Format and system of potential appraisal apart from performance appraisal.

b. Data generated clearly differentiates individual’s success in current job and his potential to perform new higher responsibility.

c. Interviews to check individual potential.

d. Multi-rater feedback system.

e. Focus on behavioral and leadership qualities.

f. Use of development centers for evaluation.

g. Adequate resource for development centers in terms of physical infrastructure, trained assessors, tests, exercises and simulation.

h. Training to appraisers in assessment techniques.

C. Clarity for implementation of the system

i. Set guidelines for implementation and use of system

a. Use of data generated by system for placement, promotion, remuneration etc.

b. Different weightage to technical, managerial and behavioral qualities.

c. Relative weightage to different methods of assessment depending on work history.

d. Clear policy guidelines for all aspects.
e. Clear understanding to people involved.

ii. Carried in systematic manner

a. Functions as per set dead lines.

b. Done at the beginning of the year.

c. Consistent application across organization.

d. Comprehensive and precise format.

e. Clearly defined assessment parameters and rating scales.

f. Compilation of data from all sources in report.

D. Feedback on potential appraisal for individual development and use for career development

i. Open system

a. Clear guidelines on process known to all.

b. Sharing of ratings by functional head using various mechanisms with employees.

c. Individual record with employees on his own potential appraisal.

d. Perceived transparency about process by employees.

ii. Use of data for individual counseling and development

a. Counseling discussions between employee and senior once process is over and ratings are compiled.

b. Comparison of data with individual aspirations and pointing of gaps to provide direction for self initiated learning and development.

c. Results serve as input for training and development.

d. Priority to potential appraisal ratings than performance appraisal ratings in career path discussion for individuals.
e. Employees feeling of utility of system in re-evaluation of strength and weaknesses and in career planning development.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

To get information on:

a. HR manager:

1. Availability of job descriptions and competency lists.
2. Clear assessment of skills and qualities.
4. Use of psychological tests.
5. Use of appraisal data for manpower planning.
6. Policy guidelines on weightages to qualities at different levels.
7. Seriousness of senior managers.
8. Timely completion of process.
9. Communication of ratings to employees.
10. Transparency of process.
11. Use of counseling sessions after the results.
12. Use of inputs in career planning.

b. Line managers/ Functional heads:

For information on:
1. Detailed job for descriptions and competency lists.

2. Clear understanding of the required skills and qualities for performance.

3. Advantages and disadvantages of mechanisms for potential appraisal.

4. Training to people involved in mechanism.

5. Application of weightages depending on competencies.


7. Universal application of process.

8. Linkage of career planning guidelines to the system.

ii. DOCUMENTS/SECONDARY DATA

a. Job descriptions, manuals and competency directories.

b. Format of potential appraisal forms.

c. Filled in forms.

d. Physical infrastructure of assessment centers, tests and exercises.

e. Format of psychological tests.

f. Policy guidelines on process.

g. Individual records.

h. Career planning guidelines.

i. Promotion guidelines.

iii. ADDITIONAL POINTERS:

a. Linkage of potential appraisal system with critical manpower decisions like placement, promotion, career planning and individual development should be thoroughly investigated.
3.8.7. CAREER PLANNING AND DEVELOPMENT

It refers to identifying career goals and objectives of the individual employee and assisting them to achieve them by matching them with the organizational goals. The aim of the system is to aid the individual to choose career options and opportunities and develop in that direction after being made aware of one’s capabilities and potential with the help of other systems and the support of his superiors.

A. Contextual Analysis

i. Carrying of periodic analysis of the changes in social, political and business contexts, global changes and business trends, new opportunities and competitors plan.

ii. Designing of organizational structure and roles to reflect and anticipate changes.

iii. Information to employees about performance of the company, opportunities and growth plans.

iv. Communication of organization’s future plans, structures and careers.

v. Communication of the technological changes, management practice changes, market changes to individuals.

B. Career paths based on role analysis and clarity

i. Presence of well laid-out career paths based on role analysis and role clarity.

ii. Role clarity based planning

a. Linkage of career planning to role clarity at all levels.

ii. Awareness of roles and responsibilities of self and others.

iii. Adequacies and inadequacies of the HR systems to promote role analysis based career planning and structuring.

iv. Involvement of line managers in ensuring role clarity.
C. Identification of capabilities and potential supported by other systems

i. Use of multiple approaches in assessment of capabilities and potential

a. Linkage of performance appraisal and potential appraisal to career planning.

b. Use of assessment/development centers.

c. Use of scientific methods like 360° feedback for potential and career planning.

D. Development of the individual carried out in a systematically phased manner using several mechanisms

i. Ensuring a strong conceptual base and focusing on managerial skills and leadership qualities

a. Learning technical and job related skills.

b. Learning general managerial skills.

c. Developing leadership skills and qualities.

ii. Getting acquainted with other departments and functions

a. Job rotation or temporary placements/assignments in all important functions to get feel of their functioning.

iii. Presence of mentoring of career counseling systems

a. Involvement of senior management in mentoring individuals.

b. Counseling on career path issues.

c. Realistic assessment of capabilities and potential.

d. Use of initiative, creativity and challenges.

E. Specific strategies for different group of employees

i. Approach for fresh recruits

a. Developing technical and general managerial capabilities.
b. Short term placement in various departments.

c. Mentoring.

ii. Approach for those who have spent their time in the same position for a long time and shown potential

a. Job rotation.

b. Creating positions for lateral movements.

c. Developing leadership capabilities.

iii. Approach for highly promising employees

a. Special interventions.

b. Involvement in strategic teams and committees.

c. Mentoring.

iv. Approach for those who have reached a stage beyond which it is not possible to progress vertically

a. Counseling.

b. Creating challenges in the current job.

v. Changes in career plans made depending on changes in the strategy, structure and working practices

a. Alteration in career plans in case of any changes in business environment leading to changes in the business strategy, structure and working practices.

F. Perceived as an integral part of the culture

i. Culture focused on competency building and commitment building

a. Attention on competency building.
b. Focus on commitment building.

**ii. Openness in sharing the information with the employees**

a. Transparency in the process.

b. Sharing of career paths and plans with employees.

**iii. Commitments made to employees are met**

a. Planned and promised interventions to the employees are met.

b. Trust of employees in the career planning and counseling.

**METHODS AND TECHNIQUES OF AUDITING:**

**i. INTERVIEWS:**

**a. HR Managers:**

To be familiar with

1. Mechanisms for the survey of global, national and local business trends and development.

2. Evaluation of existing structure for grabbing new opportunities.

3. Communication of these mechanisms to employees.

4. Role of this communication in assisting employees in career development.

5. Activities to clarify roles.

6. Mechanisms to share performance expectation and directions between seniors and juniors.

7. Use of role analysis for career path planning and coaching.

8. Use of various methods for assessment and their implementation.

9. Mechanisms involved in career planning system.

10. Use of mentoring and counseling system.
11. Issues discussed in counseling.

12. Involvement of top management in counseling.

13. Attitude towards various groups of employees in developing managerial and technical capabilities.

14. Impact of change in business environment or organizational structure on career plans.

15. Transparency and openness of the process.

**b. Line managers:**

To ascertain

1. Nature of information shared with different departments about changing nature of organization, its structure and career opportunities.

2. Communication of changes in technology, market and management to enhance role clarity.

3. Clarity about roles and responsibilities.


5. Skill and knowledge of counselors and mentors.

6. Sharing of career paths among employees.

**ii. DOCUMENTS/SECONDARY DATA**


b. Role directories.

c. Workshop documents on role clarity and role negotiations.

d. Performance appraisal reports.

c. KPAs, KRAs, job analysis or role clarity reports.

d. Assessment/Development centers.
e. Potential appraisal reports.

f. Career planning reports.

g. Material on job rotation.

h. Material on mentoring and counseling.

i. Report on study conducted on culture of the organization.

j. Career plans of the employees.

3.8.8. JOB ROTATION

It involves movement of employees from one job to another. This technique enables employees to be familiar with duties and responsibilities of various positions in the organization. Through job rotation management can also find most appropriate placement for a particular employee. It can also be used as a technique of training. Points to be considered while auditing the system of job rotation are:

A. Initial Planning of the Process

i. Strategy in line with business requirements

a. Consideration of manpower requirements stated in the manpower plans.

ii. Planned in a participative manner

a. Freedom to functional heads to plan job rotation for their department.

b. Feedback from all departments to get accurate requirements of individuals and organization.

c. Incorporation of recommendations of functional heads in the plans.

iii. Detailed and clear final plan

a. Clear guidelines drafted and documented.
b. Availability of information to all functional heads.

c. Clarity of guidelines and process among individuals.

d. Clear linkages between other systems and job rotation.

**B. Implementation of the plan**

**i. Followed as planned**

a. Part of job rotation data clearly indicates that job rotation is done in a planned and systematic manner across the organization as per stated rules and norms and not just as an ad hoc process.

b. Checks in the system to ensure timeliness of the manpower shifts.

c. Feedback from functional heads on implementation and corrections made if needed.

**ii. Ensure optimum utilization of manpower**

a. Checking of competency match after the person re-deployed has performed in the new capacity.

b. Checks to avoid duplication of responsibilities or efforts.

**iii. Support by other process**

a. Development of high potential employees and management using job rotation as a strategy of top management.

b. Proper counseling and mentoring to ensure the learning and contribution of the person in the new function.

**iv. Re-assessment of the overall implementation**

a. Studying of consequences of the process through feedback from functional heads and line managers to ensure that individual and organizational goals are met.

b. Use of data from the study to bring improvement in the system.
C. Impact on Culture in terms of Learning, Development and Motivation

i. Impact on culture

a. Perceived as a value adding system in the organization.

b. Perceived usefulness of the mechanism and support among individuals across the organization.

c. Helps in increasing appreciation for different functions and in gaining better understanding of the overall business.

d. Individual does not feel threatened by the same.

ii. Facilitates learning by placing an individual in different functions

a. Individuals see a clear linkage between developmental inputs required and the system.

b. Helps in tapping the potential of the individuals.

iii. Improving motivation by providing challenges and new opportunities

a. Feeling among individuals that their aspirations in terms of career progression and development are met to a certain extent because of job rotation.

b. Indication from interview data of higher level of productivity in different functions is attributable to job rotation.

c. Employees do not feel that they are stuck in the same function or monotonous positions for extended period.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. HR Managers:

To be familiar with

1. Purpose of the system; (training, filling vacancies, etc.).
2. Use of job rotation as specific strategy or aid in HR system.

3. Involvement of line managers.

4. Role of HR managers in the process.

5. Frequency of the process.

6. Sources of information used for determining job rotation.

7. Effectiveness of the system.

**b. Line Managers**

To know

1. Awareness about policy guidelines.


4. Role of HR department and functional heads.

5. Perceived usefulness of the system.

**ii. Documents:**

a. Job rotation policy.

b. HR manual and manpower plan.

c. Studies on effectiveness of the system.

d. Past data on the job rotation.
3.8.9. TRAINING AND LEARNING:

Training can be viewed as a formal system of learning which enhances employee’s knowledge, skill and attitude towards job. It is a series of planned programmed aimed at improving the productivity of the trainee. The HR auditor should evaluate the system keeping in view:

A. Scientific Identification of Training Needs

i. Training needs are identified systematically

a. An annual survey covering employees across the organization.

b. Seriousness of HR department about survey.

c. Completion of survey forms/questionnaire by line managers on time by line managers, and conveying the same to HR department.

d. Use of multiple mechanisms such as performance appraisals, assessment development centers and questionnaires.

e. Availability of separate format highlighting training needs, which is different from performance appraisal form.

d. Proper documentation of the training needs- a copy with HR and with the individual departmental head.

ii. Training needs are based on various performance parameters like current performance

a. Identification of clear difference in individuals training needs, and the same is not repeated.

b. Presence of differentiation of training needs in terms of technical, managerial, and behavioral components.

c. Identification of current performance gap on the basis of performance appraisal.

