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# UNIT 16 HRD AUDIT

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## Objectives

After going through this unit, you should be able to:

- 1 define HRD Audit and its objectives and methodology;
- 1 state the uses and limitations of HRD audit;
- 1 state the preparation needed for audit and competencies needed for conducting the same;
- 1 define the HRD Score card as an outcome of HRD audit;
- 1 state the outcomes of research studies; and
- 1 differentiate HRD audit as an OD interventions from the other uses of HRD Audit.

## Structure

- 16.1 Why HRD Audit?
- 16.2 Methodology of HRD Audit
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- 16.12 Self Assessment Questions
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## 16.1 WHY HRD AUDIT?

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In the last two decades a large number of corporations have established Human Resources Development Departments, introduced new systems of HRD, and made structural changes in terms of differentiating the HRD function and integrating it with HR function. A good number of CEOs saw a hope in HRD for most of their problems, issues and challenges. HR systems are people intensive and require a lot of managerial time. There are examples of corporations where HRD has taken a driver's seat and has given a lot of benefits. In to-days competitive world, "people" or employees can give a good degree of competitive advantage to the company. To get the best out of HR, there should be a good alignment of the function, its strategies, structure, systems, and styles with business and its goals (financial, customer etc. parameters). It should be aligned both with the short-term goals and long term

strategies. If it is not aligned, HR could become a big liability to corporations. Besides this alignment, the skills and styles of HR staff, the line managers and the top management should synergize with the HR goals and strategies. HRD audit is an attempt to assess these alignments and ensure the same.

Having a separate or a dedicated HRD Department does not guarantee good HRD. Good HD requires the following:

- 1 The top management of the organization recognizes the strategic advantage and the critical value addition provided by people.
- 1 The role of HRD is well carved out.
- 1 Line managers understand, accept, and internalise their own role in development.
- 1 A learning culture is created in the organisation.
- 1 Appropriate HRD systems are identified to suit the needs, requirements and strategies of the corporation and implemented well.
- 1 The systems are periodically reviewed and aligned and realigned with the business goals of the organisation.
- 1 Support HR policies are formulated and implemented.
- 1 The HRD function is handled by competent people.
- 1 The styles, beliefs and values of the top management is aligned to promote a good learning and competency building culture.
- 1 HRD function and the implementation of HRD is periodically reviewed and renewed.

It is to achieve the last objective HRD audit has come in to existence.

HRD audit is a comprehensive evaluation of the current human resource development strategies, structure, systems, styles and skills in the context of the short and long-term business plans of a company. HRD audit attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs available.

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## **16.2 METHODOLOGY OF HRD AUDIT**

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A team of auditors visit the corporation and using a variety of methodologies assess the appropriateness and adequacy of the various HRD systems, strategies, structures, competencies, culture, processes etc. The methodology used includes:

- 1 Interviews;
- 1 Questionnaires;
- 1 Observation;
- 1 Secondary data analysis; and
- 1 Examination of documents and communications.

The audit starts with a brief by the CEO and the Chief of HR who may set an agenda and focal areas of evaluation. The interview with the top management starts with finding out details of the future plans of the organizations and uses it as a base for outlining the competency requirements of the organization. The current competencies, structures, HRD systems etc. are assessed in terms of their capability to prepare the organization for the future. Suggestions are made to improve for achieving the future business goals and plans. The HRD audit is contextual and at the same time uses the available knowledge of the potential of the HRD systems in helping the corporation achieve its goals.

***HRD Audit is Comprehensive***

HRD audit starts with an understanding of the future business plans and corporate strategies. While HRD audit can be done even in organizations that lack well formulated future plans and strategies, it is most effective as a tool when the organization already has such long-term plans. The HRD audit starts with attempts to answer the following questions:

Where does the company want to be ten years from now, three years from now and one year from now? (Answers to this question ensures business linkages part of the HRD score card).

