
UNIT 11 HR MEASUREMENT AND AUDIT

Objectives

After completion of this unit, you should be able to:

- 1 understand the concepts of Human Resource (HR) audit, benchmarking, HR accounting, HR information systems and HR research;
- 1 discuss the benefits and scope of these concepts; and
- 1 describe the processes involved.

Structure

- 11.1 Introduction
- 11.2 Human Resource (HR) Audit
- 11.3 Benchmarking
- 11.4 Human Resource (HR) Accounting
- 11.5 Human Resource Information System (HRIS)
- 11.6 Human Resource (HR) Research
- 11.7 Summary
- 11.8 Self Assessment Questions
- 11.9 Further Readings

11.1 INTRODUCTION

There seems to be a general notion that one cannot really measure what the HR function does. That notion is, of course, not of true value. HR function like marketing, legal, or finance-must be evaluated based on it adds to the organization. Even though defining and measuring HR effectiveness is not as straightforward as with some areas, it's contribution to the overall objectives of organisation cannot be denied.

HR managers perform two major functions. These are traditionally being called as line and staff functions. While the line function refers basically to managing the HR department, more significant is the staff function (also called advisory role). HR managers and their performance are subject to audit for these functions. Other departments, managers, and employees are the main "customers" for HR services. If these services are lacking, too expensive, or of poor quality, the organization may suffer in achieving its objectives. HR can position itself as a partner in an organization, but only by demonstrating real links between what HR activities contribute to organizational results. To demonstrate to the rest of the organization that the HR unit is a partner with a positive influence on the bottom line of the business, HR professionals must be prepared to measure the results of HR activities. Then the HR unit must communicate that information to the rest of the organization.

Studies in India and abroad have found relationship between the best HR practices and reduced turnover and increased employee productivity. Further, those practices enhanced profitability and market value of the organisations studied. Data to evaluate performance and its relationship with HR practices comes from several sources, but five systems are most often used to measure HR effectiveness. These are:

- a) HR audit,
- b) Benchmarking,
- c) HR accounting ,
- d) HR information systems, and
- e) HR research.

11.2 HUMAN RESOURCE (HR) AUDIT

Though auditing of other function of an organization is universally emphasized ,the same cannot be said about the personal function . Various studies indicate that a comprehensive appraisal of the HR function is under taken by only a small percentage of companies, though many of them do conduct appraisal of certain aspects of their personnel activities. However now that the role of HR management has reached a degree of maturity a systematic and comprehensive audit of its function is called for.

A human resource audit evaluate the HR activities in an organization with the intent of improving those activities . The audit may include one division or entire company. It provides feed back about the HR function to operating managers and HR specialist. It also provides feedback on how well managers are meeting their HR duties. In short audit is an overall quality control check on HR activities in a division or a company supports the organization strategy. The concept of HR audit is similar to the financial audit –a process to evaluate and a take action where necessary. Auditing is an evaluation of the system in order to enable management to take decision regarding the efficient running of an enterprise.

In any organization activities of various departments are constantly reviewed to ascertain if they are moving in the desired direction and to decide what changes should be made in view of altered environment condition. The CEO will want to know how the various units are functioning and how far they have been able to meet policies and guidelines agreed upon. The assistance will depend on the range of services deemed suitable in a situational context. These generally involve maintenance aspects, long range plan and also assumption about the future. Firstly this service needs to be reviewed. Additionally a check is needed to ensure that management objectives are understood in same manner by all involved. Finally an evaluation will serve the purpose of identifying the gap between the objectives and results. In addition to the top management’s need for audit, the HR manager himself will be concerned about reviewing the activity of his department. The frequency and indicator may differ, yet the concern are manifestly the same.

Hence auditing which is the part of control function, may be defined as the examination and evaluation of policies, procedures and practices in all phase of business to achieve the most effective administration of the organization. Extending the definition to the field of HR management auditing consist of the analysis and evaluation of policies, procedure and practices to determine the effectiveness of HR management in an organization.