B. Pre-training Preparation for ensuring Appropriateness of the Training Program

i. A scientific mechanism should be in place to ensure that the training program is appropriate and suits the needs of the candidate/organization
a. Coverage of training program matches the training needs identified.

b. Discussion of organizational/individual requirements along with expected outcome among training/HR manager and concerned faculty member.

c. Understanding of the organization and its needs by training institutions and collection of data by them to make training relevant.

ii. Setting individual training schedules in advance

a. Preparation of training schedules at the beginning of the year.

b. Circulation of the same at the beginning of the year to all departments.

c. Preparation of individual training calendars at the beginning of the year and the copies are maintained with the individuals/functional heads and HR departments.

d. Information to supervisors about the training program well in advance so as to ensure relieving of employees for the training through proper work scheduling.

iii. High involvement of the employees to ensure that the program is value adding

a. Awareness among employees about reasons of training.

b. Treatment of employees like equal partners in taking final decision about the type of training program to be attended.

c. Provision of choice regarding the training institutes and topics.

d. Advance intimation to employees regarding training program.

C. Training Process

i. Training should be conducted well, planned well by the faculty, and delivered well

a. Training programs are well designed.

b. Relevance of program.

c. Expertise of trainer in respective field.
d. Comprehensive coverage of all topics in adequate time.

**ii. Training motivation ensured**

a. Periodic evaluation of training programs by faculty.

b. Use of feedback to improve the program by training institute.

c. Use of feedback by HR department for retention strategy.

d. Availability of good learning facilities at the venue- library, latest journals and magazines, CD’s, etc.

e. Spacious and well designed classrooms with projectors, PCs, etc.

f. Nice quiet location of training center, where participants do not feel distracted.

g. Recreational facilities for relaxation at the end of the session.

**D. Post-training Activities and Requirements**

**i. Implementing individual plan for improvement**

a. Preparation of post training action-plan by an employee, for strengthening and using new skills in work.

b. Participation of immediate superior in this process.

c. Mechanism to evaluate changes in the individual’s performance or effectiveness post training (through self evaluation, supervisory feedback, peer evaluation, etc.).

**ii. Sharing learning with others**

Post training presentation by participant to his/her department or related functions about learning and insights gained.

**iii. Feedback to HR department or training manager**

a. Presence of formal system of feedback with HR department/ training manager about every training program attended.
b. Feedback in terms on quality of training programs in terms of faculty, facilities and inputs and value addition to the individual.

E. Learning Culture and Training Budget

i. well documented training policy that focuses on learning

a. Presence of definite training and learning policy.

b. Properly documented and learning focused policy.

c. Based on sound principle of adult learning.

d. The policy is shared with all.

c. All employees feel satisfied with the learning and training policy.

d. Training efforts are in line with training and learning policy.

e. Changes in training policy are communicated to employees.

F. Competencies of Those Handling Training Functions

i. Training function is handled by competent and trained staff in HRD

a. High emphasis on individual and organizational development by HR manager responsible for training.

b. Awareness among them on dynamics of training.

c. Knowledge of various theories and methods of learning.

d. Demonstration of high level of empathy and openness to feedback by them.

e. They are competent as faculty themselves.

ii. Line managers, specially sponsors, take training seriously and give it due attention

a. Encouragement of subordinates to attend training program by line managers.

b. Provision of adequate support to subordinates by them to develop new skills.
c. Assistance to subordinates to develop post training action plan.

d. Evaluation of improvements in subordinates with periodic feedback to aid their development.

e. Provision of adequate support to all processes connected to the training and development system.

iii. Top management is serious about training and gives it due importance

a. Communication of its commitments for individual development by top management to various forums.

b. Taking periodic feedback from HR head about how training adds value to individuals and overall organization by top management.

c. Allocation of adequate budget to support training activities by top management.

d. Investment of time and efforts in the development of second line of management by them.

e. Perceiving leadership style as being facilitative of learning.

G. Business Linkages of Training

i. Training is in line with business requirements and ROI is measured

a. Linkage of training with current business plan or future business plans or necessities.

b. Cost control, technology up-gradation or culture building.

c. It is not waste, and yields some benefits in line with cost. Periodic evaluation of cost - benefit is done.

ii. Training is perceived to have developed individual competencies and organizational competencies

a. Development in individual competencies.

b. Development of organizational competencies.
METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. HR Managers:

To retrieve information on:

1. Mechanisms to identify training need.

2. People responsible for such need identification.

3. Influence of future plans and technological changes on training needs.

4. Procedure to select training institutes and training programs.

5. Process and period of preparation and finalization of training calendar.

6. Various methods of training used.

7. Feedback of the faculty from participants.

8. Evaluation of effectiveness of training programs by individuals, superiors and HR departments.


b. Line Managers/ Functional Heads:

1. Details of training program attended in previous year and proposed for current year.

2. Use of new technology for training.

3. Linkage of training programs with identified needs.

4. Quality of training institutes.

5. Involvement in preparation of training calendar.


7. Quality of training programs.
8. Post training plan of action by subordinates.

9. Feedback on faculty and program.

10. Awareness on training policy.

ii. DOCUMENTS/SECONDARY DATA

a. Comprehensive format of training need identification.

b. Incorporation of training needs from performance appraisal form.

c. Training calendar.

d. Brochures and write-ups of training programs attended.

e. Training schedules.

f. Tools and faculty of training programs.

g. Feedback forms from individuals and supervisors.

h. Visit to library hall and library.

i. Training policy documents.

j. Training budget.

K. Any report or published material in this regard.

iii. QUESTIONNAIRE

HR Audit Questionnaire
3.8.10. ORGANISATION DEVELOPMENT INTERVENTIONS

Change is unavoidable reality. There are continuous changes in dynamic business environment. This system deals with the efforts taken by managers and employees in response to these changes. Dimensions of auditing this system are:

A. Carried out in a planned and systematic manner

i. Problem identification phase

a. Use of various sources for collecting information

1. Interviews with various people across organization- starting from top management.

2. Presence of observations in organization in terms of dynamics at play, working conditions.

3. Use of other methods of data collection-survey feedback, analysis of secondary data.

b. Comprehensive diagnosis of the issue and causes

1. Compilation of all the data collected.

2. Detailed analysis with additional notes on the key problems being faced by the organization or probable causes for the issues which have already been recognized by organization.

ii. Strategy planning in a participative manner

a. Sharing feedback of the diagnostic understanding with the key people.

b. Working out various options and alternatives for dealing with the problem, and consequences of each of the alternatives.

c. Encouraging team to take a decision on alternative to be used.

d. Deciding a strategy for implementing the change required either using an in-house team or with the involvement of the external consultant.

iii. Planning the specific intervention

a. Taking a decision on the intervention to be used (structural, cultural, etc.).
b. Detailed plan on how to proceed.

c. Using collaborative approach for implementation and review.

d. Data collection on outcomes and improvements, analysis, review of outcomes, and discussions on modifications to be made and future plan of action.

e. Using temporary teams to continue work.

f. Planning the next phase to enhance improvements.

**B. Using Action Research Where Necessary**

i. Use of Action Research Where Necessary

a. Using for improving various HR systems.

b. Using action research to review the OD interventions initiated in the organization.

**C. Ensuring Success of the OD intervention**

i. Ensuring Success of the OD intervention

a. Start with the needs most felt by the organization to ensure willingness to change.

b. Choosing receptive entry points

1. At least one department in the organization is willing to experiment, and has the resources required to stabilize the change planned.

c. Working with forces supportive to the change

1. Focus on roles and departments enthusiastic or willing to change.

d. Proliferate efforts towards changes

1. Use of autonomous units as model.

2. Using multiple entry points to address inter-related issues.

3. Achieve minimum critical concentration in any department to achieve success.
e. Developing internal resources

1. Choosing and defining the role of the internal OD facilitator and his/her team.

2. Establishing linkage of the internal facilitator with external consultants.

3. Reviewing the work of the internal facilitator.

4. Continuous professional development of the internal facilitator.

f. Getting top management commitment.

D. Perceived Visible Benefits as a Consequence of OD Interventions

i. Perceived visible benefits as a consequence of OD interventions

a. Helps in organizational problem-solving capability through confrontation and collaboration.

b. Promotes linkage between the individual goals and organizational goals, and also between different groups and functions in the organization.

c. Improved culture for learning and continuous improvement:

   1. Greater risk taking capacity.

   2. Collaboration.

   3. Ambiguity tolerance.

   4. Openness.

E. Competencies of People Involved

i. Involvement of an external specialist

a. Imitated by an expert who has the knowledge of applied Behavioral science, and also the skill of applying this knowledge in the organizational situation.

b. Initial stage external consultant involved to get an objective view of the organization, and confront issues which an internal person may not be able to do.
ii. Strong internal resources to carry forward the work initiated by the external expert

a. Knowledge of basic concepts of applied behavioral science.

b. Trained in methods used in OD.

c. High level of diagnostic and problem-solving capability.

d. Behavioral qualities such as creativity, perseverance, interpersonal sensitivity, communication skills, empathy, etc.

iii. Supportive role of the top management

a. Efforts initiated from top.

b. Commits the necessary support and resources required.

c. Takes the data seriously and supports the changes required.

d. Facilitates change efforts by setting example.

e. Serve as link between various functions and departments to facilitate the change through collaboration.

METHODS AND TECHNIQUES OF AUDITING:

i. INTERVIEWS:

a. HR Managers:

To know about

1. System and process of planning OD (i.e. interviews, study of various process, documents and secondary data).


3. Methods of diagnosing the issues and causes.

4. Discussion of identified problems with key people in the organization.
5. Planning and decision making process documentation on change.

6. Action research process on improving HR systems.

7. Involvement of external consultants for OD.

8. Usefulness of strength of employees for OD.

9. Efforts initiated from top management.

b. Line Managers/ Functional Heads

To get information on:

1. Any OD intervention planned by HR staff.

2. Conduct of interviews, surveys by HR staff to throw light on issues.

3. Involvement of employees in deciding a methodology or plan of action.

4. Awareness about OD intervention plan.

5. Their participation in any research work undertaken by HR staff.

6. Their view on success and usefulness of OD.

ii. DOCUMENTS/SECONDARY DATA

a. Documents pertaining to the planning phase of the process.

b. Documents pertaining to the identification phase of the process.

c. Decided strategy.

d. Detailed plan of action for implementing OD intervention.

e. Report on any action research conducted.

f. Any report on involvement of external consultants in the OD process.

g. Any report on the internal resources of the organization useful for OD.
h. Any written material on top management involvement.

iii. QUESTIONNAIRE

HR Audit Questionnaire

3.9 AUDIT OF HR STRATEGIES

HR strategies deal with strategies of attracting, retaining, developing, motivating, and utilizing employees and their competencies for effective organizational functioning and growth. The 8 components that are acquiescent to strategic interferences are:

Table 3.3 HR Strategies Dimensions

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<th>Sr. No.</th>
<th>HR STRATEGIES</th>
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3.9.1 COMMUNICATION

Communication strategy deals with communication with individual employee and society. It involves integration with family and the society. It also builds company brand. It is the communication strategy that integrate individual with the organization through his family and society. The different dimensions for auditing communication strategy are:

A. Continuous Communication with Employee and Their Families

i. The employees’ awareness of the company’s present and future plans.

ii. The employees’ families’ awareness about the same.

iii. Mechanisms to ensure communication of and by the company to employees and their families.

B. Continuous Communication with the Community

i. Community’s awareness about the company’s activities, sponsoring activities, national and global awards.

ii. Company’s system of communicating to the society, city, nation, clubs, management associations, trusts, hospitals, public gardens etc.

AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

To get information on:

1. Awareness of the employees on company’s present and future plans.

2. Awareness of employee’s families of the same.

3. Existing mechanism for communication.

4. Strengths and weaknesses of the existing mechanisms.

5. In-house newsletters and magazines.
6. Methods of communication with society and itself.

7. Recent achievements related to social welfare.

8. Future plans for improved social contribution.

**b. Line Managers:**

To know about:

1. Knowledge of present situation in the company.

2. Knowledge of future plans.

3. Effectiveness of communication.

4. Methods of communication with society about company’s contributions.

5. Methods of improvements for future in communication.

**ii. DOCUMENTS/SECONDARY DATA**

a. Documented communication from company to its employees and family members.

b. In-house newsletters and magazines.

c. Policy manuals.

d. Communication policies and practices.

e. Notice boards and meetings minutes.

f. Reports and documents which company has made public.

g. Awards or trophies displayed.

h. Sponsored activities.

i. Public responsibility undertakings (gardens, roads, etc.).
iii. QUESTIONNAIRE

a. Relevant items from HR Audit Questionnaire.

b. Use of any standard questionnaire to measure standard communication strategy.

3.9.2 EMPLOYEE ENGAGEMENT

According to Conference Board in USA “Employee engagement is a heightened emotional connection that an employee feels for his or her organization, that influences him or her to exert greater discretionary efforts to his or her work”. The areas to be covered while auditing employee engagement strategy include:

A. Engagement

i. Trust and Integrity.

ii. Stimulating nature of job.

iii. Understanding among employees about correlation between their work and company performance.

iv. Career growth opportunity.

v. Pride about the company.

vi. Employee development.

vii. Employee-manager relationship.

B. Ownership

i. HR systems and processes to enhance a feeling of ownership among employees.

ii. Effective implementation of these systems.

iii. Innovative approaches to enhance sense of ownership among employees, including periodic research and mentoring.
C. Commitment

i. HR systems and processes to enhance commitment of employees.

ii. Effective implementation of these systems.

iii. Innovative approaches to enhance sense of ownership among employees, including periodic research and mentoring.

AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

To get information on

1. Existing issues relating to employee engagement, ownership and commitment.

2. Role clarity among employees.

3. System used to improve engagement, feeling of ownership and commitment.

4. Benchmarked practices.

5. Alignment of HR function to enhance these issues.

b. Line Managers/ Functional Heads

To know about

1. Their view on employee feeling of engagement, ownership and commitment.

2. Assistance from HR department on these issues.

3. Their suggestions for improvisation of the same.

ii. DOCUMENTS/ SECONDARY DATA

i. Policy manual.
ii. Employee engagement surveys.

iii. Any research study conducted to understand the feeling of engagement, ownership and commitment among employees.

iii. QUESTIONNAIRE

i. Use of any standard questionnaire to measure engagement, commitment, accountability and ownership.

3.9.3 QUALITY ORIENTATION

Quality is customer satisfaction achieved with product features. Quality orientation among internal customers in the organization, bring goodwill and better performance for the organization. Components to be audited are.

A. QUALITY

i. Quality consciousness among every employee.

ii. Quality certification like ISO 9000.

iii. HR strategies aiming at total quality and quality-related systems in use.

iv. Tolerance level of poor quality of internal customers.

v. Feedback from external customers about quality of products/services provided.

AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

To know about

1. Quality concerns.
2. Quality needs of the organization.

3. Presence of quality circles, task forces, suggestion scheme committees, etc. and their activeness.

4. Benchmarking with some leaders in quality management.

5. Ways to improve HR systems to further enhance quality consciousness.

b. Line Managers

To get information on

1. Understanding of quality for their function and department.

2. Their role in promoting quality consciousness among subordinates and team members.

3. Role of HR department towards quality issues.

ii. DOCUMENTS/ SECONDARY DATA

a. Any internal or external certification about maintaining quality standards.

b. Any reports on study conducted to understand the quality levels in the organization.

c. Any documents or printed material with regard to quality.

3.9.4 CUSTOMER ORIENTATION

Customers are the king of the market. In order to survive in the competitive business world, professional business firms need to design and develop its product and services as per the need of external customers. In order to satisfy external customers, it is necessary to satisfy the needs of the internal customers (employees) effectively.

A. Customer Orientation

i. Regular external customer satisfaction surveys

ii. Regular internal customer satisfaction surveys
iii. HR strategies to link employee satisfaction with customer satisfaction

iv. Adequacies or inadequacies of these HR strategies

**AUDITING METHODS AND TECHNIQUES:**

i. **INTERVIEWS:**

a. **HR Managers**

To get information on:

1. Duration after which customer satisfaction surveys are conducted.

2. Organizational initiatives on internal customer satisfaction surveys

3. HR systems and mechanisms to ensure strong customer orientation of employees

4. Linkage of employee satisfaction strategy with customer satisfaction

5. Adequacies or inadequacies of these HR strategies

b. **Line Managers/ Functional Managers**

To get information on

1. System of customer-orientation implementation in past

2. Understanding of internal and external customer orientation and its impact on their department

3. Role of HR department in customer orientation

ii. **DOCUMENTS/ SECONDARY DATA**

a. Any report on a study conducted to understand the customer orientation level in the organization

b. Mission or value statement incorporating customer satisfaction in it

c. Employee manual

d. In house training programmes conducted on the topic
e. Customer Orientation Drive

### iii. QUESTIONNAIRE DATA

a. Relevant items from HR Audit questionnaire

b. A separate short tool can be constructed for ensuring the same

### 3.9.5 EFFICIENCY

#### A. Efficiency

Efficiency relates to the management efforts to reduce costs and improve returns. Audit of this system include:

i. Laid down (documented) operational and process efficiency policies and norms such as cost reduction, savings, synergy, coordination, etc.

ii. Effective implementation of the same.

iii. HR strategies linking each and every employee with efficiency and value addition activities.

iv. Total employee involvement in operational and process efficiency management.

v. Renewal and review mechanisms and innovative practices.

#### AUDITING METHODS AND TECHNIQUES:

#### i. INTERVIEWS:

a. HR Managers

To get information on

1. HR systems and mechanism that ensure employee’s involvement in improving efficiencies at various levels.

2. Linkage of efficiency improvements and value addition with rewards.
3. Role of HR in efficiency improvements.

4. Adequacies and inadequacies of these strategies.

b. Line Managers/ Functional Heads

To know about:

1. Method of implementation efficiency improvement and cost consciousness by them.

2. Future measures to improve efficiency drive.

3.9.6 ENTREPRENEURIAL SPIRIT

This strategy deals with development of confidence and spirit in employees to show initiative through training and decentralization and delegation of authority.

A. Developing an entrepreneurial spirit among all employees

i. Decentralization as a culture

a. Full autonomy tasks to employees and encouragement of risks and initiative.

ii. ROI mindset in all activities

a. Thinking of ROI and cost-effectiveness by all employees.

iii. Service orientation on the part of all employees.

iv. HR systems like appraisal system, continuous training, use of small groups and other OD interventions encourage spotting of opportunities, making business plans and entrepreneurial thinking.

v. Promotion of training in achievement motivation, entrepreneurship training.
AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

To get insight on:

1. HR systems and mechanisms to facilitate inculcation of entrepreneurship among employees.

2. Link of employee appraisal, training, OD intervention with entrepreneurship.

3. Adequacies and inadequacies of these strategies.

4. Measures for their improvement.

b. Line Managers/ Functional Heads

To understand:

1. Contribution of HR department in development and improvement of entrepreneurship.

2. Presence of task force or think tanks catering to this area.

3. Additional measures required by HR for improving this feeling.

ii. DOCUMENTS/ SECONDARY DATA:

a. Any documents relating to entrepreneurship or entrepreneurial spirit among employees of the employees.

b. Task forces for business development or new product development.

iii. QUESTIONNAIRE DATA:

a. HR audit questionnaire.

b. A separate tool can be constructed or used.
3.9.7 CULTURE BUILDING

A. OCTAPACE Culture:

(Openness, Collaboration and teamwork, Trust and Trustworthiness, Authenticity, Proactivity and Initiative, Autonomy, Confrontation, Experimentation)

i. HR policies to address OCTAPACE goals.

ii. Effective implementation of these policies.

iii. HR strategies and systems to encourage culture building.

iv. Adequacies or inadequacies of culture.

AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

To understand

1. Ability of HR policies to address the OCTAPACE goals.

2. Presence of articulated culture.

3. Attention of top management towards culture building.

4. HR strategies and systems encouraging culture building.

b. Line Managers/ Functional Head

To know about:

1. Nature of culture in the organization.

2. Activities of culture building at functional level.

3. Efforts taken by HR department to evolve and maintain good culture.
ii. DOCUMENTS/ SECONDARY DATA

a. Any report on study conducted to understand the culture in the organization.

b. Any other documents or printed material with regards to the same.

iii. OCTAPACE and climate survey data can be used.

3.9.8 TALENT MANAGEMENT

A. Talent management and strategies

i. Presence of definite strategy to attract talent.

ii. Presence of well-planned strategies to retain talent.

iii. Presence of definite strategies to utilize talent.

iv. Presence of well thought-out strategies to develop talent.

v. Presence of succession planning and other talent management strategies.

AUDITING METHODS AND TECHNIQUES:

i. INTERVIEWS:

a. HR Managers

1. To get information on strategies to:

   - Attract talent

   - To retain talent

   - Utilize talent

   - Develop talent

2. Level of awareness and participation of top management in these policies
b. Line Managers/ Functional Head

To understand

1. Nature of talent management.

2. Improvement needed.

3. Activities aimed at talent management and their results.

4. Presence of SWOT for talent management.

ii. DOCUMENTS/ SECONDARY DATA

a. Any report on a study conducted to understand recruitment trends, attrition patterns, etc.

b. Any other document or printed material with regard to talent management policies, research and experiences.

iii. QUESTIONNIARE DATA

a. Organisational questionnaire.

b. A separate tool can be constructed and administered on talent management.
3.10 AUDIT OF HR COMPETENCIES

HR competencies are the competencies required by the firm’s stakeholders that hold the key for making HR work. HR competencies include the learning attitudes of line managers, development and empowering styles of top management, and supportive role played by workmen or filed staff, including their representatives. Dimensions of Audit of HR competencies are:

Table 3.4 HR Competencies

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Source: prepared by researcher on the basis of T.V. Rao (2008). HRD Score Card 2500: Based on HRD Audit

3.10.1 COMPETENCIES OF THE HRD STAFF

HR staff are the main facilitator of HR in an organization. They need to be capable of facilitating the HR function; they should have five critical qualities to make HR succeed and have an impact. These include:

A. Business Knowledge

i. Knowledge of business (products, customers, technology, competitors, developments, R&D).

ii. Knowledge of all functions (Sales and marketing, production and operations, finance, systems, MIS, logistics, services, etc.).
iii. Knowledge of business capital (intellectual) and its constituents and methods of building business capital.

iv. All HR staff has thorough knowledge about these matters, and are constantly updating themselves with the changing scenario and information.

B. Strategic Thinking

i. Analytical ability.

ii. Cost and quality sensitivity.

iii. Ability to spot opportunities.

iv. Anticipate and find alternate ways of solving problems.

v. Participation of HR staff in making HR policies.

C. Functional Excellence

i. Highly trained and professional HR staff in the field.

ii. Their familiarity with various HR practices and systems relating to manpower planning, recruitment, training, appraisal, etc.

iv. Cultural sensitivity with overseas operations.

v. Interpersonal sensitivity and empathy in resolving conflicts and problems.

vi. Coaching and facilitation skill.

D. Vision of the Functions and Entrepreneurship

i. Vision-driven HR department.

ii. Vision sharing and feeling of proud and passion among HR staff about their functions.

iii. Sense of priority among HR staff for doing right things at right time.

iv. Creative, innovative, risk-taking ability of HR staff.
E. Leadership and Change Management

i. Written and oral communication skills of HR staff.

ii. Negotiation and presentation capability.

iii. Presence of required skills to manage and introduce the change.

iv. Participation of HR staff in change management.