Answer to this question needs to be provided by the top-level management. If there are long-term plan documents these are reviewed. On the basis of the answers to these questions the consultants finalize the subsequent audit strategies and methodology. The consultant's make an attempt to identify the nature of core competencies the organization needs to develop in order to achieve its long-term five to ten year plans. The consultants also attempt to identify skills required to be developed by the company at various levels (example, workmen level, supervisors level, junior management level, middle management level, top management level, etc.) and with respect to various functions (finance, production, marketing, etc.). Listing all these core competencies and skills for the future is the starting point of HRD audit. The HRD audit normally attempts to assess the existing skills and the competency gaps in order to achieve the long-term business goals and short term results of the company. The competencies may deal with technical aspects, managerial aspects, and people related or conceptual. They may cover knowledge base, attitudes, values and skills.

**What is the current skill base of HRD staff in the company in relation to various roles and role requirements? (HRD Competencies Score on the HRD score card)**

This is assessed through an examination of the qualifications of HRD staff, job descriptions, training programs attended, etc. Besides this, through interviews an attempt is normally made to identify the skill gap in the organization. Training needs and performance appraisal forms provide further insights. Departmental heads and other employees provide insights into the competency and other skill requirements.

**What are the HRD sub-systems available today to help the organization build itself competency base for the present, immediate future as well as for long term goals? (HRD systems maturity score of the HRD score card)**

The auditors attempt to identify various HRD sub-systems that are available to ensure the availability, utilization and development of skills and other competencies in the company. All the HRD tools existing in the organization are listed and studied in detail.

**What is the current level of effectiveness of these systems in developing people and ensuring that human competencies are available in adequate levels in the company? (HRD systems maturity on the HRD score card)**

Assessing the effectiveness of each system makes this. For example, the effectiveness of performance appraisal system is assessed by discussing with employees, individually and in-groups, about the efficacy of the system. The auditors look at the appraisal forms, look at the linkages between appraisal and training, conduct questionnaire surveys to assess the extent to which coaching and other components of other appraisals are being utilized and also conduct workshops if necessary to assess the effectiveness of these systems. Similarly, in relation to induction training, the

consultants make it a point to meet those who have been through the induction training recently or those who are in the process of being inducted into the company and take their views to improve the induction training methodology etc.

**Is the HRD structure existing in the company adequate enough to manage the HRD in the company? (Contributes to HRD competencies score).**

In the next stage, an attempt is made by the auditors or consultants to examine whether the HRD structure at present can handle the pressing and future HRD needs of the company. This examination will assess the existing skill base of the HRD staff of the company, their professional preparation, their attitudes, their values, their developmental needs, the line manager's perceptions regarding them, etc. In addition to examining the full time staff, the HRD structure is also assessed in terms of use of task forces and other mechanisms.

**Are the top management and senior manager styles of managing people in tune with the learning culture? (answers to these questions contribute to the HRD culture score of the HRD score card).**

Here an attempt is made to examine the leadership styles, human relations' skills, etc. of senior managers. The extents to which their styles facilitate the creation of a learning environment are examined.

**HRD Audit Examines Linkages with Other Systems**

The HRD audit also examines the linkages between HRD and other systems like total quality management, personnel policies, strategic planning etc.

Suggestions are made on the basis of evaluation on the above questions about the future HRD strategies required by the company, the structure the company needs to have for developing new competencies and the systems that need to be strengthened, the styles and culture that has compatibility with HRD processes in the company particularly the styles of the top management, etc.

**HRD Audit is Business driven**

HRD audit always keeps the business goals always on focus. At the same time, it attempts to bring in professionalism in HRD. In keeping the business focus at the center, HRD audit attempts to evaluate HRD strategy, structure, system, staff, skills and styles and their appropriateness.

HRD Audit is not a problem solving exercise. It may not be able to provide any solutions to specific problems the organizations is facing - for example Industrial Relations problem, or discipline problem, poor performance problems etc. However, it may be able to throw insights into the sources for the problem. It will not give feedback about specific individuals. It will however give feedback about the HRD department, its structure, competency levels, leadership, processes, influence of the HRD on the other systems etc. HRD audit is against the HRD framework

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**16.4 METHODOLOGY OF HRD AUDIT**

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In order to arrive at answers to the above types of questions the auditors use a number of methods. These are described in some detail below.