Benefits of HR Audit

Several benefits associated with HR audit are listed below. An audit reminds member of HR department and others its contribution, creating a more professional image of the department among manager and specialist. The audit helps clarify the department’s role and leads to greater uniformity, especially in the geographically scattered and decentralized HR function of large organisations. Perhaps most important, it finds problems and ensures compliance with a variety of laws and

strategic plans in an organization.

- a) Identifies the contribution of HR department to the organization
- b) Improves the professional image of the HR department.
- c) Encourages greater responsibility and professionalism among member of the HR department.
- d) Clarifies the HR department's duties and responsibilities.
- e) Stimulates uniformity of HR policies and practices.
- f) Finds critical HR problems.
- g) Ensures timely compliance with legal requirements.
- h) Reduces human resource cost through more effective HR procedure.
- i) Creates increased acceptance of needed change in the HR department.
- j) Requires thorough review of HR department's information system.

Besides ensuring compliance, the audit can improve the department's image and contribution to the company. Operating managers may have more respect for the department when an audit team seeks their view. If the comments of manager are acted on, the department will be seen as being more responsive to their needs. And since it is service department, these actions may improve its contribution to organizational objectives.

Scope of HR Audit

In order to conduct HR audit, HR manager requires considerable amount of data . To conduct meaningful HR audit information on following human resource functions is necessary:

1) ***Procurement Function***

- a) In inventory present and future needs for manpower
- b) Reliable performance standard
- c) Possible change affecting manpower
- d) Location and matching of required and available skills
- e) Valid measure for testing and selection
- f) Cost of requirement and replacement

2) ***Development Function***

- a) Valid measure of employee performance
- b) Cost benefit calculation on training and development
- c) Linkage between individual aspirations and organizational needs.
- d) Career and succession planning.

3) ***Compensation Function***

- a) Linkage between wages and productivity
- b) Impact of money on work motivation of employee
- c) Employee cost in term of turnover
- d) Effect of inflation and technology on wages label and productivity
- e) Value of collective bargaining and fringe benefit programmes to the organisation.

4) ***Maintenance Function***

- a) Absenteeism, turnover ,accidents, grievance disciplines, man-days lost and

other indicator of organizational health

- b) Environmental standards for physical and mental health of the employees.
- c) Causes and cost of employee separation
- d) Incentives for voluntary separation, if necessary.

5) ***Integration Function***

- e) Communication and leadership climate in the company
- f) Adoption to environmental change
- g) Causes of changes in productivity level
- h) Impact of change in technology and market.

The persons in charge of auditing should examine the effectiveness of the HR function by raising the following issues:

- a) Identify who is responsible for each activity.
- b) Determine the objectives sought by each activity
- c) Review the policies and procedures used to achieve those objectives.
- d) Sample the records in the HR information system to learn if the policies and procedures are being followed correctly.
- e) Prepare a report commending proper objectives, policies, and procedures.
- f) Develop an action plan to correct errors in objectives, policies and procedures
- g) Follow up on the action plan to see if it solved the problems found through the audit.

Obviously, audits are time-consuming. As a result, small firms use ad hoc arrangements that often limit the evaluation to selected areas. Very large organisations have audit teams similar to those used to conduct financial audits. These teams are especially useful when the department is decentralized into regional or field offices. Through the use of audits, the organisation maintains consistency in its practices even though there are several offices in different locations. And the mere existence of corporate audit team encourages compliance and self audits by the regional offices between visits.

Audit Reports

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

The specialists who handle employment, training, compensation, and other activities also need feedback. The audit report they receive isolates areas of good and poor performance within their functions. For example, one audit team observed that many jobs did not have qualified replacements. This information was given to the manager

of training and development along with the recommendation for more programs to develop promising supervisors and managers. The report may also provide other feedback such as attitudes of operating managers about the HR specialists' efforts.