F. Technology- Savvy

i. Technology-Savvy ability of HR staff.

ii. Learning of technical matters by HR staff and use of HRIS for employee benefits.

iii. Use of IT for recruitment, placement, performance appraisal, feedback, communication, studies and surveys, etc.

G. Personnel Management and Administrative Skills

i. Presence of trained and proficient executives for personnel management.

ii. Knowledge of labour laws, industrial relations, health and safety environment, salary and compensation management.

iii. Capacity to handle administrative matters.

iv. Satisfaction among employees about the level, speed, quality and competency with which services are provided by the HR staff.

H. Execution Skills

i. Presence of planning and monitoring skills, Cultural sensitivity, Persuasive skills, behavior modification techniques and group dynamics, ability to craft interventions for implementation, and cost and quality sensitivity.

ii. Participation of HR staff in change management and operationalisation of systems.
I. Learning Attitude and Self Management

i. Presence of commitment for self learning and professional development.

ii. HR staff having membership of professional associations and bodies, and their participation in conferences and seminars.

iii. Spending at least a week a year for self-renewal and professional development through seminars, field trips, courses, etc.

iv. Subscription to professional journals and magazines by HR staff.

v. Periodic research to diagnose the state of people and their mental health, knowledge, motivation, problems, etc. and suggesting solutions to enhance the same by HR staff.

J. Personal Credibility

i. Ability of HR staff to honour promises.

ii. Trust and respect for HR staff among employees.

iii. Credibility and trust about HR statements.

iv. Transparency and honesty of HR staff.

v. Time devotion of line manager for HR staff.

METHODS OF ASSESSMENT

i. Interviews of HR staff

To Assess

1. Awareness about business.

2. Awareness about strategies.

3. Ways of viewing ROI and HR interventions.

4. Skills and experience in change management.
5. Familiarity with IT and use of HRIS.


7. Professional preparation to plan and manage the system.

ii. 360 degree feedback

Feedback from internal customers on above systems.

iii. Assessment Centers

Specially designed exercises to assess strategic thinking ability, simulation exercises, in-basket methods and creativity through case studies, presentations, psychometric tests.

3.10.2 LEARNING ATTITUDE OF LINE MANAGERS

Line managers include various departmental heads in the organization. Their learning attitude not only adds to their personal development but also development of their subordinates and organization as a whole. Dimensions to evaluate are-

A. Performance of Planning and Review Discussions

i. Use of Performance Management System for learning about oneself and one’s potential.

ii. Adequate time spending by seniors.

iii. Promotion of upward communication.

iv. Use of KPAs and KRAs as benchmarks and communication mechanisms.

v. Review session by seniors to know field realities from juniors.

B. Departmental Meetings and In-house Communications

i. Use of departmental meetings as a source of learning and communication by managers.

ii. Conduct of daily, weekly, monthly or annual meetings, and are informative.
iii. Discussion of issues among employees, and learn from each other’s point of view.

iv. Decisions are based on wisdom generated in the meetings.

v. Use of internal circulars to assimilate the information.

C. Reading Books

i. Reading culture in the organization.

ii. Buying book on professional or general knowledge and use of library among managers.

iii. Presence of book budget or professional development budget for buying and learning of books.

iv. Culture of sharing good books read by the managers.

v. Presentations of book reviews and summaries through in-house magazines.

D. Internet

i. Access to internet by almost everyone.

ii. Use of internet by almost everyone.

iii. Extensive use of internet for getting business related information and functional updating of the competencies of managers.

E. Project Report

i. Project reports, reports by consultants, strategy and vision studies, research reports, etc. are commissioned by the company and are used as learning resources.

ii. Participation of organization in benchmarking surveys, and employee engagement surveys, and attempt to learn from such studies.

iii. Seriousness and access of the same among all.
F. Outside Visitors and Others

i. Use of outside visitors and others as a source of information and benchmarking by managers and employees.

ii. The visitors from other organizations, professional associations, academic institutions, consultants, etc. seem to be source of learning.

iii. Learning and picking up best practices from them.

iv. Managers kept in touch with them.

G. Each Other

i. Internal customers as a source of learning.

ii. Use of colleagues in the same department as source of learning.

iii. Seniors use their juniors as source of learning.

iv. All employees consider each other as source of learning.

v. Cross-functional task forces, inter-departmental teams, etc. are used as learning sources.

vi. Use of discussions, debates and formal learning sessions in the organization.

H. Newspapers and Magazines of Business as Sources of Learning

i. Encouragement to managers to subscribe to newspapers, journals and magazines.

ii. Reading and updating knowledge base by employees.

iii. News items, benchmarking practices, innovations etc. picked up from newspapers and magazines and used for discussions and debate.

iv. Encouragement from company to all employees to keep in touch with latest developments through these sources.
I. Functional Journals and Other Literature

i. Encouragement to line managers to subscribe to functional journals.

ii. Allotment of professional development budget for each department or manager.

iii. Reimbursement of expenses for subscription to journals and adequate journals being subscribed in library.

iv. Conduct of occasional seminars to share the recent developments in technology, business, markets, etc.

v. Encouragement for conferences and seminars by the organization.

J. Training Programs: In-house Programs and Seminars

i. Emphasis on in-house training program or online learning as source of learning.

ii. Availability of good budget for promoting in-house training and other learning activities.

iii. Availability of proper infrastructure and facilities for the same.

iv. Seriousness among managers for the same.

v. Learning from training programs is followed by actions and is supported by top management.

vi. Sharing of knowledge action plans with others by trainees.

vii. Training impact in terms of efficiency improvement, productivity, cost-saving, etc.

K. Training Programs: Outside Programs

i. Emphasis on outside training program as a source on learning.

ii. Availability of good budget for promoting in-house training and other learning activities.

iii. Availability of proper infrastructure and facilities for the same.

iv. Seriousness among managers for the same.

v. Learning from training programs is followed by actions and is supported by top management.
vi. Sharing of knowledge action plans with others by trainees.

vii. Training impact in terms of efficiency improvement, productivity, cost-saving, etc.

L. Seniors and Mentors from Inside the Company and Outside

i. Presence of formal mentoring program.

ii. Seriousness among mentors for the same and they spend adequate time and resources.

iii. Seniors learn from their seniors and mentors.

iv. Well working of mentoring and coaching programs.

v. Acknowledgement by juniors about what they have learnt from the programs.

M. Mistakes and Failures as a Source of Learning

i. Encouragement of mistakes and failures as a source of learning.

ii. Presence of high degree of risk-taking.

iii. Availability of implicit budget for failure.

iv. When failures occur, managers sit together and try to analyze them and learn from them.

v. Lessons from such failures are documented and disseminated for future use.

vi. Managers seem to learn a lot from mistakes and failures.

vii. There are stories in the company about how failures and mistakes have been used as a source of learning and benefited the company.

N. Other Sources

i. Use of this source is wide spread in the organization.

ii. Almost all managers use it effectively.

iii. This has resulted in tangible benefits to the company.
iv. This has become the part of the culture of the organization.

v. Organization supports this through budgets, time and other ways.

METHODS OF ASSESSMENT

i. Interviews

a. Interviews of Line Managers

To Assess

1. Use of Performance Management System and its effectiveness.

2. Reading habits, encouragement by the company for reading, facilities provided by the company, etc.

3. Organizational policy on the internet.

4. Use of outsider visitors for learning.

5. Subscription to newspapers, professional journals and magazines and the types of news items read.


7. Nature of outside training programs used and their usefulness.

8. Treatment of mistakes and its role in learning.

b. Interviews of Trainees

To ascertain effectiveness of training programs.

c. Interview of Library staff

To ascertain the nature of books referred, magazines and journals subscribed.

ii. Observation

a. Sample of meetings in action.
b. Library and other reading facilities, number of visitor, borrowing patterns, kinds of books borrowed.

c. Special meetings, seminars to learn from visitors.

d. Meeting opportunities such as committee rooms.

e. Journals in the room of line managers and library.

f. Seminars and training programs in action.

g. On-going mentoring and coaching.

iii. Secondary Data

a. Data available on use of Performance Management System (PMS) in the form of surveys, meetings, etc.

b. Organisational policies in respect of purchase of books, data from finance department on expenditure on purchase of books.

c. Notice boards, file of circulars, and training center data on visitors.

d. Expenditure on professional journals.

e. Training and seminar records.

f. Circulars, case studies, and internal noting or communications on learning from mistakes.

iv. Questionnaire

Standard questionnaire can be used for line managers.
3.10.3 TOP MANAGEMENT STYLES

Top management styles have been found to impact the development of competencies and competency culture in the organization. The top management here are defined as all those who matter and who set policies, trends, discipline, habits and culture in the organization by virtue of their position, power, roles, and responsibilities. Its valuation dimensions are-

A. Decision Making

i. Style Dimension

Reasons for decisions are given, debated and discussed to promote development among employees

ii. Evaluation dimensions

a. Methods of taking decisions.

b. Involvement of juniors in taking decisions for their development.

c. Negative and positive impact of using developmental style of decision making.

B. Goal Setting

i. Style Dimension

Goal setting is done to learn from each other and employees are encouraged to discuss and gain from each other.

ii. Evaluation dimensions

a. Methods of goal setting.

b. Involvement of juniors in goal setting for their development.

c. Negative and positive impact of using developmental style of goal setting.
C. Managing Mistakes

i. Style Dimension

When mistakes are made they are used as learning experience.

ii. Evaluation dimensions

a. Methods of managing mistakes.

b. Number of managers using developmental ways to manage mistakes.

c. Negative and positive impact of using developmental ways.

D. Managing Conflicts

i. Style Dimension

When conflicts occur, concerned teams and employees are encouraged to sort these out themselves and grow.

ii. Evaluation dimensions

a. Methods of managing conflicts.

b. Number of managers using developmental ways to manage conflicts.

c. Negative and positive impact of using developmental ways.

E. Rewards and Recognition

i. Style Dimension

To encourage learning and development.

ii. Evaluation dimensions

a. Methods of rewarding and recognizing people and their contributions.

b. Number of managers using developmental ways to manage rewards and recognition.
c. Negative and positive impact of using developmental ways.

F. Conducting Meetings

i. Style Dimension

Meetings are used to help employees learn.

ii. Evaluation dimensions

a. Methods of conducting meetings.

b. Number of managers using developmental ways to conduct meetings.

c. Negative and positive impact of using developmental ways.

G. Policy Formulation

i. Style Dimension

Employees are communicated with and encouraged to learn policy formulation than keep the policy secret.

ii. Evaluation dimensions

a. Methods of policy formulation.

b. Number of managers preparing policy with involvement of employees.

c. Negative and positive impact of using developmental ways.

H. Communications

i. Style Dimension

There is open communication and employees are encouraged to learn rather than be secretive.

ii. Evaluation dimensions

a. Methods of communication with juniors and others.
b. Nature of language used encouraging information sharing, learning or is coercive.

c. Number of managers communicating using developmental ways.

d. Negative and positive impact of using developmental ways.

I. Top Management Works as a Team

i. Style Dimension

It sets role model for others.

ii. Evaluation dimensions

a. Ways in which the managers work as a team.

b. Number of managers working as a team to set examples for others.

c. Negative and positive impact of using developmental ways.

J. Top Management is a Reflective and Self-Renewing Team

i. Style Dimension

They undertake self-renewal exercises and use 360 degree feedback and other mechanism as learning experiences.

ii. Evaluation dimensions

a. Provision of opportunity by top management to itself to review, reflect and review itself.

b. Seeking and using feedback from juniors.

c. Sharing of self-renewal results and experiences with others to promote learning culture.

d. Impact of self-renewal, review and reflection exercises on the organization.

e. Methods of receiving feedback- receptive, reflective or change oriented.

f. Learning from own mistakes.
METHODS OF ASSESSMENT

i. Interviews of juniors of each of the top management

Interview can be group interview or individual interview. It can be conducted to assess the above dimensions of the top management style can be framed.

ii. Questionnaire

360 degree feedback can be used. If it cannot be used then 180 degree appraisal by self and direct report can be used. Self assessment on the Leadership Style questionnaire can be used.

iii. Observation

Observing some of the meetings or discussions conducted by top management in their own rooms or in their departments with juniors, and assess the ways they set goals, make decisions handle mistakes and conflicts.

iv. Secondary Data

Report on previous surveys conducted on the styles or 360 degree feedback or employee satisfaction surveys, climate surveys, etc.