**1) Individual Interviews:** The auditors normally make it a point to interview the top level management and senior managers individually. Such individual interviews are a must for capturing their thinking about the future plans and opportunities available for the company. Also by virtue of occupying strategic positions the top management

provides a perspective required for a good HRD audit. Thus a good HRD audit begins with individual interviews of top management. Individual interviews also are essential when sensitive matters and sensitive information has to be obtained. Such information is available particularly about the styles and culture through individual interviews. Union leaders, departmental heads, some strategic clients and informal leaders are all interviewed individually. In addition if the organization is small and is manned by largely professionals an attempt is made to enlarge the coverage and randomly selected representative sample of employees from different levels and different functions could be interviewed.

**2) Group Interviews:** Normally for the audit of companies having thousands of employees, it is not feasible to meet everyone individually. It is the experience of the author that group discussions and interviews is a good mechanism of collecting information about the effectiveness of existing systems. Group interviews are conducted normally for groups of four to eight individuals. It is preferable to have employees drawn from same or similar levels. This is because in Asian cultures there is likely to be inhibition on the part of junior employees to freely express their views in the presence of their seniors. However, it is quite common to give cross functional representation of employees in the same group. If the organisation is large, an attempt is made to conduct group interviews for each function separately to keep the levels homogenous. In the individual and group interviews for HRD audit normally the following open ended questions are asked:

- 1) What do you see as the future growth opportunities and business directions of the company?
- 2) What skills and competencies does the company have which you are proud of?
- 3) What skills and competencies do you need to run your business or to perform your role more effectively at present?
- 4) What are the strengths of your HRD function?
- 5) What are the areas where your HRD function can do better?
- 6) What is good about your HRD sub-systems like performance appraisal, career planning, job rotation, training, quality circles, induction training, recruitment policies, performance counselling, worker development programmes, HRD departments, etc?
- 7) What is weak about them? What can be improved?
- 8) What changes do you suggest to strengthen HRD in your company?
- 9) What do you think are the ways in which line managers can perform more development roles, etc?

**3) Workshop:** In some cases the individual and group interviews are substituted by large-scale workshops. In the workshop a large number of participants ranging from 30 to about 300 could be gathered in a room and could be asked to do the HRD audit. Normally in the workshop the participants work in small groups either around various sub-systems of HRD or around different dimensions of HRD, do a SWOT analysis and make a presentation. The workshops also can be used focusing specifically on individual HRD systems like performance appraisal.

The HRD audit if conducted through participatory methods in itself may initiate the change process. Even if it does not, it is a potential diagnostic tool and can provide a lot of information to the top management on human processes and help them plan further interventions.

**4) Questionnaire Method:** TVRLS has developed a comprehensive questionnaire which has to be administered to the executives of a company. This questionnaire has over 250 items and requires about 90 minutes to complete. This questionnaire can be administered individually or in a group. It was found useful to call groups of respondents selected randomly to a room and explain the objectives and the process of HRD audit and administer the questionnaire then and there itself. This ensures uninterrupted answering of the questionnaire and provides scope for getting more credible data due to the personal explanations given by the auditors. A number of other questionnaires have been developed since the time the first comprehensive HRD audit questionnaires were prepared by Rao and Pareek. These questionnaires attempt to assess various dimensions of HRD including the competency base of HRD staff, the styles of line managers, the implementation of various HRD systems etc.

The utility of the questionnaire is that it helps in benchmarking. TVRLS a consulting firm specialising in HRD audit over the last several years have bench marking data from several organisations.

**5) Observation:** In addition to the above the auditors should physically visit the workplace including the plant, the machinery, the canteen, the toilets, the training rooms, the hostels, the hospital, school, living colony, etc. These visits and observations are meant to assess the extent to which a congenial and supportive human welfare oriented climate exists in the company. This is essential because employees are not likely to give their best if they do not live in good surroundings, their health and education are not taken care of, they do not have good communication and other facilities and their work conditions are poor. The observations can be conducted using a check list of questions.