The HR manager's report contains all the information given to both operating managers and staff specialists. In addition, the manager gets feedback about:

- a) Attitudes of operating managers and employees about the department's benefits and services.
- b) A review of the departments' objectives and plans to achieve them.
- c) HR problems and their implications.
- d) Recommendations for needed changes and the priority for their implementation.

With the information contained in the audit report, the HR manager can take a broad view of the function. Instead of solving problems in a random manner, the manager can focus on those which have the greatest potential for improving the department's contribution to the organisation. Perhaps the most important, the audit serves as the map for future efforts and a reference point for future audits. With knowledge of the department's current performance, the manager can make long term plans to upgrade crucial activities. These plans identify new goals for the department, which serve as standards for future audit teams.

Audit Process

Evaluation by audit results is usually superficial because the interpretation of such indicators is generally limited. High absence rates, for example, may result from a variety of causes. Turnover may be low because unemployment is high. The audit probe should be much deeper –apprising programmes, policies, philosophy and theory .Policy on the depth of the audit must determine which of the following level is desired.

- a) Results including both accomplishment and problem regarded as effect of current management.
- b) Programmes including the detailed practices and procedure of which they are composed.
- c) Policies both explicit and implicit.
- d) Philosophy of management, its priorities in value, goals and objectives.
- e) Theory or the assured relationship and plausible explanation they clarify and relate philosophies, policies and continuing problems.

The audit process thus consist of identifying indexes, indicators, statistical ratio and gross number in some cases ,and examining the variation in time frame in comparison with a similar previous corresponding period . A summary statement is then prepared and sent to top management for information and action. Subsequent research and practice have revealed that conventional audit have a limited focus, are isolated from the totality of the organization and its human resource , and look upon procedure only, or emphasize apparent results. Substantive issue such as organization pattern, style of management, appropriate structure and manpower implication or the centralized Vs decentralized system are not dealt with in depth. To what extent do the above factors help develop the human resource potential, or assess the impact of environment change, political and social, on the industrial relation system and consequently, how effective is the current industrial relation strategy and practice. Finally, what modifications are envisaged to cope with emerging pattern? These are the some of the wider issues which must be dealt with as they will have an impact on effective management of human resources.

One possible approach to start the thinking process in relation to the HR function is to ask the following question :-

- a) What is the philosophy underlying the function?
- b) What principles of management are being followed in carrying it out?
- c) What policies have been established for this function?
- d) What procedures have been established? Are they in line with the company philosophy, policies and principle?
- e) Are the procedure, policies management principle and philosophy of each function consistent with those of other related functions?

Such an investigative process calls for imagination in piecing to gather data from company record and discussion with employees, using questionnaires to conduct surveys, obtaining comparative data from other organisations and finally, correlating on variable with another to understand the interrelatedness and thus arriving at a broader and deeper understanding .If the personnel manager is doing the audit he should adopt a fact –finding, probing and problem-solving approach–the role normally played by an external consultant to diagnose the state of an organization’s health.

Activity A

Collect few HR Audit Reports of your organisation or in an organisation where HR Audit is carried out and write down your comments on them regarding their relevance.

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11.3 BENCHMARKING

A term now often used to describe performance assessment is benchmarking which seeks to asses the competences of an organization against “best in class” wherever that is to be found. Often this taken to mean only measures of output performance which can be defined in quantitative term (comparison of financial performance, key financial ratio and other measure of output such as market share, production throughput). However there are also more qualitative less tangible feature of performance which result on quality or satisfaction such as attitude towards customers. Assessment of these features is more difficult and it can only be done by direct observation or surveying user .Benchmarking should include quantitative and qualitative measure of performance and its emphasize should be on continuous quality improvement. There are two kinds of Benchmarking – Internal Benchmarking and External Benchmarking.