3.10.4 LEARNING ORIENTATION OF NON-SUPERVISORY STAFF

The learning of non-supervisory staff is very critical for the effective functioning of the organization. The workmen or supervisory staff, office staff, needs continuous updating knowledge and skills. They create lot of brand image. Hence, it is important to that they learn and build their own capacities. This section measures the extent to which they have learning capability or the extent to which they has created and facilitated their learning and development capability. Dimensions to audit are-
A. Training: In-house

i. Nature, frequency and utility of the programs.

ii. Seriousness and support on the part of organization.

iii. Employee attitudes and learning.

iv. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

B. Training: Outside

i. Nature, frequency and utility of the programs.

ii. Seriousness and support on the part of organization.

iii. Employee attitudes and learning.

iv. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

C. Multi-skill Activities like Job Rotation

i. Policies, mechanisms and experience of supervisory staff in using multi-skill mechanisms.

ii. Attitudes of the organization to learn and benefits from these programs.

iii. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

D. Cross-functional Teams and Work Groups

i. Policies, mechanisms and experience of supervisory staff of using this method.

ii. Attitudes of these teams.

iii. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.
E. Health, Safety and Environment related Activities including Training

i. Attitudes of the employees towards health, safety and environment.

ii. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

iii. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

F. Quality Circles, Shop Floor Councils, and Such Other Small Groups Activities

i. Policies, mechanisms and experience of supervisory staff of using this method.

ii. Attitudes of the participating employees.

iii. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

G. Suggestion Schemes

i. Employees’ enjoyment in participation of scheme.

ii. Ways their suggestions get treated.

iii. Managerial response to suggestions: extent to which they encourage creativity, challenge and talent building.

iv. Widespread use of the scheme.

v. More emphasis on learning attitude of employees than on the source itself and its structure and implementation.

H. Communication from HRD, Top Management etc.

i. Extent to which circulars and communications from HR department and management are informative.

ii. Methods of communication: oral or written.
iii. Credibility of communication.

iv. Attitudes of employees to the communication and the extent to which they use them as learning opportunity.

G. Self-initiated Activities of the Union and Other Bodies

i. Learning activities initiated by employee teams and unions to facilitate learning and growth among employees.

ii. Extent to which this is done and its impact.

H. Other Activities Unique to the Organization

i. Efficacy and coverage of the organization.

ii. Learning value and attitude to learn from these activities on the part of employees.

METHODS OF ASSESSMENT

i. Interviews of the Staff

It can be conducted to assess the above dimensions of the learning orientation of the non-supervisory staff

ii. Questionnaire

Questionnaire can be developed to assess the potential and extent to which these sources are used and extent to which they are taken seriously by the employees.

iii. Observation Methodology

Observing class rooms, trainers, environment, learning culture, cross functional teams, Quality circles, Shop floor councils or such other group activities in operation, any project or sessions on Health, Safety and Environment, circulars and other communication.
iv. Secondary Data Analysis

a. Information on nature and number of training programs conducted, budget allocated, benefits of the session.

b. Job rotations affected.

c. Innovations and reports of cross functional teams and quality circles.

d. Number and nature of suggestions received, their acceptation and rejection.

e. Precious communications and records, in-house newsletters, etc.

f. Records and documents for union’s office.

3.10.5 CREDIBILITY OF THE HR DEPARTMENT

The HR department has to have credibility if it has to implement HR policies and help the organization to derive benefits from it. Credibility is the extent to which employees rely, respect and believe in what is said. Credibility includes trust, faith, trust worthiness, and positive image and attitude towards that aspect. Dimensions for audit includes-

A. HR Staff are Trusted

i. Promise keeping ability of HR staff.

ii. Trust level of employees, vis-à-vis HR staff.

B. HR Staff are seen as Professionally Competent

i. Professional approach and preparation of HR staff.

ii. HR staff keeping in touch with recent development.

C. HR Department is seen as Humane and Helpful

i. Sensitiveness of HR department towards need of the employees.
ii. Their helpfulness to employees.

iii. Approachability and openness to suggestions of HR department.

D. HR Policies are viewed with Respect and Positivity

i. Nature of HR policies: Lopsided or good and appropriate.

ii. Helpfulness of policies in promoting competencies and employee motivation.

E. HR Staff are Seen as Genuine and not Indulging in Politics

i. Extent of genuineness of HR staff.

ii. Extent to which they are indulged in politics.

iii. Their stand for employee motivation and utilization in front of top management.

iv. Transparency of HR staff.

F. HR Policies are seen as Unbiased

i. HR policies reflecting objectivity and welfare of all and the organization.

ii. Biasness of HR policies to accommodate a few people close to the top management.

G. HR Communications are Trusted for What They Say

i. HR policies and communications are taken on the face value by the employees.

ii. Trust of employees on HR policies and communications.

iii. Seriousness in reading HR policies and communications on the part of employees, when they are framed and circulated.

H. HR Systems and Practices are Viewed with Interest and Taken Seriously

i. Extent to which systems introduced and managed by HR department have credibility.

ii. Positivity, hope and trust among employees for HR practices and systems.
iii. Seriousness among employees for them.

METHODS OF ASSESSMENT

i. Interviews of the line managers and other employees

Interviews of the line managers and other employees can be conducted to get information on above dimensions.

ii. Questionnaire

Some components from HR Audit questionnaire can be used. A special tool can be developed and used to collect views from a random sample of employees.

3.11 HR CULTURE AND VALUES

Previous studies indicate the positive correlation among HR culture and values and organizational performance. HR values are OCTAPACE values. HR culture deals with leadership, communication, decision making, supervision, rewards, information sharing, corporate social responsibility, etc. HR culture and values include the following elements.

Table: 3.5 HR Culture and Values Dimensions

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### 3.5.2 HR Culture

| 3.11.2.1 | Leadership climate |
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| 3.11.2.3 | Communication |
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| 3.11.2.12 | Learning orientation |
| 3.11.2.13 | Openness to change |
| 3.11.2.14 | Corporate social responsibility |
3.11.2.15 Health

3.11.2.16 Safety

3.11.2.17 Work satisfaction and motivation

Source: prepared by researcher on the basis of T.V.Rao (2008). HRD Score Card 2500: Based on HRD Audit

3.11.1. HR Values- OCTAPACE Values

Dimensions to audit various components of HR values are:

3.11.1.1 Openness

Employees are encouraged to freely express their views, opinions, and exhibit their talent through the same. Assessment criteria are:

i. The employees in the organization feel free to express ideas, opinions and feelings.

ii. The organization takes the views of all employees seriously.

iii. Common forums, open houses, etc. are organized in the organization regularly where employee feedback is openly sought for on critical issues.

iv. Juniors are allowed to negate or contradict their seniors’ views.

v. Organisation takes some actions based on views and suggestions given employees.

3.11.1.2. Collaboration and Team Work

Employees at all levels work as a team help each other and collaborate with each other. Assessment criteria are:

i. Employees work as a team in an organization and top management promotes team spirit among employees.
ii. There is a feeling of ‘we’ among employees.

iii. Departments in the organization cooperates with each other, and work cohesively towards achievement of organizational objectives.

iv. Employees are helpful to each other.

v. There is strong desire among employees to work together towards organizational goals.

3.11.1.3. Trust and Trustworthiness

People trust each other, and keep up their promises. They practice what they preach. Assessment criteria are:

i. Employees in the organization believe each other.

ii. They live up to the commitments they give to others.

iii. There is no need for monitoring the activities of the organization.

iv. Employees are perceived as reliable.

v. There is trust among different departments.

3.11.1.4. Authenticity

People speak what they mean and not say things to please each other

i. The truth in what people say is accepted and not doubted by the others.

ii. The extent to which people mean what they say and do what they say.

iii. People are authentic in their approach.

iv. Senior management and leaders set an example of genuine behaviors for others to follow.
3.11.1.5. Proactivity and Initiative

Employees take initiative and do things without having to be directed all the time. Assessment criteria are:

i. The employees are encouraged to take initiatives.

ii. Initiative is treated as an important trait in employees and efforts are made by organization to develop/improve on it.

iii. Employees feel encouraged to make things happen and they try to put in their full efforts.

iv. Top management and senior members of the organization set an example by taking initiatives.

3.11.1.6. Autonomy

Employees have freedom to do things on their own. There is freedom and autonomy in their work. Assessment criteria are:

i. There is scope for every employee to have discretion in his/her job. (decision making, communication).

ii. Enough freedom is given to employees to operate their role.

iii. Employees are given liberty to choose activities, work methods, etc.

iv. Employees are given autonomy in their own spheres of work.

v. There are systems in place to encourage and support autonomy.

3.11.1.6. Confrontation

Employees face and confront issues rather than hide issues. Assessment criteria are:

i. Open discussions on controversial issues are allowed to come to consensus.

ii. In case of inter departmental conflicts; issues are solved through healthy discussions with other departments.

iii. Active problem solving approach.
iv. Employees face issues with courage without any fear of reprimand.

v. Employees feel comfortable to tackle issues directly instead of leaving them to be faced later on.

3.11.1.7. Experimentation

Employees are encouraged to experiment and try out new ideas. Assessment criteria are:

i. Employees are not afraid of trying innovative things at work.

ii. Employees readily put in efforts to bring in improvements at their work place.

iii. There is high scope for creativity/ innovation in all jobs/ departments.

iv. The employees are encouraged to take risks.

iv. Inter-departmental competitions and competition among the employees are encouraged to instill an experimental attitude among employees.

METHODS OF ASSESSMENT

i. Interviews of the HR managers and Line managers/Functional Head

Interviews of line managers and HR managers can be conducted to get information and know their view on the above aspects of OCTAPACE values.

3.11.2 Organizational Culture

Organisational culture include Leadership climate, leadership, communication, decision making, supervision, rewards, information sharing, corporate social responsibility, etc. Dimensions to audit culture include:

3.11.2.1. Leadership Climate

Where the leaders manage the mistakes of juniors, manage their conflicts, provide resources, support juniors, and respond to their failures. Assessment criteria are:
i. Top and senior leaders manage the mistakes of their subordinates supportively and help them to learn from them.

ii. Conflicts are managed with understanding, and conflicting parties are encouraged to learn and resolve conflicts themselves.

iii. Performance is monitored and managed supportively by providing encouragement and required resources and other support to juniors.

iv. Seniors respond to failures of their juniors supportively and in a developmental way.

### 3.11.2.2. Motivation

There are mechanisms to motivate employees; the employees are encouraged to talk about their responsibilities with enthusiasm and regard. There is high commitment to work and inspiration to work. Assessment criteria are:

i. There are mechanisms to motivate employees (reward and recognition).

ii. Talking about one’s work responsibilities is encouraged with enthusiasm and positive regard.

iii. There is high degree of commitment to work on the part of all employees.

iv. Seniors provide inspiration to work to their juniors.

### 3.11.2.3. Communication

The communication mechanisms are good and meet the needs of employees. There is adequate upward and downward communications, formal and informal communications, and verbal and written communications to meet employee needs and make them feel as part of the organization. Assessment criteria are:

i. Both verbal and written communications are used adequately and effectively to communicate to all employees about various matters to keep them in the loop to do their job.

ii. The communications meet the various needs of employees.

iii. Both formal and informal communication channels are used effectively.
iv. The communication is effective both ways (upward and downward).