**6) Analysis of Secondary Data:** Analysis of secondary data can give lot of insights into the HRD assets and liabilities of the company. For example, in a company that had about 50 HR people only two were found to have the required technical training in HRD area. When an analysis of the training programmes attended by others was carried out, it was found that a large number of them did not attend any HRD programme in the last five years. Such analysis of secondary data can throw up many insights. Analysis of age profiles of the employees, analysis of the training attended, analysis of the minutes of the meetings held etc., help in determining the assets and liabilities. Such an analysis should also pay attention to the costs incurred by the company in terms of maintaining the HRD infrastructure, etc.

**7) Analysis of Reports, Records, Manuals and other Published Literature:** Published literature of the company including annual reports, marked hand-outs, training calendar, personnel manual, and various circulars issued from time to time are also likely to help immensely in assessing the strengths and weaknesses of HRD.

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## 16.5 PREPARATION FOR THE AUDIT

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The organisation has to prepare itself for the audit. Normally in the audit the HR function, systems, competencies, culture and the top management commitment come under scrutiny. All diagnoses are painful particularly if things have to improve. If things have to improve more work needs to be done, new focal points have to be identified and implementation has to be stepped up etc. In such cases there is more work and there are criticisms of the past. Hence it may not be always a comfortable feeling to get audit done. Hence audit requires a lot of courage and boldness on the part of the HR Department to be self critical and open to examination.

HRD Audit has taken time to get popular for these and a variety of other reasons. Once done HRD Audit could realign the firm goals to HRD and could help people to drive business better and also uplift the HRD function.

As preparation for the audit the auditors have to become familiar with the current HRD status. They do this through examination of various documents relating to the existing systems and processes. Box 1 gives a list of documents required by the auditors before the audit:

### Box 1

#### Check-list of Documents to be made available by the HRD department for Audit

1. Personnel Manual
2. Manpower planning guidelines
3. Recruitment policies
4. Promotion policies
5. Performance appraisal manuals
6. TQM manuals
7. Quality circles, shop-floor committees etc. guidelines
8. Suggestion schemes and other guidelines
9. Training policy guidelines
10. Succession planning and career planning guidelines and methods
11. OD interventions if any taken by the organization
12. Activities of the HRD department - annual reports etc.
13. Training calendar and reports of training activities
14. Diagnostic and evaluation studies
15. Reward systems - policies and guidelines
16. Communication systems and reports
17. In-house Newsletters and other mechanisms
18. Delegation manuals or guidelines
19. Job-rotation and transfer policies and practices
20. Organizational structure of HRD department
21. Small group activities, shop-floor committees and details
22. Exit Interview guidelines and data
23. Documents dealing with facilities offered to employees
24. Worker education and training programs
25. Welfare schemes and facilities
26. Residential colony facilities - guidelines
27. Climate surveys, culture studies
28. Previous HRD audit reports
29. Other studies undertaken by Summer trainees and students
30. Age profiles grade-wise and department-wise for assessing retirements etc.
31. Attrition rates, department or unit-wise and exit interview data
32. Any other documents having implication for HRD strategies
33. Organizational structure charts if necessary

**Source:** Rao, T. V. HRD Audit, New Delhi: Response Books, Sage India.

The following competencies are needed for a person to become an HRD Auditor:

- 1 A thorough understanding of (the knowledge and conceptual base required for) Human Resource Development function.
- 1 Knowledge of organizations and how they function including Knowledge of Organizational structures and the dynamics in organizations (personal, interpersonal and team dynamics).
- 1 Knowledge of the theories of adult learning and human development processes.
- 1 Knowledge of HRD systems and processes and methods of evaluating the same.
- 1 Organizational diagnosis and auditing skills (quality audit, PCMMM audit, ISO audit, Training audit etc).
- 1 Experience in HRD (handling Performance appraisals, Training and other functions).
- 1 Strategic thinking and knowledge of HR strategies and business development.
- 1 Specialization in any function with an understanding of how people give competitive advantage to organizations.
- 1 Interview skills.
- 1 Ability to empower and motivate people to give information and feel involved in the audit process (a faith participative approach and a positive approach to people).
- 1 Positive to people and people processes and faith in HR.
- 1 Bench marking skills.
- 1 Communication, probing, listening, sensitivity.
- 1 Presentation Report writing skills.
- 1 Desire to learn and grow.

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## **16.6 HRD SCORE CARD**

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Rao (1999) has introduced the concept of HRD score card. The score card is a series of four letter grades assigned by the auditors on the basis of the HRD Audit. At the end of the audit the auditors assign letter grades for the following dimensions:

- 1) HRD Systems Maturity indicating the extent to which the firm has mature (appropriate, well designed and managed) systems in place,
- 2) HRD Competencies **Maturity indicating** the extent to which the HRD Managers have the required competencies to handle the HR function professionally, the extent to which line managers have the attitudes required to learn and grow, HRD styles of top management indicating the extent to which the top management styles are aligned to the HRD philosophy and make facilitate learning among all etc.,
- 3) HRD Climate indicating the extent to which the firm has the required HRD culture, and
- 4) Business Linkages Maturity indicating the extent to which the above three (Systems, competencies and culture) are aligned to the business goals or organizational objectives.

The letter grades range from an “A+” to an “F” where A+ indicates an extremely high level of maturity and F indicates an extremely low or total lack of maturity. The HRD Score card helps identify the areas the firm needs to focus at a glance. Consider the score card of the following hypothetical company.

HRD Score Card of Firm A			
Systems Maturity	HRD Competencies Maturity	HRD Culture Maturity	Business Linkages
B+	A	C	D

The above indicates that this firm has high competency levels of HR and line staff and reasonably good HRD systems and the HRD culture has not yet fully developed (or the HRD systems did not yet have their impact) and the business linkages of all the systems are weak. The organization therefore should pay attention to ensure business linkages of the HR systems. The ROI on HR is weak.

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## 16.7 HRD AUDIT AS AN OD INTERVENTION

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A great deal of work has been done in India regarding the use of HRD Audit as an OD intervention and is a unique feature of Indian organizations. The author's experience in initiating OD with the aid of HRD audit has shown the following results:

- 1) The audit in several organizations resulted in establishing several organizational systems and processes such as potential and performance appraisal, career planning, training, mentoring. Performance appraisal and job rotation are the two most frequently affected changes.
- 2) In a few companies it has resulted in the formulation of clear-cut policies including promotion policy, communication policy, reward and recognition policy, etc.
- 3) In others it seemed to have drawn their attention to issues like developing trust, collaboration, teamwork, quality orientation etc.
- 4) In a few others it has resulted in more role clarity and direction to the employees in terms of their work leading to higher level of role efficacy.
- 5) In one of the organizations, as the audit started with the issues of future strategies the top management team could not identify the future plans. They indicated that the plans come from the multinational Head Office and they have no freedom in influencing the same. The turnover from Indian operations was negligible and therefore the parent office paid little attention to the corporation. As a result the top management could not communicate the future of the organisation clearly to the employees. This resulted in morale and motivation issues though of not a significant magnitude. The corporation has good practices and the employees were proud.
- 6) On the basis of the HRD Audit report, which indicated the difficulties in ensuring employee commitment without an appreciation of the future plans of the company, the top management team made it a point to negotiate and plan the future strategy and plans for the company.
- 7) In another company the HRD Audit indicated the need for developing locals as HRD Managers and the need for reorienting the HRD systems to local culture. The company recruited an HRD manager as a short-term basis who designed a number of HR systems and also trained the local line managers in HRD. The systems designed were integrated into the TPM, ISO 9000 and such other interventions.

The above consequences indicate that HRD Audit is cost effective and can give many insights into a company's performance improvements. While various methods like individual and group interviews, workshop, questionnaires and observation can be used as tools the success of the audit as an intervention depends on the efficiency of implementation in the post-audit phase.

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## 16.8 HRD AUDIT FAILURES

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There are at least two cases of HRD Audit not resulting in anything. The HRD Manager was very enthusiastic in getting the HRD audited. The Audit report indicated a very poor state of HRD in the company. The staff competencies were rated as poor, the practices questioned and improvements suggested. The Benchmarking data also indicated this company to be one of the poor performers in terms of HRD though in terms of the profits etc. the company was in the forefront and was facing competition. Though the audit started with an interview with the CEO, no opportunity was provided to the Auditors to make a presentation to the CEO. As a result the audit report did not receive any attention and the auditors considered the effort a waste.

In another company, the top management commissioned the Audit but got busy with reorganization of one of their critical marketing functions. In the process and due to market competition all the energies of the top management and their HR staff got diverted to the new organizational structure and they did not even have an opportunity to know the findings of the Audit. The auditors felt that some of the audit findings directly relate to business improvements in terms of the very reorganization they were planning. But the auditors were not in a position to draw the attention of the top management. The effort did not result in any thing.

These two events make it clear that the following processes in the HRD Audit have potential in initiating and managing change:

- 1 Initial interviews with the Top management.
- 1 Bench Marking data on HRD Audit questionnaire supplied to the company.
- 1 Presentation by the Auditors at the end of the audit.
- 1 The report itself and the way the report is handled.

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## 16.9 RESULTS OF A RESEARCH STUDY

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Jomon (1997) conducted a research study to identify the factors influencing the use of audit as a change tool. He studied four organizations that have got them audited. They were studied about three years after the first audit. He tried to assess the influence of the following variables in the effective use of HRD Audit:

- 1 Management styles
- 1 Organizational characteristics
- 1 Profile of the HRD Department
- 1 Competency levels of HRD department
- 1 CEO commitment
- 1 HRD Chief's commitment

Jomon's study indicated the following in each of the four companies:

### 1) Post Audit Scenario Organization

Soon after the Audit, the management held a number of meetings and a final action plan was formulated. Though the action plan covered HRD at the policy making level, at the operational and departmental level and contained a joint action plan for the HRD-Training department, the reports as well as the plan were kept confidential. The following changes were brought about as a result of the Audit exercise:

- 1) A well-established system to assess the potential of higher level people based on key competencies.

- 2) Promotion policy is now shared with everyone.
- 3) Each employee is aware of his career path.
- 4) Mechanisms to help employees plan their work efficiently have been set up and employees are helped by their supervising officers to plan their work effectively.
- 5) Employees now go for training with a clear understanding of the Knowledge and skills they are expected to acquire from training.
- 6) Regular circulars and notices and bulletins give adequate information to the employees about the Company, the market situation, the changes in the environment etc.

## 2) Post Audit Scenario Company

This company has come a long way since 1994 when the audit was conducted. The situation in 1997 was:

- 1) Clear Personnel Policies including Promotions Policy, Communication Policy, Reward and Recognition Policy and many more.
- 2) Team Spirit at this company is of a high order as conveyed by the employees themselves.
- 3) PPRD Systems have been revamped. A well-structured feedback mechanism is in place now.
- 4) KPA's provide role clarity and direction to the employees in terms of their work and Role Clarity is very high among employees.
- 5) External training programs are chosen carefully after collecting enough information about their Quality and Suitability.
- 6) Action Oriented Research is very well established and taken seriously and acted upon.

## 3) Post Audit Scenario

The first audit was conducted in 1993. A management Council meeting was organized to discuss the Strengths, Weaknesses and the Recommendations of the Audit. Strategic issues related to HRD were also considered at this juncture. The status in 1997 is presented below:

- 1) Man Power requirements for each department are identified well in advance.
- 2) Key Competencies have been identified and a system is in place for assessing the potential of people for higher level responsibilities.
- 3) Employees also participate and contribute to annual performance plans.
- 4) KPA's provide Role Clarity & direction to the employees in terms of their work.
- 5) A very high level of Role Efficacy as stated by the employees themselves.
- 6) OD initiatives, Research orientation, Communication, Empowerment and Reward systems are yet to be established.
- 7) The HRD Staff though inadequate in number was considered highly competent.

## 4) Company

In this company some of the weaknesses highlighted by the Audit were:

- 1) No Potential Appraisal system and an ad hoc performance appraisal system.
- 2) No career planning system.
- 3) Lack of role clarity.
- 4) Poor induction procedure.

- 5) Absence of mentoring.
- 6) High confusion and friction in values and approach.
- 7) Lack of initiative and a mechanical approach to work.
- 8) Human orientation was missing.
- 9) Operators were treated badly.
- 10) Personnel policies were not Development oriented but discipline oriented.

Once the HRD Audit report was submitted, the HR Chief called all the managerial staff for dinner and presented the findings. Based on the discussions an action plan was drawn up which after implementation brought about the following changes:

- 1) A well established Potential appraisal system and a systematic performance appraisal system.
- 2) Career planning is done upto the executive level.
- 3) Role Clarity brought about through identification of KPA's.
- 4) Systematic Induction and Training Program has been established.
- 5) Initiation of mentoring.
- 6) An increase in the level of Trust among employees.
- 7) High involvement of employees at all levels.
- 8) Human Orientation injected into the business process with opportunities for growth and development provided to all employees.
- 9) Empowerment of operators through various mechanisms, and efforts made towards improving management-operator relationship.
- 10) Integration of all HR related activities, which now support developmental activities.

#### **Findings of the Study by Jomon (1998)**

- 1) There is a direct relationship between the CEO's commitment towards HRD and the effectiveness of the HRD function.
- 2) An interesting revelation was that in all four organizations, the CEO was rated higher than the HRD Chief in commitment towards HRD. The reason for this could be that many communications announcing new ideas, the CEO signed practices & systems to be put into effect. This also ensured a greater acceptability by the members of the organization.
- 3) There is however a direct relationship between the ratings of the HRD Chief in commitment towards HRD and the effectiveness of the HR function.
- 4) Management styles also show a high degree of equivalence with HR Effectiveness. Companies scoring high on the average best management styles had more effective HR systems. These Companies had a dominant participative style with a backup Professional or organic style. An Altruistic management style was seen to have an adverse effect on the effectiveness of the HR function.
- 5) As far as Organizational Characteristics are concerned, the following organizations were able to embrace change and utilize the HRD Audit inputs better, leading to a more effective HR Function:
  - a) Middle aged organization (Est. between 1970-1990) as compared to old or young organizations.
  - b) Professionally run private organizations as compared to family owned organizations or closely held MNC's.
  - c) Service companies as compared to their Manufacturing counterparts.

- d) Organizations with a flat structure as compared to those hierarchical in nature.
  - e) Medium sized organizations (with 20-40 Departments and between 1000 to 2000 employees) as compared to that very large or very small.
  - f) Organizations with a good employee profile the criteria for which is as given below:
    - i) **Managerial Profile:** Majority of managers is professionally qualified, average age between 30-40, and more than eight years of work experience.
    - ii) **Support Staff Profile:** Majority of the support staff is secretarial certificate holders, average age between 35-45, and above 10 years of work experience.
    - iii) **Worker Profile:** Majority are skilled, with above 10 years of work experience, and average age between 35-45 years.
  - g) Organizations where management systems were in the process of being setup as compared to those with a well-established management system.
  - h) Organizations with participative and proactive unions undertaking developmental activities had better HRD Practices for Workers.
  - i) Organizations with employee development budgets as compared to those with no such allocation.
- 6) However, the following organizational characteristics did not seem to have any relation to the utilization of the Audit inputs or the effectiveness of the HR Function.
- a) Market Positioning,
  - b) Tendency of groupism among employees,
  - c) Linkage with Industries,
  - d) Collaborations with Institutions, and
  - e) Social Responsibility.
- 7) In the organizations with the following HRD Department Profile, the Utilization of the Audit inputs and the resultant effectiveness of the HR Department were far better.
- a) Department age of 7-10 years as compared to those greater than 10 years old and less than 7 years old.
  - b) A separate and independent HRD function and a separate HRD Department as compared to those with departments combined with other functions such as personnel.
  - c) HRD Department was structurally positioned at a higher level, headed by a Vice President (HRD).
  - d) A flat structure of the HRD Department as compared to a hierarchical structure in the HRD Department.
  - e) Decentralized HRD Department with HRD being considered a line function and involvement of line managers in the implementation of HRD.
  - f) Adequate HRD staff (i.e., around 10% of total number of managers in the Organization.) as compared to having insufficient or the bare minimum number of staff.
  - g) Average age of the HRD Staff between 30-40 years was considered good and facilitated better utilization of HRD Audit inputs. The age of the HRD

Chief was also found to influence HRD Effectiveness. A Company where the HRD Chief was young (33 years) had accepted changes better.

- h) A good professional profile with most of the staff having a professional qualification in HR and a behavioral science background.
  - i) An experienced HRD Staff with many of them having 10 or more years of work experience.
  - j) HRD Staff, who were high on initiative, were hardworking and spent extra time at the department ensured a better utilization of the HRD Audit inputs.
  - k) HRD Staff was members of professional bodies and undertook research activities independently.
- 8) The Organizations with a highly competent HRD Staff were able to derive much more benefit from the Audit Process resulting in a higher impact on the effectiveness of the HR Function.

In fact in one Company though the HRD Department was small and inadequately staffed the utilization of HRD Audit and its effectiveness on HRD Practices was high mainly due to the high competency level of the HRD Staff.

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## **16.10 CURRENT STATUS OF HRD AUDIT IN INDIA**

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The following are some of the organisations that have done HRD Audit: Aditya Birla Group has been doing it for the last 10 years (*Rajashree Cement, Vikram Cement, Hindalco, Indo-Gulf Fertilisers, Gwalior Grasim, Harihar Fibres etc.*) L&T, *Crompton Greaves, Gujarat Guardian, Gujarat Gas, Apollo Tyres, Alexandria Carbon Black, Godrej Soaps, GVFL, BPL, Tyco International, Gati Cargo Management Services, Wokhardt Hospitals Bangalore, Fluenet technologies, Neterwala Group of companies, NMDC, Bharat Electronics, National Thermal Power Corporation, Bosch Rexroth etc.*

*There is a certificate education program offered by TVRLS in HRD Audit. The certificate is intended to prepare candidates to be internal or external auditors. The HRD audit course is meant for those HR executives who already have required HR qualifications to be HR Managers and are intending to strengthen their competencies.*

HRD audit is not intended to be originally an OD tool. By virtue of its diagnostic and participative methodology it seems to work as a change management tool. The interview methodology, its comprehensiveness, the audit methodology insisting on starting and ending with top management involvement all have high potential for initiating change processes. It could be further refined as an OD tool. It involves all the HRD staff and a large number of Managers in the audit process and makes them conscious of the areas needing improvements. HRD audit is needed for realigning and rejuvenating the HR function in any company. Increasingly this is likely to gain movement and become a good self renewal tool for the HR function.

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## **16.11 SUMMARY**

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This unit describes the concept of HRD audit, its objectives and methodology. We have discussed about the preparation required for HRD audit in an organisation and reasons of failure of HRD audit. At the end of the unit we have touched upon the current status of HRD audit in India.

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## 16.12 SELF ASSESSMENT QUESTIONS

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- 1) Describe HRD audit and why is it required by the organisation?
- 2) Discuss the methodology of HRD audit.
- 3) Briefly describe the HRD score card and how is it computed.
- 4) How can HRD audit be used as an intervention? Cite few examples.
- 5) Describe the present scenario of HRD audit in India.

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## 16.13 FURTHER READINGS

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Rao, T. V. HRD Audit: Evaluating the Human Resources Function for Business Improvement. Response Books, Sage India, New Delhi. 1999.

Jomon, M. G. The effectiveness of HRD Audit as an OD Intervention. Thesis submitted to AHRD-XLRI Fellow Program in HRD, XLRI, and Jamshedpur. 1998