Internal Benchmarking

Most organizations monitor their own performance in order to identify change in key business activities over time. This may mean looking at the performance of the organization as a whole or comparing the performance of difficult individual teams or business unit with each other. Performance monitoring is continuous process. Those with an interest in an organization’s business (shareholder, analyst, management, etc.) will wish to compare result over time in order to reveal trends in business performance. This is the only way to discern whether performance is in line with expectations. Management will be interested in far more then overall organizational performance. Manager will asses the performance of individual activities involved not just a business unit. Part of this process will involve regular analysis of performance against target e.g. financial performance budget, sales and production achievement against target.

External Benchmarking

This involves comparing performance with that of other organizations. Organizations need to decide:

- a) What activities or other dimension of the organization should be compared with others?
- b) Who the other organizations should be?
- c) How information on other organizations can be obtained?

In reality external benchmarking can be time consuming and be hampered by the difficulty of obtaining relevant information. There are also problems of finding comparable organizations to benchmark against. Nevertheless, most organizations will wish to assess their own performance relative to industry norms. They could do this with reference to industry averages or the time performance of best performing organizations. However a danger in relying solely on industry norm analysis is that industry may itself perform badly. Obviously the scope of cross industry comparison will be more limited but could relate, for example the employee cost or to research and development expenditure.

Perhaps a good example of how to conduct benchmarking exercise comes from Xerox Company. It has following 10 steps which are to be followed according to the sequence in which they are presented:

- 1) Identify what is to be benchmarked.
- 2) Identify comparable companies.
- 3) Determine data collection methods and collect data.
- 4) Determine current performance levels.
- 5) Project future performance levels.
- 6) Communicate benchmark results and gain acceptance.
- 7) Establish functional goals.
- 8) Develop action plans.
- 9) Implement action plans and monitor progress.
- 10) Recalibrate benchmarks.

Like general benchmarking, HR benchmarking is extremely important. When information on HR performance has been gathered, it must be compared to a standard, which is a model or measure against which something is compared to determine its performance level. For example, it is meaningless to know that organizational turnover rate is 75% if the turnover rates at comparable organizations are unknown. HR benchmarking compares specific measures of performance against data on those measures in other “best practices” organizations. HR professionals interested in benchmarking try to locate organizations that do certain activities particularly well and thus become the “benchmarks.” HR Benchmarking is useful for following reasons:

- a) An organisation can identify how its HR practices compare with the best practices.
- b) It helps organisations learn what type of HR practices work and they can be successfully implemented.
- c) They provide a basis for reviewing existing HR practices and developing new practices.
- d) They also help managers to establish a strategy and set priorities for HR practices.

Some of the common benchmarked performance measures in HR management are:

- a) Total compensation as a percentage of net income before taxes
- b) Per cent of management positions filled internally
- c) Rupee sales per employee
- d) Benefits as a percentage of payroll cost

Managers need to consider several things when benchmarking. Managers must gather information about internal processes to serve as a comparison for best practices. It is also important to clearly identify the purpose of benchmarking and the practice to be benchmarked, and as with most quality approaches, upper-level management needs to be committed to the project. Both qualitative and quantitative data should be collected because descriptions of programmes and how they operate are as valuable as knowing how best practices contributed to the bottom line.

To ensure the broadest information possible, managers should be careful to gather data from the companies both within and outside their industry. Benchmarking may actually limit a company's performance if the goal is only to learn and copy what competitors have done and not to consider various options to improve their process. It is also important not to view HR practices in isolation from each other. For example, examining recruitment practices also requires consideration on company's emphasis on use of the company's staffing strategy. Benchmarking will not provide "right" answer. The information collected needs to be considered in terms of the context of the companies. Finally, benchmarking is one part of an improvement process. As a result, use of the information gathered from benchmarking needs to be considered in the broader framework of organisational change.

Activity B

List out the benchmarking activities that are being carried out in your organisation or an organisation you are familiar with.

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11.4 HUMAN RESOURCE (HR) ACCOUNTING

Human resource is an important asset in the organisation whose value goes on increasing with its right placement, application and development in the organisation. In spite of vast physical resources with latest technology, an organisation may quite often find itself in financial crisis if it does not have the right persons to manage its affairs. Thus human resource is a very valuable asset for the organization which aims to progress in all directions amidst heavy competition.

Though the concept of Human Resource Accounting is very old, organisations have not made any effort to assign any monetary value to this in their accounting practice till the recent past. The real efforts for viewing the human resource as an asset was started by behavioural scientists from 1960 onwards who tried to develop appropriate methodology and procedure for finding out the cost and value of the people in the organisation. They attached the failure of conventional accounting practice to value the human resource of an organisation along with material resources. Hence, human resources were identified as the value of production capacity of an organisation, and the value of customer goodwill. There are two major reasons why human resource accounting has been receiving so much attention in the recent years.

- a) There is genuine need for reliable and complete management of human resources.
- b) Traditional framework of accounting is in the process to include a much broader set of measurement than was possible in the past.
- c) People are the most important assets of an organisation and yet the value of this asset does not appear in financial statements. This information does not get included in management information systems. Conventional accounting of human resources consists of taking note of all expenses of human capital formation which does not seem either to be correct or meeting the actual needs. Human resource accounting, in simple terms, means accounting for people as the organisational resources. Human resource accounting is the process of identifying and measuring data about human resources and communicating this information to the interested parties. It is the measurement of the cost and value of people to the organisation. It involves measuring costs incurred by private firms and public sector units to recruit, select, train and develop employees and judge their economic value to the organisation.

Objectives of HR Accounting

The objective of HRA is not merely the recognition of the value of all resources used by the organisation, but it also includes the management of human resource which will ultimately enhance the quantity and quality of goods and services. The main objectives of HR Accounting system are as follows:

- a) To furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organisational objectives.
- b) To monitor effectively the use of human resources by the management.
- c) To have an analysis of the human assets i.e. whether such assets are conserved, depleted or appreciated.
- d) To aid in the development of management principles. and proper decision making for the future by classifying financial consequences of various practices.
- e) In all, it facilitates valuation of human resources recording the valuation in the books of account and disclosure of the information in the financial statement.
- f) It helps the organisation in decision making in the following areas:

Direct Recruitment vs. promotion, transfer vs. retention, retrenchment vs. retention, impact on budgetary controls of human relations and organisational behaviour, decision on reallocation of plants closing down existing units and developing overseas subsidiaries etc.

Advantages of HR Accounting

Human Resource Planning anticipates not only the required kind and number of employees but also determines the action plan. The major benefits of HR accounting are:

- a) It checks the corporate plan of the organisation. The corporate plan aiming for expansion, diversification, changes in technological growth etc. has to be worked out with the availability of human resources for such placements or key positions. If such manpower is not likely to be available, HR accounting suggests modification of the entire corporate plan.
- b) It offsets uncertainty and change, as it enables the organisation to have the right person for the right job at the right time and place.
- c) It provides scope for advancement and development of employees by effective training and development.

**Performance Management
and Potential Assessment**

- d) It helps individual employee to aspire for promotion and better benefits.
- e) It aims to see that the human involvement in the organisation is not wasted and brings high returns to the organisation.
- f) it helps to take steps to improve employee contribution in the form of increased productivity.
- g) It provides different methods of testing to be used, interview techniques to be adopted in the selection process based on the level of skill, qualifications and experience of future human resources.
- h) It can foresee the change in value, aptitude and attitude of human resources and accordingly change the techniques of interpersonal management

Limitations of HR Accounting

Human Resource Accounting is the term used to describe the accounting methods, system and techniques, which coupled with special knowledge and ability assist HR management in the valuation of personnel in financial terms. It is based on the assumption that there is great difference among the employees in their knowledge, ability and motivation in the same organisation as well as across organisations. There are some who produce more, understand faster and show efficiency in training programmes as compared to others. HR accounting facilitates decision making about the personnel, either to keep or dispense with their services or to provide training.

HR accounting development and application in different industries and organisations has not fully grown. There are many limitations which make the management reluctant to introduce HR accounting in their organisations. Some of these limitations are given below:

- a) There is no proper clear-cut and specific procedure or guidelines for finding cost and value of human resources of an organisation.
- b) If the period of existence of human resource is uncertain, valuing them under uncertainty in future would be unrealistic
- c) There is a fear that HR accounting may dehumanise and manipulate employees. For example an employee with a comparatively low value may feel discouraged and develop a complex which will affect his competency to work.
- d) The much needed empirical evidence is yet to be found to support the hypothesis that HR accounting as a tool of the management facilitates better and effective management of human resources.
- e) In what form and manner, their value to be included in the financial statement is the question yet to be classified on which there is no consensus in the accounting profession.
- f) There is a constant fear of the opposition from the trade unions that placing a value on employees would make them claim rewards and compensation based on such valuation.
- g) As human resources are not capable of being owned, retained and utilized, unlike the physical assets, there is a problem for the management to treat them as assets in the strict sense.
- h) In spite of its significance and necessity, tax laws do not recognize human beings as assets.
- i) There is no universally accepted method of human resource valuation.

**11.5 HUMAN RESOURCE INFORMATION
SYSTEM (HRIS)**

Improvements in Technology relating to microcomputers and software have also had a major impact on the use of information for managing human resources. Traditionally computers had been used in human resources only for compensation and benefits—for example, administering payroll. However, new advances in microchips have made it possible to store large quantities of data on personnel computers and to perform statistical analyses that were once only possible with large mainframe computers. A Human Resource Information System (HRIS) is a system used to acquire, store, manipulate, analyze, retrieve, and distribute information related to the company's human resources. From the manager's perspective, an HRIS can be used to support strategic decision making, to avoid litigation, to evaluate programs or policies, or to support daily operating concerns.

A human resource Information system can be as large or as small as is necessary and may contain one or two modules or up to twenty or so. Hundreds of HRIS software packages are being marketed for both mainframe and microcomputers. A great many decisions need to be made in the course of adopting and implementing an HRIS. The specific needs of the organization should dictate the type of human resource Information system chosen. Any project is potentially expensive, complex, and time consuming as the addition or upgrading of an HRIS requires careful analysis and planning.

In adopting a HRIS following issues need to be addressed:

- a) Careful need assessment
- b) What type and size of HRIS should be adopted
- c) Whether to develop software or buy and use off the shelf software
- d) Should the HRIS be implemented in total or in stages.

A computerized HRIS is an information system that makes use of computer and monitors control and influences the movement of human being from the time they indicate their intention to join an organization till they separate from it after joining . It consists of the following sub-system.

- a) **Recruitment Information:** It includes the placement data bank advertisement module, general requirement and training requirement data.
- b) **Personnel Information:** It includes employee information such as transfer monitoring and increment and promotion details.
- c) **Manpower Planning Information:** It seeks to provide information that could assist human resource mobilization, career planning, succession planning and input for skill development.
- d) **Training Information:** It provides information for designing course material, arrange for need base training and cost analysis of training etc.
- e) **Health Information System:** This subsystem provides information for maintenance of health related activities of the employees.
- f) **Appraisal Information:** It deals with the performance appraisal and merit rating information which serves as input for promotion, increment and secession and career planning etc.
- g) **Payroll System:** It consists of information concerning wages, salaries incentives, allowance, perquisite deduction for provident fund etc. Data on compensation pattern of competitor is also included in it.
- h) **Personnel Statistics System:** It is a bank of historic and current data used for various type of analyst.

Uses of HRIS

Human resource information system refers to the system of gathering, classifying, processing, recording and dismantling the information required for efficient and

effective management of human resource in an organization. Need for such a system arises due to several factors.

- a) Organizations that employ a very large number of people, it becomes necessary to develop employee database for taking personnel issues.
- b) In a geographically dispersed company every office requires timely and accurate information for manpower management. If information is stored in a multiple location cost and inaccuracy will increase.
- c) Modern day compensation package is complex consisting of many allowances and deductions etc. A centrally available data can become useful for taking timely decisions.
- d) Organizations have to comply with several laws of the land. A computerized information system would store and retrieve data quickly and correctly enabling the organization to comply with statutory requirements.
- e) With the help of computerization personnel information system, employer record and file can be integrated and retrieved for cross-referencing and forecasting. The system should be oriented towards decision making rather than towards record keeping.
- f) Necessary flexibility for adaptation to changes taking place in the environment can be built into mechanized information system.

In the field of human resource management, information system has been limited to payroll preparation, job status and work history report of new hires, termination and insurance payment. Gradually however progressive companies have started computerized information system in the area of collective bargaining, employee manual, training, performance appraisal etc. With sophisticated software, computer based information system can be used in almost all the functions of human resource management. A sound HRIS can offer the following advantages:

- a) Clear definitions of goal.
- b) Reduction in the amount and cost of stored human resource data.
- c) Availability of timely and accurate information about human assets.
- d) Development of performance standard for the human resource division
- e) More meaningful career planning and counselling at all levels.
- f) Individual development through linkage between performance reward and job training.
- g) High capability to quickly and effectively solve problems.
- h) Implementation of training programmes based on knowledge of organizational needs.
- i) Ability to respond to ever changing statutory and other environment
- j) Status for the human resource functions due to its capability for strategic planning with the total organization.

Designing HRIS

The type or range of HRIS depend on the nature and the size of the organization, preference of top management, need for government regulation and availability of software package etc. The steps involved in the development of sound HRIS are given below:

- a) **Preliminary System Analysis:** It involves definition of the problem specification of the objectives and operational needs, constraint affecting the system, making feasibility study and submission of the report.

- b) **System Design:** At this stage the problem is described in details, alternatives to meet the objectives are described and evaluated. Broad engineering requirement of the chosen alternative are specified and its effect on people are estimated.
- c) **System Engineering:** In this step a detail study of engineering component and their cost effectiveness is made. Recommendation about the system is then made to the top management.
- d) **System Testing and Implementation:** The total HRIS, Its subsystem and running of the system are tested and installed.
- e) **System Monitoring and Evaluation:** It involves measuring the performance of the system. Its continuous evaluation and modification. It's necessary to solve properly the human problem in system design and control. For this purpose the organization should determine the potential contribution the HRIS can make to the strategic need and competitive posture of the company. It is necessary to make the people throughout the organization aware of the advantageous of Human resource Information system.

11.6 HUMAN RESOURCE (HR) RESEARCH

Research is also used to evaluate HR practices and performance. Research is a systematic and scientific process of collecting information, analyzing the information and drawing conclusions for decision-making. At times the research may be advanced, relying on sophisticated designs and statistics. But whether information is rigorous or not, research seeks to improve the performance. There are two kinds of research – academic and applied. Academic research seeks answers to contribute to the existing body of knowledge. Application – oriented research efforts are called applied research. For evaluating the HR performance applied research is conducted. There are following five kinds of applied research.

- a) **Comparative Approach:** The research team compares its organisation (or division) with another organisation (or division) to uncover areas of poor performance. This approach commonly is used to compare the results of specific activities or programs. It helps detect areas of needed improvement.
- b) **Outside Authority Approach:** The research team relies on the expertise of a consultant or published research findings as a standard against which activities or programs are evaluated. The consultant or research findings may help diagnose the causes of problems.
- c) **Statistical Approach:** From existing records, the research team generates statistical standards against which activities and programs are evaluated. With these mathematical standards, the team may uncover errors while they are still minor.
- d) **Compliance Approach:** By sampling elements of the human resource information system, the research team looks for deviations from laws and company policies or procedures. Through its fact –finding efforts, the team can determine whether there is compliance with company policies and legal regulations.
- e) **MbO Approach:** When an MbO approach is applied to the human resources area, the research team can compare actual results with stated objectives. Areas of poor performance can be detected and reported.

Research Method

A number of research methods are available that can be chosen to suit the research

objectives. However, most research is conducted by using one or more of the following methods.

- a) **Interviews:** Interview though time consuming provide very valuable information. It refers to a face-to-face discussion with managers and other employees to get information on a particular issue. Interview has several advantages.
- 1 It provides an opportunity to verify information
 - 1 Information relating to motivation and commitment can best be sought by interview.
 - 1 It provides an opportunity to explain.
 - 1 It is a two-way interaction and hence provides one opportunity to get in-depth information.

Interviews of employees and managers offer research teams a powerful tool for collecting information about HR activities and identifying areas that need improvement. Criticisms and comments from interviews can help pinpoint perceptions and causes that can form the basis for departmental action. Likewise, suggestions by managers may reveal ways to provide them with better service. When the criticisms are valid, changes should be made. But when the HR department is correct, it may have to educate others in the organization by explaining the procedures that are being researched.

One useful variation of interview is **Exit Interview**. Such interviews are conducted when the employees has decided to leave the organizations. At this time the employees can very openly discuss problems issues and concerns because now he /she is not afraid of reprimanded by the authorities. Some extremely useful information can be gathered through exit interviews, which can be very handy in reviewing HR policies, identifying training needs and examine behavioural problems that are not easily identifiable.

- b) **Questionnaires:** Since interviews are time –consuming and costly and often are limited to only a few people, many HR departments use questionnaires to broaden the scope of their research. Also, questionnaires may lead to more candid answers than do face-to-face interviews. Besides being less costly questionnaires provide an opportunity to collect large amount of date in short period of time as they could be administered to a group. Questionnaires generally consist of a list of statement / items to which respondent responds by either saying yes or no or showing varying degrees of agreement/disagreement. However one major disadvantage of questionnaire is that it assumes that respondents can read and write in language used in the questionnaire. Hence they can be given to only literate people.
- c) **Secondary Source of Data:** Both interviews and questionnaires require human beings to provide information. If the focus of research is to collect historical data perhaps the best source could be what is called as secondary source. Where data is available in published documents, government reports, journals and magazines, house magazines, minutes of the meetings and achieves etc. Such data can be extremely useful to examine trends in terms of growth or otherwise. Needless to say secondary source of data can be very handy method to collect specific information.

Activity C

- a) List out which of the above mentioned HR measurement methods are carried out

in your organisation and discuss their relevance.

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- b) If none of those methods are being used then given responsibility, which of the methods you will implement? Substantiate the answer by stating why and how you will implement.

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11.7 SUMMARY

To sum up, although there is a notion that measurement of HR function is difficult still there are ways to do it. Realising the importance of HR contribution in productivity and performance of organisations, few devises/methods are carried out to measure the HR functions contribution. In this unit, we have discussed five such HR measurement methods and their applications in organisations.

11.8 SELF ASSESSMENT QUESTIONS

- 1) Write a comprehensive note on HR Audit. Process with the help of illustrations.
- 2) Define 'Benchmarking'. What are the types of benchmarking process?
- 3) Discuss the concept of HR Information System and its applicability.
- 4) Write short notes on:
 - a) HR Research
 - b) HR Audit Reports
 - c) Exit Interview

11.9 FURTHER READINGS

Aswathappa, K., (1999): *"Human Resource and Personnel Management"*, New Delhi, Himalaya Publishing House

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Flippo Edwin B., (1984): *"Personnel Management"* New York, McGraw-Hill,

Gupta, C.B., (1997): *"Human Resource Management"*, Sultan Chand and Sons, New Delhi.

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