3.11.2.4. Decision-Making

Where the decision making is participative, logical and analytical, objective and timely and ensure the interests of the organization. Assessment criteria are:

i. There is consultative and participative decision making culture.

ii. Decision making is on the basis of data collected and is normally logical and analytical.

iii. Decisions are objective and timely.

iv. All decisions are made to suit the interests of the organization.

3.11.2.5. Goals

The goal set is objective, follows norms and rules, and is based on dialogues, goals are SMART. Assessment criteria are:

i. Setting of goals is done systematically, and follows systems and processes, or rules and norms.

ii. There are dialogues and discussions for and during the setting of goals.

iii. Goals provide challenge.

iv. SMART goals are set.

3.11.2.6. Control

There is adequate direction and supervision of work, systems are used to ensure checks, and there are internal controls. Assessment criteria are:

i. There is adequate supervision and monitoring of work of employees.

ii. Employees get the guidance and directions needed for their work from the supervisors.

iii. The organization uses the systems to check work accomplishments, meeting of targets, etc.

iv. A lot of internal controls are available and exercised.
3.11.2.7. Shared Values

There are well articulated values of the organization, which are shared across the organization and they are transmitted to new recruits and employees across various levels. Departments share these values. Assessment criteria are:

i. Organisation is very clear about its values. They are articulated, documented, and made available to employees.

ii. There is high awareness of values across levels and departments.

iii. There are mechanisms to monitor the practice of the organizational values including the punishments for not practicing the core values.

iv. The values are transmitted to new recruits.

3.11.2.8. Quality Orientation

There is quality consciousness across the organization, and quality systems are used. Assessment criteria are:

i. There is high degree of quality consciousness among the organization.

ii. The organization has quality certifications like ISO 9000 and other awards.

iii. HR strategies aim at total quality and quality related systems in use.

iv. Tolerance level of poor quality of internal customers is very low.

v. Feedback from external customers about quality of products/services provided.

3.11.2.9. Rewards and Recognition

There is adequate mechanism to recognize and reward desired behavior, and efficacy and effectiveness and rewards and recognition systems are administered with objectivity. Assessment criteria are:

i. There are many mechanisms and systems in use to reward and recognize desirable behavior and output.
ii. The mechanisms of rewards and recognition are followed and implemented well.

iii. There are acknowledgement and appreciation through informal mechanisms.

iv. Recognition and rewards are based solely on merit and worth.

**3.11.2.10. Information**

Information is shared across various levels and departments of the organization, and people maintain confidentiality where necessary, and there are systems and mechanisms for sharing.

Assessment criteria are:

i. Information needed is shared widely across the organization.

ii. The organization ensures that the information needs of employees are met across the levels.

iii. There are well set mechanisms and systems of information sharing.

iv. Employees and their seniors exercise direction in sharing information, and ensure that confidentiality is maintained and respected where necessary.

**3.11.2.11. Empowerment**

There are efforts made to empower employees to act with authority, and where delegation and autonomy are provided adequately. Assessment criteria are:

i. There is level of degree of empowerment at each level in the organization.

ii. There are continuous efforts made to enhance empowerment of employees.

iii. Line managers have positive attitudes towards empowerment.

iv. Employees down the line are given adequate freedom to take decisions.

v. There is high level of delegation and seniors develop juniors to handle higher-level tasks.
3.11.2.12. Learning Orientation

There is support to learning from the top management, organizational efforts are made to stimulate learning and employees have positive attitudes toward learning. Assessment criteria are:

i. Top management is supportive of learning by employees.

ii. The organization makes special efforts and uses special mechanisms to stimulate learning.

iii. Employees have positive attitudes toward learning.

iv. There is good documentation and knowledge management system existing in this organization which results in competence building.

3.11.2.13. Openness to Change

The top management and senior managers are open and receptive to change. They are aware of the need to change, are open to change, and have formal mechanisms and facilitators to manage change.

i. Top and senior management have positive attitude towards change.

ii. The employees are conceptually aware about the change process.

iii. Employees with relevant experience are appointed as facilitators/change agents to assist fellow employees in dealing with change.

iv. Employees in the organization are flexible and are ready to accept novel ideas/systems/processes.

v. Top management makes efforts and provides adequate resources to create openness to change.

3.11.2.14. Corporate Social Responsibility

Employees are sensitive to their environment and surrounding, and exhibit a high degree of social responsibility and citizenship that extends beyond the organization to the local community and the country where it is located.

i. The organization is an active promoter of social development activities.
ii. The organization subscribes highly to the social development activities of the economy, various agencies, and governmental and non-governmental bodies.

iii. The organization has taken initiatives to start such local organizations for the upliftment of the less privileged.

iv. The organization has taken initiatives to keep its surrounding clean and to upgrade the skills of population in adjoining areas.

v. Employees participate in CSR activities undertaken by the organization proactively without any force.

3.11.2.15. Health

The organization and its culture emphasis health and promote healthy living. Employees are health conscious. Assessment criteria are:

i. Organization arranges for various health check-up camps on monthly/quarterly basis.

ii. Seminars/workshops are organized to create awareness about health and healthy living.

iii. Facilities like gyms, sports club, and yoga classes are conducted for employees.

iv. Hygienic and healthy food is provided in canteen/ cafeteria.

3.11.2.16. Safety

Employees are tuned to ensure the safety and security of themselves and each other. The organization’s culture is tuned to ensure safety, and physical and mental security of employees. Assessment criteria are:

i. Organizations follow industrial safety norms.

ii. Organisation has a disaster management team to fight any unexpected situation.

iii. Employees are trained to fight situations like fire.

iv. There have been instances of accidents, handled tactfully in recent past.
3.11.2.17. Work satisfaction and motivation

Employees are satisfied and are motivated to work. Employee engagement is of high level. Employees have high sense of pride. Assessment criteria include:

i. Employees are hard working, come early to office, stay late and seem to enjoy working.

ii. High retention or low attrition rates.

iii. Employees gain new skills and competencies.

iv. Low absenteeism rate.

METHODS OF ASSESSMENT

i. Interviews of the HR managers and Line managers/Functional Head

Interviews of line managers and HR managers can be conducted to get information and know their view on the above aspects of organizational culture.

ii. Documents/ Reports/ Secondary data

a. Any reports on training programs conducted to develop above skills.

b. 360 degree survey reports.

c. Reports on motivational surveys.

d. Internal or external certification about maintaining quality standards.

e. Written policies on above aspects.

f. Awards and certificates won for CSR.

iii. Observation

a. Departmental meetings in this regard.
3.12 HR IMPACT AND ALIGNMENT

Past studies have shown positive impact of HR on business performance. HR’s impact can be measured in terms of three categories of variables.

1. Immediate impact measured through financial variables indicated by some of the financial results or measures attributable to HR.

2. Immediate impact measured through talent management indicators as it is human talent that converts all the other resources into products, services, and contributes to the financial measures.

3. Long term impact measured through contributions to intellectual capital formation.

Of these, intellectual capital formations measures have come into picture in the recent past. Intellectual capital of any organization is determined by subtracting the value of all fixed and tangible assets of the company from the market value at that point of time. HR has major role to play in contributing to intellectual capital and hence there is a need to measure the same. This section measures the same with the help of following dimensions.

**Table: 3.6 HR Impact Dimensions**

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**3.12.3 Financial Measures**

| 3.12.3.1 | Financial Performance Indicators Attributable to HR |


### 3.12.1 Talent Management

Audit Talent management can be done with the help of following dimensions and criteria.

#### 3.12.1.1. Talent Attraction and Acquisition

Indicators of this dimension include:

i. High number of applicant and job seekers.

ii. High outreach to attract candidates.
iii. More competent people being recruited.

iv. Decrease in the average time taken between requisitioning for talent and availability of competent staff.

v. High return on investment on recruitment.

vi. Process improvements like competency based interviewing, assessment centers, interviewer training, reaching out to more institutions and candidates, etc.

vii. Due diligence in pre-acquisition of soft asset.

viii. Good performance of newly hired applicants.

ix. High percentage is being hired on the basis of the validated selection test.

x. Rise in number of qualified applicants per position.

**3.12.1.2 Talent Management: Induction and Integration**

This dimension can be evaluated on the basis of:

i. Availability of new recruits and their readiness to contribute in short period of time after their joining to start performing.

ii. Awareness of all faces of the organization including its business, markets, customers, competitors, challenges, etc. among new recruits.

iii. Their awareness on KPAs.

iv. Reduction in number days within which new recruits are available for use.

v. Satisfaction of new recruits about induction process.

vi. Participation of seniors in training new recruits.
3.12.1.3 Talent Management: Human Resource Utilization and Employees engagement

Indicators of this dimension are:

i. Increased employee commitment or engagement as indicated by surveys, attributable to HR policies and interventions.

ii. More effective utilization of employees perceived by line managers.

iii. Increase in per employee revenue and profits.

iv. More effective utilization of organizational resources by employees.

v. Increased employee satisfaction and morale.

vi. Increased efficiency due to talent utilization.

vii. Deceased bureaucracy.

viii. PMS is taken seriously and used effectively for performance planning.

ix. Percentage of poor performers gone down.

3.12.1.4 Talent Management: HR Development or Competency-building and Renewal

It can be evaluated on the basis of below listed grounds:

i. Availability of internal talent as and when needed.

ii. Notional measurement of ROI by increased efficiency, effectiveness, time and cost savings, enhanced problem solving capability, and innovations and quality improvements.

iii. Change in employee mindset.

iv. Employee competency growth.

v. Employee satisfaction with advancement in career opportunities.

vi. Extent to which employees have access to knowledge and information they need.

vii. Extent to which HR is helping to develop leadership competencies.
viii. Percentage of internal promotions to new recruits.

ix. Percentage of jobs filled from within.

x. Extent to which average employee understands how his or her job contributes to the organization’s performance.

3.12.1.5 Retention and Separations Management

This dimension has following criteria:

i. Regrettable attrition rates (attrition of good performers) as compared to the past or to the industry in the same sector, city, time, etc.

ii. Percentage hike in emoluments offered by new employers to those leaving.

iii. Pride and satisfaction with the company and the goodwill with which separation takes place on the part of those shifting jobs.

iv. Percentage of those who left wishing to return on re-employment.

v. Percentage of separation of superior performers averted.

vi. Extent to which those separating made arrangements to take care of the gap created by this separation.

METHODS OF ASSESSMENT

i. Interviews of the HR managers and Line managers/Functional Head

To avail insight on their views on the above aspects of the talent management.

ii. Survey Data

Survey can be conducted to get information on the above aspects. It can be exercised on managers as well as employees.
iii. Secondary Data

Information from PMS data, training records, Retention and Attrition records, Exit interview documents and other special surveys can be utilized for the purpose.

3.12.2 Intellectual Capital

It includes following dimensions:

3.12.2.1 Intellectual Capital Formation and Structural Capital: Customer Capital

This dimension can be audited on the basis of following criteria.

i. Increased customer base attributable to competency improvements or other HR interventions.

ii. Increased speed of service attributable to competency building and other HR interventions.

iii. Decreased customer complaints and increased praise attributable to HR interventions.

iv. Increase in customer loyalty and satisfaction attributable to HR initiatives and impact.

v. Increase in market share, image and reputation attributable to HR initiatives.

vi. Enhancements in service levels attributable to HR interventions.

vii. Popularity of revenue generating activities.

3.12.2.2 Intellectual Capital: Impact on Structural Capital Formation Attributable to HR Interventions

This dimension can be audited on the basis of following criteria.

i. Improvements in internal operations and efficiency.

ii. Formation of strategies for competitive advantage.

iii. Formation of new and facilitating structures, sound strategy, systems and methodologies.

iv. Improvements in operational processes.

v. Improvements in documentation, database, and records of knowledge.
vi. Contributions to patents and Intellectual Property Rights (IPRs).

vii. Enhancement of know-how.

viii. Development, and/or use of technology.

### 3.12.2.3 Intellectual Capital Formation: Contribution to Human Capital Formation

This dimension can be audited with the help of:

i. Enhancements in individual capabilities and commitments.

ii. Enhancements of personal knowledge and experience.

iii. Improvements in the way the people work together and bring synergy at the work place.

iv. The energizing relationships of the people inside and outside.

v. Creation of healthy and energizing culture.

### 3.12.2.4 Intellectual Capital Formation: Contributions to Social Capital

This dimension has following attributes:

i. Extent to which the ‘trust’ has been built on the social system.

ii. Extent to which the ‘enthusiasm’ has been built into the system or culture.

iii. Extent to which ‘team work’ and the ability to work together have been enhanced.

iv. Extent to which ‘seeking and giving help’ has been inculcated into the culture.

v. Extent of exchange of ideas.

vi. Contributions to reputation and image in connection with the community that creates brand through various CSR, Health, Safety and Environment (HSE), and other interventions.
3.12.2.5 Intellectual Capital: Contributions to Emotional Capital

It can be audited based on:

i. Extent to which employees exhibit passion, obsession, motivation, innovation, enthusiasm, etc. attributable to HR interventions.

ii. Achievement motivation or drive for excellence in whatever they do.

iii. Extent to which the employees passionately speak about the vision, dreams and super-ordinate goals of the organization and the wideness of such shared passion is spread across the organization irrespective of levels, location and departments.

3.12.2.6 Intellectual Capital: HR contributions to Relationship Capital

It can be audited based on:

i. Relationship with customers.

ii. Relationship with suppliers.

iii. Relationship within the firm

iv. Employee relations including teamwork etc.

3.12.2.7 Intellectual Capital: Contributions to Knowledge Capital Formation

Indicators for evaluation of this dimension are:

i. Knowledge coming from new experiences: everyday experiences, problem-solving, experimentation, new projects, markets and mistakes.

ii. Knowledge capital expressed in terms of new services, revised processes and best practices.

iii. Tacit knowledge like mobilizing collective intelligence.

iv. Continuing innovation in products and services.

v. Recognizing and respecting competent and knowledgeable people.
3.12.2.8 HRD Systems, Strategy, and Structural Capital

It measures the impact of organizational structures and restructuring, mergers and acquisitions, and renewal and integration interventions. Indicators are:

i. Extent to which employees are clear about their jobs and have well defined performance indicators.

ii. Extent to which information is shared, and employees are aware of the vision and strategic intent of the company.

iii. Improvements in cost savings, efficiency improvements, speed of decisions, service quality levels, etc., resulting out of restructuring exercises.

iv. Smoothness with which mergers and acquisitions are managed, and the extent to which mergers and acquisitions have energized and breathed new life into the organization.

v. Smoothness with which the structure is functioning.

vi. Extent of conflicts and smoothness of conflict resolving mechanism.

vii. Extent to which they have reviewed organizational structures and mechanisms.

viii. Extent to which HR can think of business strategies.

ix. Extent to which HR has quantified service levels and linked performance appraisals with service levels.

x. Extent to which HR has encouraged Integrated Performance Review and respect for knowledge.

xi. Extent to which HR has promoted synergistic partnerships.

3.12.2.9 HRD Competencies

Indicators of maturity levels of this dimension are:

i. Extent of familiarity of HR people with customers and markets.

ii. Extent to which HR professional are perceived as administrative experts.
iii. Extent to which firm’s HR professionals are perceived as agents to change.

iv. Extent to which firm’s HR professionals are perceived as business partners.

v. Number of employees per HR professionals.

vi. Percentage of HR budget spent on outsourced HR activities.

vii. Extent to which decision making style can be considered participative.

viii. Extent to which HR systems are seen as credible.

ix. Extent to which the executive leadership team is visionary.

x. Extent of familiarity and use of balanced score card.

3.12.2.10 Values and Culture Capital

Indicators of this dimension are:

i. Adherences of employees to values like cost consciousness, quality, etc.

ii. Institutionalized climate surveys with follow-up actions.

iii. Degree to which a shared mind-set exists.

iv. Effectiveness of information sharing among departments.

v. Extent of cross-functional team work.

vi. Extent of organizational learning.

vii. Extent to which information is communicated to employees.

viii. Extent to which firm shares relevant business information widely and freely with employees.

ix. Percentage of employees making suggestions.

x. Extent to which senior management sees each employees as a source of value creation than cost to be minimized.
xi. Extent to which firm attempts to provide job security even if the performance is declining.

xii. Extent to which firm has developed and communicated financial performance.

xiii. Extent to which firm has developed and communicated measures of customer reactions and loyalty.

xiv. Extent to which firm has developed and communicated key business processes.

xv. Extent to which firm has developed and communicated measures for measuring learning and growth.

METHODS OF ASSESSMENT

i. Interviews

Interviews of the

a. Customers

b. Sales and marketing employees

c. Research and development, production and technical teams

d. HR staff

e. Departmental heads and CEOs

f. Employee families

ii. Observation

a. Observation from general discussions with employees

b. Observation of the CEO speeches, line managers and cross-section of employees

iii. Secondary Data

a. Customer praise and complaint.
b. Awards, News paper reports, and journal and business magazine articles on the firm and social settings.

c. Reports on Organizational Development interventions.

3.12.3 Financial Measures

This dimension indicates impact of HR interventions on firm financial performance. It includes one Indicator.

3.12.3.1 Financial Performance Indicators Attributable to HR

Its indicators are

i. Cost reductions attributable to (departmental or individual) competencies.

ii. Degree of financial literacy among employees.

iii. Increase in sales per employee attributable to HR interventions.

iv. Market value to book value attributable to HR (image and brand-building due to competent managers and leadership development)

v. Extent to which top management shows commitment to leadership and knowledge sharing.

METHODS OF ASSESSMENT

i. Hard Data

ii. Interviews with CEO and HODs
3.13 HR AUDIT QUESTIONNAIRE

The most comprehensive questionnaire on HR audit is developed and presented by TVRLS. This is to be administered on line managers and HR staff. It can be administered to all employees or on the sample of employees, depending upon the need of the organization.

TVRLS HR Audit Questionnaire

A number of statements dealing with human resource management are given. Employees are asked to assess the extent to which these statement describes organizations using the following five point rating scale.

1. 5= very much true (90-100 percent)
2. 4=Mostly true (75 percent)
3. 3=Somewhat true (50 percent)
4. 2=Not true, most of the time (25 percent)
5. 1=Not at all true and perhaps the opposite may be true (0-10 percent)

A. Career System

A1. Manpower Planning and Recruitment

1. Manpower requirements of each department are identified in advance.
2. Manpower planning and business plans are closely linked.
3. Retirements and vacancies form a part of manpower planning.
4. Manpower plans are prepared 3-5 years.
5. Departments send manpower requirements in advance to the HR department.
6. Capabilities of employees are well utilized here.
7. Selection process is objective and ensures that competent people are recruited.

8. Valid standardized test are used for recruitment.

9. Line managers are involved in manpower planning.

10. Line managers are trained in interviews and other selection practice.

11. Candidates are given adequate information about the company during recruitment.

12. Candidates are given opportunity to visit the company before they are finally selected.

**A2. Potential Appraisal and Promotions**

1. Key competencies of each job are identified.

2. Potential of employees is assessed for higher level responsibilities in terms of key competencies.

3. Need based promotions are made rather than for accommodating individual employees.

4. Objectivity in taking promotion decisions prevails in the organisation.

5. Presence of satisfactory promotion policies.

6. Promotion policies are known and widely shared with employees.

7. Sufficient feedback about qualities and potential for performing higher level jobs is given.

8. Promotion decisions are based on merit performance.

9. Company helps employees to recognize and build up their potential for higher level jobs.

10. Job rotation is being done to help people understand and develop their potential in new areas.

**A3. Career Planning and Development**

1. Career plans are laid down for employees

2. Awareness among employees about possible career path in the company.

3. Employees are made aware of the career opportunities/limitations in the company.
4. Senior employees share expansion/diversification plans to provide career related information.

5. Succession planning is done in advance.

6. Provision of career related information and advice by seniors.

7. Effective schemes are there for identifying potential leaders and motivating others.

**B. Work Planning**

**B1. Role Analysis**

1. Key performance areas are identified for each of the employee, once in every year.

2. Key performance areas provide role clarity and direction to employees.

3. Supervisors help employees to plan work effectively.

4. Goal-setting exercises help employees stretch their capabilities to the maximum.

5. I have fairly clear idea about task I am expected to perform.

6. I am clear about my appraising officer’s expectations.

7. I am clear about my reviewing officer’s expectations.

8. I receive periodic feedback from my boss on my performance.

9. I give feedback to my boss on my performance.

10. Employees have a say in planning their work.

**B2. Contextual Analysis**

1. There is a mechanism of preparing comprehensive annual performance plans.

2. Annual performance plans are realistic and challenging.

3. Annual performance plans are shared with each department/section.
4. Departments plan their work annually on the basis of organizational plans.

5. Annual performance plans are based on thorough and systematic analysis of internal and external environment.

6. Annual reviews here help employees learn from the previous year and plan better for the subsequent year.

7. Annual planning is taken seriously by the employees.

8. Individual work plans are based on contextual factors.

9. Company strategies are shared with employees for better planning.

10. Employees are helped to plan work effectively.

**B3. Performance Appraisal and Management System (PMS)**

1. Each employee grasps what is expected from him with the help of the PMS.

2. The PMS helps appraiser and appraisee to have joint knowledge of appraisee’s job.

3. PMS helps managers to plan well.

4. With the help of PMS, superiors know the support they need to give.

5. Self-review and reflection is facilitated by the PMS.

6. The PMS helps the appraiser and appraisee to have a common understanding of the factors affecting the performance of the appraisee.

7. Discussions between the appraiser and the appraisee on the expectation, achievements, failures, constraints, and improvement required in PMS.

8. PMS provides scope for reflection and assessment of each appraisee on the personality factors and other competencies.

9. PMS encourage open discussions between appraisee and appraiser through reviews.

10. Developmental needs come to the fore in our PMS.
11. PMS provide scope to correct biases through a review process.

12. PMS attempts to strengthen trust and relationship through trust and mutuality.

13. PMS provides scope for giving insights into strengths and weaknesses.

14. PMS helps discover individual’s potential.

15. PMS aids the communication of business plans to staff.

16. Objectives of the PMS are clear.

17. Periodic orientation programs are conducted to explain the objectives and process of PMS.

18. The data generated through PMS provides objective indications of actual performance.

C. Development System

C1. Learning Systems or Training Questionnaire

1. Induction programs are given importance.

2. Induction is well planned.

3. Induction is of sufficient duration.

4. Induction provides comprehensive information.

5. Norms and rules are explained clearly in the induction.

6. Seniors take interest in the induction programs.

7. New recruits find induction very useful.

8. Induction training is evaluated periodically.

9. Technical knowledge and skills are given thorough training.

10. Training function emphasized the development of managerial competencies.
11. There is adequate effort made through training to develop human skills among managers.

12. Employees are sponsored for training on the basis of carefully identified developmental needs.

13. Training is taken seriously by all employees sponsored for the same.

14. Employees participate in determining training needs.

15. Employees know which skills to be acquired.

16. Briefing and debriefing sessions are conducted for employees sponsored for the same.

17. In-company programs are handled by excellent faculty.

18. Quality of in-house programs is excellent.

19. Adequate time is provided for employees returning from training to reflect and plan improvements.

20. Line managers provide the right climate to implement new ideas and methods.

21. External training programs are chosen carefully.

22. There is a well-designed training policy here.

23. Adequate follow-up is conducted on major training programs.

24. Impact evaluation of training is conducted to improve the utilization of training.

25. HR department prepares the training strategy in light of business strategy.

26. Internal faculty is well trained.

27. Training leads to experimentation and action.

28. Employees are helped to learn new ideas and to try out new concepts.
C2. Performance Guidance and Development

1. Line managers help subordinates with performance guidance and spend needed time.

2. Appraisees are helped to plan performance by reporting to officers in the beginning of the year.

3. Educative appraiser-appraisee discussions take place.

4. Self appraisal system exists and is practiced.

5. Thorough self-appraisal by executives is undertaken in terms of performance analysis.

6. Serious performance review discussions take place and managers spend time on this.

7. Performance review discussions are of high quality.

8. Efforts are made by appraisers to be objective in their appraisals.

9. HR department follows up seriously the training needs mentioned in PMS.

10. Appraisal helps in job rotation, enrichment of decisions, etc.

11. Appraisals help recognize and encourage high performance.

12. Appraisals are by reviewing officers to reduce or eliminate biases in their juniors.

13. HRD discusses appraisals with line managers.

14. Adequate feedback provided by HRD to line managers on their rating behavior and biases.


C3. Other Mechanisms

1. Senior managers act as good role models.

2. Mentoring is followed here.

3. Self-learning is encouraged here.

4. Internal seminars/discussions are organized.
5. Task force and small groups are used to develop employees’ competencies and understanding.

6. Employees are encouraged to perform a variety task and show different competencies.

7. Job rotation encourages employees to acquire new competencies.

8. Well-laid out job-rotation policy exists here.

9. Mistakes are looked upon as learning experiences.

10. Seniors append adequate time guiding and developing juniors.

**C4. Worker Development**

1. Competency development of workmen is emphasized.

2. Training programs are conducted for workers.

3. The training for workmen and other staff is helpful, and effective in motivating and developing them.

4. Personal growth is emphasized in workmen training.

5. Workers are kept informed on various aspects of the company.

6. Workers are encouraged to go for higher qualifications related to their job.

**D. Self-renewal Systems**

**D1. Role Efficacy**

How much opportunity do you get in your role for the following points? Give your assessment on five point scale where,

5= you get full opportunity, 4= good opportunity, 3=some opportunity, 2=low opportunity, 1=No opportunity at all.

1. To do significant things.
2. For taking initiative and doing something new.

3. New ways of doing things.

4. Freedom to use discretion.

5. Solving problems.

6. Integrating my work with that of others.

7. Getting help from others and helping others.

8. Contributing to the large goals of the organization for society.


10. Learning new things to grow.

**D2. Organisational Development (OD)**

Assess the extent to which the following OD activities are conducted and used effectively in your organization using a five point scale where,

5=very effectively used, 4=good degree of effectiveness, 3=some degree of effectiveness, 2=low degree of effectiveness, 1=very low to negligibly small degree of effectiveness.

1. Managerial effectiveness programs like GRID

2. Quality circles

3. Suggestion scheme/kaizen

4. Diagnosis of employee satisfaction and perception

5. Diagnosis of culture and climate

6. Team-building exercises/interventions

7. Customer satisfaction surveys/workshops (internal and external)

8. Personal growth, effectiveness, creativity, management of stress, etc., and workshops
9. Role negotiation and contribution exercises

10. Role-based interventions

11. Task forces, cross functional teams, and autonomous work groups

**D3. Action-oriented Research**

1. Periodic surveys on functioning of the organization

2. Employees are given feedback on the surveys and the results are shared

3. Periodic surveys on implementation of various HR systems and practices

4. Periodic surveys on personnel matters (age profiles, skills, training, etc.)

5. Studies on personnel matters are effectively used.

6. Employees respond seriously to the surveys.

7. HR department does surveys on request and responds to requests.

8. Executive summaries of surveys reach top management.

9. Outsider studies are shared with employees and serves as learning opportunities.

10. Research surveys have led to changes.

**E. HRD**

**E1. HRD Climate**

1. Top management goes out of its way to make sure that employees enjoy their work.

2. Top management believes HR to be an extremely important resource and that they have to be treated humanely.

3. Development of subordinates is seen as an important part of their job by seniors and the top management.

4. Personnel policies facilitate development.
5. Top management is committed to employee development and is willing to invest their time.

6. Senior executives take active interest in juniors and help them learn.

7. The organization helps people who lack competencies to acquire competencies.

8. Managers believe that employee behavior is changeable at any stage.

9. People here are helpful to each other.

10. There is an informal atmosphere and employees discuss their personal problems with their superiors.

11. Psychological climate here is conducive to development.

12. Seniors guide juniors for future responsibilities and goals.

13. Top management identifies and utilizes employee potential.

14. People are encouraged to learn from their mistakes.

15. Employees take behavioral feedback given to them seriously.

16. Employees take pain to find out strength and weaknesses from their friends and colleagues.

17. Training is taken seriously and learning is implemented.

18. Opportunities are provided for employees to try out training-learning.

**E2. Values in the Organization**

Some values are mentioned here. Rate the extent to which these values are practiced in your organization using five point scale where 5 means highly practiced, 4 means high, 3 means somewhat practiced, 2 is less well practiced, and 1 means not at all practiced.

1. Openness

2. Confrontation

3. Trust
4. Authenticity

5. Taking initiative

6. Freedom to achieve results

7. Use of freedom

8. Collaboration and team work

9. Creativity

10. Quality

**E3. Quality Orientation**

1. Employees here have high degree of customer orientation.

2. Employees here are quality conscious.

3. There is emphasis on continuous improvements.

4. Quality improvements are monitored and fed back.

5. Focus on customer requirements.

6. Process improvements are carried out and emphasized.

7. Reducing bureaucracy is emphasized here.

8. Continuous improvements are emphasized here.

9. Total quality improvements are emphasized here.

10. Total quality as a key to success is emphasized here.

11. Sense of pride in quality is emphasized here.

12. Emphasis on quality as a policy communicated to all employees.
E4. Rewards and Recognition

1. Deserving persons are rewarded.
2. Objectivity in rewards is ensured.
3. Personal loyalty does influence rewards.
4. Adequate number and variety of rewards are given.
5. Type and amount of rewards given to employees is adequate.
6. Good work is recognized in good time.
7. Non-financial rewards are used.
8. Rewards have a motivating effect.

E5. Information

Please rate the extent to which you receive information relating to your job, organization, and other matters. 5 means very adequate and timely (90-100 percent), 4 means adequate and timely (75 percent), 3 means somewhat adequate and timely (50 percent), 2 means not adequate or timely (25 percent), 1 means not at all adequate and timely (0-10 percent at best).

1. Communication on internal changes that affect my work.
2. Communication on work related technology.
3. Communication on company policies, procedures and changes.
4. Communication on personnel policies and procedures.
5. Communication on annual company performance.
6. Communication on environmental changes.
7. Communication on competitor’s performance.
8. Communication on long-term future plans.
9. Communication on short term plans and goals.

10. Communication on market opportunities.

11. Communication on relevant technological changes and technology of the company.

12. Communication on market perceptions and performance of the various products.

13. Communication on transfers, postings etc.

14. Communication on events, happenings and celebrations.

**E6. Communication**

Use the rating scale, where 5 points means very much true, 4 means mostly true, 3 means somewhat true, 2 means a little true and 1 means not at all true.

1. Task related information is provided adequately to all employees to plan work well.

2. Horizontal communication across various departments and units.

3. Good circulars, notices etc. are adequate to keep employees informed.

4. Top-down communication helps employee know the thinking on the top.

5. Distorted communications are low and communications are not normally distorted.

6. Informal channels like rumors not powerful and employees get all information in advance with no scope of rumors.

7. Forums are available for information sharing and communication.

8. Employees at all level have opportunity to meet top management.

9. Communication infrastructure is good and constantly improved (e-mails, internet, cell phones, and other technology)

10. There is good corporate communication cell to project image of the organization.

11. Good liaison with government and other key agencies.
12. Senior executives and top management are aware of problems and difficulties of juniors and other employees.

**E7. Empowerment**

1. Every employee is treated with dignity and significance.

2. Employees have autonomy to plan, organize, and carry out their work.

3. Employee participation in decision making is ensured.

4. Delegation of responsibility and authority from seniors to their juniors is practiced.

5. Delegated powers are used well.

6. Decentralized decision making is the characteristics of this place.

7. There is decentralization of financial decisions to the departments.

8. Effective shop-floor committees-employees exist here.

9. Supervisors ensure that shop-floor committees are effective.

10. Culture of delegation is present in the entire organization.

**F. HRD Function**

1. HRD function is given significance by top management.

2. HRD function is given significance by personnel department.

3. HRD function is given significance by senior line managers.

4. HRD function is given significance by middle managers.

5. HRD function is given significance by supervisors.

6. HRD function is given significance by workers and unions.
7. HRD department is adequately staffed.

8. HRD has competent well-trained employees.

9. HRD has made an impact.

10. Personnel policies support HRD activities.

11. HRD policies help line managers to work effectively.

12. HRD activities help build an organizational culture.

13. HRD activities have created a positive climate.

14. HRD helps to improve performance.

G. Competency Mapping (CM), 360 Degree Feedback (360 DF), and Assessment and Development Centers (ADCs)

G1. Competency Mapping

1. Competency mapping is implemented well here.

2. Competency mapping is effectively used in this organization.

3. Competency mapping uses well designed and relevant tools and methods.

4. Employees have been adequately communicated to, and prepared for participation in competency mapping.

5. Employees are clear about the concept, practice, and uses of competency mapping.

6. Competency mapping in this organization helps in recruitment, induction, PMS, leadership and/or employee development, and various other HR interventions.
G2. 360 Degree Feedback

1. 360 Degree Feedback is well designed in our organization.

2. 360 Degree Feedback is administered and implemented well here.

3. 360 Degree Feedback is effectively used in this organization.

4. 360 Degree Feedback uses well designed and relevant tools and methods.

5. Employees have been adequately communicated to, and prepared for participation in 360 Degree Feedback.

6. Employees take 360 degree feedback seriously and provide well thought out feedback to those seeking it.

7. Employees are clear about the concept, practice, uses and limitations of 360 degree feedback.

8. 360 degree feedback in this organization helped leadership and/or employee development.

G3. Assessment and Development Centers

1. ADCs are well designed in our organization.

2. ADCs are administered and implemented well here.

3. ADCs are effectively used in this organization.

4. ADCs use well designed and relevant tools and methods.

5. Employees have been adequately communicated to, and prepared for participation in ADCs.

6. Employees are clear about the concept, practice, uses and limitations of ADCs.

7. ADCs in this organization help in potential identification, performance improvements, identification of developmental needs, leadership and/or employee development.
H. Strengths, Weaknesses and Suggestions

1. What do you consider as the strength of the organization in terms of employee development or HRD, including competence building, motivation development and culture building?

2. What are the areas where the organization needs to improve to ensure the continuous development of employees and building a strong culture?

3. Give suggestions to improve HRD in this organization.

3.8 CONCLUSION

HR audit is a comprehensive evaluation of HR systems and strategies, competencies, culture, values, HR impact and alignment in the context of the short-term and long-term plans of a business. For such detailed evaluation auditor makes use of various techniques and methods. Such techniques include- interviews, group discussion and workshops, observation and questionnaire. Its main aim is to align HR function to business needs and make HR business-driven.

Comprehensive HR audit assesses and provides insight in the HR systems, strategies, policies, competencies, culture, values and impact. It reveals strengths and weaknesses of the organization in the HR areas. On the basis of such indication firm can take necessary steps to capitalize on the strengths and improve on its weaknesses.

Work of T.V.Rao is worth noticing in this area. He has provided with comprehensive dimensions and criteria for auditing HR. He developed comprehensive questionnaire to conduct HR audit and also suggested other methodology, such as interviews of line managers, HR managers and staff; observation and analysis of secondary data to evaluate the HRM function in an organization.

T.V.Rao has also developed balanced score card based on HR audit. Balance score card approach assigns scores on the basis of maturity level of HR functions. Maturity level of HR systems, strategies, policies, competencies, culture, values and impact is measured with the help of HR audit instruments as discussed in this chapter. On the basis of such audit and scores, grade is assigned to firm’s HRM function.
REFERENCES:


