

**PERCEIVED EFFECT OF HUMAN RESOURCE AUDIT ON THE EFFECTIVENESS  
OF THE HUMAN RESOURCE FUNCTION AT ALTERRAIN SERVICE GROUP  
KENYA LIMITED.**

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**Declaration**

This project is my original work and has not been submitted for a degree in any other University

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## **Dedication**

This project is dedicated to my loving father Prof Riewa Genga, My brothers Dr Eugene Genga, Rodney Genga, Yuval Genga and my sisters Shirley Genga, Chloe Genga and Ansley Genga. I thank you for your support

Special dedication goes to my late Mother Mrs Florence Auma Genga for her deep love, encouragement and foresight for education that made me what I am today

## **Acknowledgement**

I would wish to acknowledge my father for his love guidance, patience, understanding and support, without his material support and encouragement this work would not have been accomplished. I salute my brothers and sisters.

## **Abstract**

The concept of Human Resource Audit and the effectiveness of the Human Resource function is a recent development in the sphere of Human Resource Management. This research study seeks to establish the perceived effects of Human Resource audit on the effectiveness of the Human Resource function at Alterrain Services Group Kenya Limited. The main objective of this study is to investigate and determine the perceived effect of Human Resource Audit on the effectiveness of the Human Resource Function. The study utilised a case study research design since the organization to be studied was the sole unit of analysis and helped generalize the findings. Data collected was primary data with the main tool been questionnaire technique and secondary data which includes articles, journals, literature and internet sources.

The key informants for the study included the Managers and the Chief Executive Officer. The data was checked for accuracy, completeness and analyses using descriptive statistics. The responses from the questionnaire was analyzed using frequency, percentages, measures of central tendency and measures of variation. The data was analyzed, summarized and tabulated in form of percentages, frequencies and mean scores. Based on the findings of the study the human resource function needs to re-look a number of key human resource products and services if it want to maintain or improve the current level of effectiveness. This research will be an aid to further studies in future.

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Human resource management is the science and the practice that deals with the employment relationships. Human resource management is the strategic and coherent approach to the management of an organization most valuable asset the people working there who individually and collectively contribute to the achievement of its objectives of the business. It goes beyond day today maintenance to the creation, evaluation and strategic alignment of people management processes. It can be simply understood as human potential which with infinite capabilities and capacity with the possibility of beneficial engagement. Human resource management tends to treat people as resources which can be expanded and used up in the pursuit of business goals. Its perspective that has helped make organizations much more effective and efficient but tends to produce compliance rather than commitment from employees. It encapsulates employer-formulated policies and practices that see the utilization and management of employees as a business resource in the context of a firms overall strategy to enhance productivity and competitiveness, Armstrong (2006).

Human resource management can also be referred to the policies, practices and systems that influence the employee behavior, attitudes and performance. These practices need to be considered to maximize the influence on company performance. Human resource management practices includes analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management) and creating a positive work environment (employee relations). Human resource management practices support business goals and objectives. That is effective human resource management practices are strategic, effective human resource management has shown to enhance customer satisfaction, innovation, productivity and development of a favorable reputation in the company community (Noe, Hollenbeck, Gerhard, Wright, 2010).

Dessler (2002) argues that human resource management is the process of acquiring training, appraisal, compensating employees and attending to their labor relations, health and safety and fairness concerns. The basis for management is getting the people for the business to make things happen in a productive way so that the business prospers and the people for the business thrive. An organization should tailor its human resource audit process to suits its needs in order for it to be effective and meaningful.

### **1.1.1. Human Resource Audit**

Human resource audit is a logical review of the working of human resource department which involves the review of all major areas such as human resource planning, job analysis, recruitment of workers, compensation, selection and training, orientation, benefits, compliance, human resource information systems (safety/OSHA, affirmative action/EEO/application (Berry, 1967). A human resource audit is much like an annual health check. It can perform the same function for the organization. A human resource audit is a means by which an organization can measure where it currently stands and determine what it has accomplished to improve its human resource function. It involves systematically reviewing all aspects of human resource management practices, usually in a checklist fashion, ensuring that the government regulations and are being adhered to (Formbun, 2003).

Anthony et al (2002) defines human resource audit as the study of human resources to determine its effectiveness and efficiency. (Catalfamo, 2006) observes that every organization, whether it has one employee or five hundred employees should have an annual human resource audit. He further states that an annual human resource audit is similar to an annual “health check”. It is a means by which an organization can measure where it is currently stands and determine what it has to accomplish to improve its human resource function. Similarly, it can also be viewed as a means of management control of the human resource function. Further he wrote that it involves systematic reviewing all aspects of the human resource function and also ensures that organizations regulations as well as company policies are being adhered to and that the organization is not at risk of paying fines and penalties or costly law suits by identifying weaknesses and correcting that accountant, on one hand, have generally render to ignore the value of human resource to the capital organization.

The main purpose of a human resource audit is revealing the strengths and weaknesses in the non-profit’s human resource service and any issue needing resolution. Its purpose is to improve the quality of financial decisions of management on the premises that the availability of quantitative data on human resources

would result in widening the scope of management decisions mainly by permitting considerations of large set of variables or improving the basis on which these variables human resource auditing is to facilitate the management auditing that the application of accounting and auditing to the management of human resources. The human resource audit works best when the focus is on analyzing and improving the effectiveness of the human resource function. The human resource function itself is a diagnostic tool not a perspective instrument. It is most useful when an organization is ready to action its findings and to evolve its human resource function to a mission and objectives can be realized (Armstrong, 2006).

Sherer and Kent (1983), states that while the audit function may have emerged originally to monitor one specific type of accountability relationship, the expansion in the scope of auditing and the adoption of modes of operation can be viewed as response to a broader interpretation of accountability. Audit is therefore characterize as a monitor mechanism within the accountability process. (Lev and Schwartz, 1971) states that human resource audit helps uncover areas of liability exposure, cost and opportunity. Human resource audit helps on three levels: the audit helps focus on what needs to be known to generate even better human resource system results; correct misunderstandings, oversights, mistakes and missed opportunities, reinforce good practice and help further develop the essential areas in which we already have knowledge. Alterrain Service Group Kenya Limited objective of the carrying out human resource audit is to get more information about the general human resource function and recommend policies for best practice to improve effectiveness.

### **1.1.2. Human Resource Function**

Human Resource Function is a key part of the process of managing organizations. The role of the human resource function is to take initiatives and provide guidance, support services on all matters relating to the organization's employees. Essentially the human resource function is in delivery business-providing the advice and services that enable organizations to get things done through people (Armstrong, 2009). The human resource function ensures that the human resource strategy, policies and practices are introduced and maintained that cater for everything concerning the employment, development and well-being of people and the relationship that exists between management and the workforce. It plays a major part in the orientation of an environment that enables people to make the best use of their capacities to realize their potential to the benefit of both the organization and themselves and by improving quality of work life, to adhere satisfaction through their work (Armstrong, 2009).

Emphasis is given to the strategic role of the human resource function which is to provide continuing support to the achievement of the strategic objective of the organization, to advice on business strategies as affected by the human resource considerations and to ensure that human resource strategies are integrated with the business strategies (Armstrong, 2009). Human resource function includes the development and implementation of the human resource strategies and policies and some or all of the following people management activities: organization development, human resource planning, talent management, knowledge management, employee relations, health and safety, welfare, human resource administration, fulfilment of statutory requirements, equal opportunities and diversity issues and any other matters related to employment relationships (Armstrong, 2006).

### **1.1.3. Concept of perception**

Perception is the organization, identification, and interpretation of information in order to represent and understand the environment. Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli. Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us; it allows us to act within our environment (Cherry 2013). Emphasize that perception ranks among the important cognitive factors of human behavior or psychology mechanism that enable people to understand their environment. In other words Perception is the process whereby people select, organize and interoperate sensory stimulations into meaningful information about their work environment (Rao and Narayan, 1998).

Rao and Narayan (1998) say our attention, feelings and the way we act are influenced by our environment; perception helps to gather information from our surrounding; process the data and make sense out of it. In perception it is sometimes difficult to separate the information from the action; it is basically a process of gaining mental understanding and perception guides. Perception is influenced by a variety of factors, including the intensity and physical dimensions of the stimulus; such activities of the sense organs as effects of preceding stimulation; the subject's past experience ;attention factors such as readiness to respond to a stimulus; and motivation and emotional state of the subject. Stimulus elements in visual organization form perceived patterns according to their nearness to each other, their similarities, the tendency for the subject to perceive complete figures and the ability of the subject to distinguish important figures from background.

Rao and Narayan (1998) argues that perception is the single most important determinant of human behavior, stating further that there can be no behavior without perception. Through focusing on managers in work settings, Rao and Narayan draw the attention to the fact that since there is no specific strategies for understanding the perception of others, everyone appears to be left with his own inventiveness, innovative ability, sensitiveness and introspective skills to deal with perception.

#### **1.1.4. Concept of Effectiveness**

Effectiveness is a broad term meaning the degree to which an organization achieves its goals. To be effective organization need to be clear, focused goals and appropriate strategies for achieving them, Effectiveness evaluates the extent to which multiple goals whether official or operate are attained. Evaluating is done with a view to improve those activities, uncover shortcomings and address the deficiencies so that firms can perform better (Berry, 1982). The prime criteria for evaluating is its ability to operate strategically and its capacity to deliver the levels of service required (Armstrong, 2012).

Effectiveness is consistent habit of continuous improvement that starts with: first formulating of human resource governance and human resource organization structure. While the HR organization encompasses the structure, roles and responsibilities and staffing levels of the human resource function, human resource governance helps to effectively manage the human resource function based on jointly agreed upon rules and norms. Second, constituently and transparency in the HR service delivery defines how human resource organizations provide services to their customers. The right balance between all roles ensures that human resource is able to provide value to the business. Third, Process performance and utilization of technology embed processes and IT systems in an overall framework to increase the transparency of the overall human resource delivery. The effectiveness of its various programs is routinely analyzed and updated. The utilization of different services routinely analyzed to understand the priorities for improvement. Fourth; the level of human resource capabilities patently with the business aligning initiatives and programs to the needs of the business requires different capabilities than just administrating human resource programs. The human resource function needs to be evolved to a level where it its full potential to support the organization mission and objectives can be realized. The human resource function if not operating effectively to its function it can be a big liability if not operating effectively (Rao, 2007). It is necessary to evaluate the contribution of the human resource function is to ensure that it is effective at both the strategic level and in terms of service delivery and support (Armstrong, 2006).

### **1.1.5. Alterrain Service Group Kenya (ATSGK)**

ATSGK was first established in Africa in 1996. ATSGK specializes in offering Camp Management and Hospitality to Mining Companies mostly of Oil and gas. It's found in fourteen African countries including Kenya. ATSGK provides remote sites and corporate catering facilities management, design and maintenance, procurement, purchasing and logistics solutions. In Kenya the Company was registered the year 2013 and it's currently offering its services to Marriot drilling Company the main contractor of Tullow Oil Company which is the owner of oil drilling in Turkana region. ATSGK is only based on Rig 46 which is found in Etuko area in Turkana oil mining region. ATSGK strives to offer the best hospitality in terms of housekeeping, laundry, catering and general cm management to ensure working on such camps are satisfied and enabled to perform their work effectively.

ATSGK seeks to improve quality of service through value added value. ATSGK has implemented policies and practices that would contribute towards their effectiveness by carrying out human resource auditing practice so as to improve the human resource function by evaluating its current state so as to get a clear understanding of the overall status of human resource management at ATSGK and to find out whether systems and procedures were put in place and whether they were yielding any results. Since there are some human resource systems already in place the plans to actual implementation and given recommendations on the best way to improve effectiveness. The human resource audit are conducted on a priority basis related to the potential for improving effectiveness within the organization.

### **1.2 Research Problem**

An organization with environmental change can establish strategic postures with the environment. The question of human resource audit cannot be ignored by human resource managers as failure to embrace it will have direct impact on the company. To ensure survival organizations must generate suitable strategies not only to enable them remain afloat but also to achieve sustainable growth and profitability. (Pramanik, 1993) states that most employers have gone to tremendous expense and effort to create scores of human resource policies, practices and procedures that comply with the law and are consistent with their organization handbooks, administrative guide for managers, performance management systems and guidebooks , succession planning systems, severance plans and "behind the scenes" processes for boarding new hire, disciplinary or terminating employees, promotion guidelines and making determinations. In an attempt to address the intermediate linkages between human resource audit and human resource management practices, the general consensus is that human resource management

practices do not directly lead to organization effectiveness, rather they Influence firms resources and it is these resources and behavior that ultimately lead to effectiveness even though few researchers (Katou and Budhwar, 2006) have measured these mediators and addressed their importance.

ATSGK seeks to improve quality of service through value added value by getting a clear understanding of the overall status of human resource management practises at ATSGK. Since there are some human resource systems already in place the question ATSGK managers are seeking answer is whether systems and procedures were put in place and whether they were yielding any results. The general human resource management at ATSGK had been struggling. Most policies, procedures and processes though formal were not fully implemented. If ATSGK is to move to the next level in effectiveness, it needs to keep a closer focus on its human resource functions.

Several studies have been done focusing on human resources. In a study ought to determine the relationship between corporate governance performance and human resource audit (Oliko, 2007) concluded that for companies to remain relevant they need to play it safe and one way of doing this was to have an effective human resource function in place and recommended that further research be carried to determine the responses of employees at various levels and C.E.O on the human resource audit. (Shitakwa, 2010) in an attempt to determine the human resource audit practices among sugar manufacturing companies in Kenya found out that the sugar companies had not fully embraced the human resource audit practices and recommended that employees and top management should be involved in the formulation and implementation and evaluation of human resource audit practices. While the firm's personnel policies and focus should be consistent with the company's strategic plan, the bottom line should be: "To what extent is human resource management effectively carrying out its human resource function". Although human resource audit plays an important role in evaluating human resource function of organization few studies have been carried out regarding human resource audit or the perceived effect of human resource audit on the human resource function hence need to carry out the study. The basis of this research study will hinge on theses apparent gaps with a view to determine the perceived effect of human resource audit on the effectiveness of the human resource function in ATSGK. This study sought to answer the following question: What is the perceived effect of human resource audit on the effectiveness of the Human resource function?

### **1.3. Research Objective**

To determine the perceived effect of a human resource audit on the effectiveness of the human resource function.

### **1.4. Value of the Study**

The study is paramount in that it will enable Directors and management to appreciate the importance of human resource audit practices and assist them in rating their level of compliance against those of their competitors or entire market and in determining whether human resource audit improves human resource function.

Other organizations will find this study invaluable information on the level of human resource audit in organizations hence provide avenues for instituting guidelines and regulations to help strengthen the human resource function. It will also provide valuable insight on the importance of enhancing the human resource audit practice.

The academicians who will be furnished with relevant information regarding the relationship between human resource audit and human resource function effectiveness. This study will contribute to the body of knowledge and form the basis for further research will guide future researchers on fruitful areas of study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter consists of the literature review. It describes the theoretical foundation of the study and gives an explanation of what a human resource audit is, the approaches of human resource Audit, the scope of human resource audit, the process of human resource audit and the relationship between human resource audit and human resource function.

#### **2.2. Theoretical Foundation**

The study is based on the Human capital theory and resource based theory. These two theories are reviewed below.

##### **2.2.1. Human Capital Theory**

Bontis et al (1999), states that Human Capital represents the human factor of an organization, the combined intelligence, skills and expertise that gives the organization its distinctive characters. It is indeed the knowledge, skills and abilities of individuals that create value, which is why the focus has to be on means of attracting, retaining, developing and maintaining the Human Capital they represent. (Darenport,1999), states that people possess innate abilities, behaviors and personal energy and these elements make up the Human Capital they bring to their work.

Armstrong (2009), states that Human Capital Theory consists of three concepts first been the Intellectual capital which is defined as the stocks and flows of knowledge available to an organization and regarded as the intangible resources associated with people. The second concept is Social capital that consists of knowledge derived from networks of relationships within and outside the organization. Social capital has been defines by (Putnam, 1996) as the features of social life networks, norms and trust that enable participants to act together more effectively to pursue shared objectives. The final concept is Organization capital which is the institutionalized knowledge by an organization that is stored in database manual (Youndt, 2000). The added value that people can contribute to an organization is emphasized by Human Capital Theory. Human Capital Theory is associated with Resource based Theory as developed by Barney, (1991).

Armstrong (2009), states that Human Capital Theory involves obtaining answers to what key Performance drivers that create value, what skills are present, what skills are needed now and in future to meet strategic aims, how the organization is going to attract, develop and retain these skills, how to develop a culture and environment in which the organization and individual learning takes place that meets both the organization needs and needs of employees? And how to provide for both the explicit and tacit knowledge created in an organization to be captured, recorded and used effectively. Human Capital Theory helps determine the impact of people in the business and their contribution to shareholders rate. It demonstrates that human resource practices produce value for money in terms for example return on investment. Human Capital Theory provides guidance on the future human resources and business strategy. Human Capital Theory provides data that will inform strategies and practices designed to improve the effectiveness of human resource function in the organization.

### **2.2.2. Resource Based Theory.**

Grant (1991), states that resources and capabilities are the central considerations in formulating its strategy: they are the primary sources of profitability. Barney, 1991), suggest that the Resource Based Theory entails a knowledge- based perspective that blends concepts from organization economics and strategic management. (Barney, 1991), points that a resource must permit the organization to conceive and implement strategies that improve its effectiveness by meeting the needs of the customer. Boxall (1996), states that Resource based Theory aims to improve resource capabilities, achieving strategic fit between resources and opportunities and also obtaining value from effective deployment of resources. Resource Based Theory provides framework to examine the pool of human resources that may be either able or unable to carryout given strategy during the formulation phase. Resource Based Theory focuses on the analyses of internal strengths and weaknesses, paying particular attention to the way in which organizations can develop valuable resources and remove barriers.

Purcell (2003), suggests, the values and human resource policies of an organization constitute an important non-imitable resources which is achieved by ensuring that the organization has higher quality people that its competitors, unique intellectual capital possessed by the business is developed and nurtured, organization learning is encouraged and organization-specific values and a culture exist which bind the organization together and gives it focus. The significance of the Resource Based Theory is that it highlights the importance of Human Capital Management and provides justification for investing in people through resourcing, talent management and learning and

development programs as a means of enhancing organization capabilities. In line with Human Capital Theory, Resource Based Theory as Barney (1991) indicates, can develop strategic capabilities and produce what Boxall and Purcell (2003) refer to as 'Human Resource Advantage' which means strategic fit between resources and opportunities, obtaining added value from the effective deployment of resources, developing people who can think and plan strategically in the sense that they do support the achievement of the business strategic goals.

### **2.3. Human Resource Audit**

In literature of human resource audit the term is interpreted in a variety of ways. There is no precise agreement about what human resource audit is as compared with other types of evaluating practice such as inspection or assessment (Anthony 1996). One human resource practitioner calls a human resource audit "an analysis by which an organization measures where it currently stands and determines what it has to accomplish to improving its human resource function". Another human resource practitioner calls it a process to examine policies, procedures, documentation, systems and practices with respect to an organization's human resource function". In sum, the human resource audit generally involves; reviewing the functioning of most aspects of the company's human resource function (recruiting, selecting, training, compensation, development, capabilities, performance, policies, procedures, information systems and retaining employees) usually using a checklist as well as and ensuring the employer is adhering to government regulations and company policies (Dessler, 2013).

Berry (1967) defines human resource audit as a logic review of the working of human resource department which involves the review of all major areas such as human resource planning, Job analysis, recruitment of workers, compensation, selection and training, orientation, benefits, compliance with the law, human resource information systems, safety/OSHA and affirmative application. A human resource audit evaluates the human resource function in the organization with a view of assessing its effectiveness and efficiency. It is done with a view of improving those activities, uncover shortcomings and address the deficiencies so that firms can perform better (Berry, 1982). For the human resource audit to be comprehensive it must review human resource planning, job analysis, compensation and administration, affirmative action, recruitment, selection, training, orientation, career development, performance management and labor relations management (Berry, 1967). In general, any audit seeks to identify who is responsible for each activity, determine the objectives of each activity, review the policies and procedures used, sample the available records to find if the policies and procedures are being followed, prepare an

audit report commending proper objectives, policies and procedures, develop an action plan to correct errors in objectives, policies and procedures, and follow up on the action plan at a later stage, to see if it solved the problems found through the audit (Berry, 1967).

Anthony et al (2002) defines human resource audit as the study of human resource units to determine the effectiveness of the human resource function. Human resource units are concerned with the effectiveness and one of the ways to assess these is through human resource audit and research. Anthony explains further that the purpose of a human resource audit is serving the organization needs. It helps the organization analyses its human resource policies and practices, determining whether the changes and improvement are necessary. It helps decisions makers understand what is happening with the various activities such as hiring, separation and training.

Biles and Schuler (1986) defines human resource audit as a quality control check on the human resource activities in a division of a company in order to determine how well then activities support the organization's overall strategy. As much, it seems to create a more professional image of the departments in the eyes of both the management and the employees. It can help clarify the department's role and lead to greater uniformity in practice across geographically scattered and decentralized human resource function. A human resource audit evaluates the human resource activities I an organization with a view of assessing their effectiveness. It is done with a view to improve those activities, uncover shortcomings and address the deficiencies so that firms can perform better.

Mutsudd (2010) says like financial audit, human resource audit are designed to assess manager activities, identify policy and practice weaknesses, perform due diligence, benchmark best practice and to quantify and evaluate outcomes. A human resource audit is a process of examining policies, procedures, documentation, systems and practice with respect to an organization human resource function. The purpose of the human resource audit is to reveal the strengths and weaknesses in needing resolution. The human resource audit works best when the focus is on analyzing and improving the human resource function in the organization. The human resource audit itself is a diagnostic tool, not a perspective instruments. It most useful when an organization is ready to act on the finding and evolve its function to a level where it's full potential to support the organization's mission and objective can be realized. Human resource audit serves as an examination on a sample basis of practices and systems for identifying problems and ensuring that sound accounting principles are followed. Similarly, a human resource audit serves as a means through which an organization can measure the health of its human resource function.

A human resource audit is a means by which an organization can measure where it currently stands and determine what it has to accomplish to improve the human resource function. It involves systematic reviewing all aspects of human resources, usually in a checklist fashion ensuring that government regulations and company policies are being adhered to.

The human resource audit activities include; Quantifying and measuring human resource function and outcomes, company activities and result to standards and goals, reviewing structural, organizational and cultural issues, assessing the employment brand, inspecting employment posters, notices and facilities, inspecting employee personnel files and assessing human resource audit and employment practices. Human resource audit serves as an examination on a sample basis of practices and systems for identifying problems and ensuring that sound accounting principles are followed. Similar, an audit serves as a means through which an organization can measure the health of its human resource function. The comprehensive human resource audit covers all areas of human resource management like recruitment practices, training and development, compensation and benefits, employees and union relations, health, safety, and security, miscellaneous human resource policies and practices-welfare, classifying needs in each of the above areas, the human resource audit also rates relevant laws, cases and research to support the recommendations (Mutsudd, 2010).

Human resource audit is a type of functional audit. Thus, as a first approach, one could say that human resource audit consists of diagnosing, analyzing, evaluating, and assessing future lines of action within the framework of human resource management. It is a systematic assessment of the strengths, limitations, and developmental needs of its existing human resources in the context of organizational performance (Flamholtz, 1987). The key to an audit is to remember that it is a learning or discovery tool, not a test. Whenever the human resource audit is taken up, the scope is decided. Audit need not be exhaustive, but should be focused on particular function of human resource management such as training and development, performance appraisal, compensation, etc. The audit should investigate the breadth and meaningfulness of the processes and support materials in place that ensure the skill sets needed, so it becomes important for the human resource department to understand why those practices are carried on. In such situation human resource audit helps to build on essential areas and eliminate those areas that are not important. ( La Piana 2008) states the elements included in a human resource audit are personnel policies, personnel files review, performance appraisal, unlawful harassment, compliance, hiring and

orientation procedures, benefits and compensation review, employee status and classification, job description and exit interviewing.

Human resource audit must perform two basic functions. First, it must be a management information system whose feedback provides information about the situation in order to facilitate the development of managing processes or the development of human resources. On the other hand, it must be a way of controlling and evaluating the policies that are being applied, as well as the established processes. The results can be valued through their cost (Walker, 1998). The Things that get measured get managed, (Kaplan & Norton, 2008). The basic functions of the audit of conformity or of performance as an element of human resource audit are threefold. The first function is examining to see if the firm is fulfilling all its administrative social obligations, as well as those relative to the collective rights of its personnel. The second is to study the relationship between the employees and the firm based on the legal statutes. The final function is verifying if the firm fulfils its financial obligation as well as its informative ones.

The best place to start the human resource audit is on the basis of past audit reports, or on the basis of functions carried out by the department, the controls in place and the policies and procedures used, sample the available records to find out if the policies and procedures and follow an action plan to correct errors in objective, policies and procedures and follow up on the action plan at a later stage to see if the problem found through the human resource audit have been solved (Berry, 1967).

### **2.3.1. Approaches to Human Resource Audit**

Several approaches are used depending on the scope of the human resource audit. The first approach is comparative approach where the human resource audit team compares the organization with another firm to uncover poor performance. This approach commonly is used to compare the results of specific human resource activities or programs (Werther, Daris, Schwind, Das and Miner, 1982). It helps to detect areas of needed improvement. (Gupta, 2011), states that the result of the organization are compared with those of the model company. Benchmark for comparison may be decided by an outside consultancy. The second approach is the outside approach where the audit team relies on the expertise of a consultant or published research findings as a standard against which human resource activity or program are evaluated. The consultant or researchers findings may help diagnose the cause of the problem (Werther, Daris, Schwind, Das and Miner, 1982).

The third approach is Statistical approach from existing records, the audit team generate statistical standards against which activities and programs are evaluated with these mathematical standards, the team

may uncover errors while they are still minor (Werther, Daris, Schwind, Das and Miner, 1982). The statistical measure of performance such as absenteeism and turnover rates are used to assess performance (Gupta, 2011). The fourth approach is compliance approach where by sampling elements of the human resource information system, the audit team looks for deviations from the laws and company policies or procedures. Through their fact and finding effort, the team can determine whether there is compliance with the company policies and legal regulations (Werther, Daris, Schwind, Das and Miner, 1982). Past actions are reviewed to determine if these comply with law and company policy (Gupta, 2011). The last approach is Management-by-objectives (MBO) approach which is applied to the human resource area, the audit team can prepare actual results with the stated objectives. Areas with poor performance can be detected (Werther, Daris, Schwind, Das and Miner, 1982). Specific goals against which performance can be measured are developed. Actual performance is compared against these goals (Gupta, 2011).

### **2.3.2. Scope and process of the Human Resource Audit**

Sherer and Kent (1983) states that while the audit function may have emerged originally to monitor one specific type of accountability relationship, the expansion in the scope of auditing and the adoption of modes of operation can be viewed as response to a broader interpretation of accountability. (Gupta, 2010) says the scope of human resource audit is very wide and covers three parameters, namely, the human resource policies and practices, the human resource professionals and the human resource department. With respect to each of these, the audit tries to find out: The actual state; the congruence between the desired/professed state and the actual state; the alignment with the overall organizational strategy and goals; and the compliance with the laws and regulations. (Werther, Daris, Schwind, Das and Miner, 1982), states that regardless of the audit team's approach, it must collect data about the firm's human resource activities. To collect the data, several techniques as information gathering tools for them. Each tool provides partial insights into the firm's human resource activities. The tools include: Interviews, questionnaire and surveys, record analysis, external information and personal experiment/ Human resource department.

Mutsudd (2010), states that the human resource audit process is conducted in different phases. The first phase is Pre-audit information that involves acquiring and reviewing of relevant human resource manuals, hand books, forms, reports and other information. A pre-audit information request is forwarded to the organization who complies the necessary information for reviewing by auditors. The second phase is Pre-audit assessment that involves self-administered yes/no questionnaire asks a number of questions about

current human resource policies and practices that allows to identify key areas for focus during the human resource audit. The third phase is On-site review that involves an onsite visit at the organization facility interviewing staff regarding human resource policies and practices. It involves interview with key managers, functional executives, top functionaries in the organizations, and even employees representatives, if necessary. The purpose is to identify and enumerate issues of concern, present strengths, anticipated needs and managerial philosophies on human resources. An in-depth human resource audit checklist is completed in this regard. The key issue here is to list the pertinent and probing questions.

The fourth phase is record review that involves a separate review is conducted of human resource records and postings, Employee personnel files are randomly examined as well as compensation, employee claims, disciplinary actions, grievances and other relevant related information are checked. The last phase is the Audit Report which is based on the findings and discussions during the meetings. This report should include, the “state of the organization” report, the assessment of effectiveness of various areas covered by the audit, a legal compliance/ areas of concern report, and critical recommendations for improvement. The information gathered is used to develop a human resource audit report categorized action needs into three separate areas. The areas that are urgent and important (UI), not urgent but important (NUI), not urgent but not important opportunities need (IO). As a result of this schemes of classification management can prioritizes their steps (Mutsudd, 2010). Research approaches and tools are used to develop a picture of the organization human resource function. For this information to be useful it is compiled into an audit report. The audit report is a comprehensive description of the human resource function which include both commendations for effective practices and recommendations for improving that are ineffective. A recognition of both good and bad practices is more balanced and encourage acceptance of the report (Werther, Daris, Schwind, Das and Miner 1982).

#### **2.4. Human Resource Audit and Human Resource Functions**

The historical role of human resource function has changed dramatically since its inception in the early 1900s. What began as a primarily clerical function is now a strategic partner in planning and attaining organizational policies and goals. Today’s business climate puts the onus on the human resource department to accept the challenge of doing more with less, while contributing value toward business objectives. Human resources managers also have to address the rapidly changing conditions affecting the

type of employees required and their changing needs, so the human resource function requires flexible and knowledgeable practitioners.

To legitimize the claim of being “business partners”, human resource managers must clearly demonstrate how human resource services can accomplish the business objectives set forth by the organization. The human resource function is often overlooked for audits/measurement tools, to assess its effectiveness and legal regulatory compliance. However, the human resource audit is a process that sets the stage for a true transformation in human resource strategy and services. A human resource audit evaluates the human resource functions with a view of assessing their effectiveness. It is done with a view to improve those activities, uncover shortcomings and address the deficiencies so that firms can perform better (Berry, 1982). It links human resource systems and services to organizational objectives while focusing on the business needs of internal customers.

Armstrong (2009), says it is necessary to evaluate the contribution of the human resource function to ensure that it is effective at both the strategic level and in terms of service delivery and support. The prime criteria for evaluating the work of the human resource function are its ability to operate strategically and its capacity to deliver the levels of service required (Armstrong, 2012). To be able to survive this competition their need for firms to develop strategies such as human resource audit. In order to make decisions regarding process systems and skills of employee needs improvement for human resource effectiveness one needs information. Human resource audit examines policies, practices and strategies of an organization to establish their effectiveness.

A diagnosis of the effectiveness of the human resource function provides critical information for its strategic management, (Noe, Hollenbeck, Gerhard, Wright, 2010) It is necessary to evaluate the contribution of the human resource function to ensure that it is effective at both the strategic level and in terms of service delivery and support (Armstrong, 2006). The purpose of a human resource audit is to assess the effectiveness of the human resource function and to ensure regulatory compliance. The human resource audit demonstrates to what extent the human resource function contributes to organization effectiveness as a whole, as well as productivity and moral. Human resource audit helps by providing feedback on the value of contribution of the human resource function to the organization’s strategic business objectives and in assessing the quality of the human resource practices. It is useful to remember the distinction made by (Tsui and Gomez-Mejia, 1988) between *process criteria* – how well things are done and *output criteria* – the effectiveness of the end result.

Huselid et al (1997) states that an effective human resource function has two dimensions; one strategic human resource management that's is the delivery of services in a way that supports the implementation of the firms strategy and two technical human resource management that is the delivery of human resource basis such as recruitment, compensation and benefits. Increased emphasis on the need to improve the efficiency of human resource services is leading to innovative approaches to redesign human resource delivery systems. Today, it becomes necessary to focus instead, on the opportunities to develop competitive advantages within an organization to increase its capacities. Human resource's challenge is to help the organization realize success. At the same time, it is also necessary to protect and leverage the investment in human capital by way of training and development in order that organizations benefit from employees' efforts and contributions (Byham & Riddle, 1999).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter describes the research design, indicates the research tools that are to be used to collect data, operational definitions and data analysis methods that are to be used in the study.

#### **3.2. Research Design**

This study utilized a case study research design to determine the perceived effect of Human Resource Audit on the Human Resource function at ATS Group Kenya Limited. A case study is appropriate for this research since the organization to be studied is the sole unit of analysis. A case study also helps to generalize the findings. (Cooper and Schinder, 2001) state that a case study is used when one needs to determine characteristics associated with a subject population which the study is actually concerned with.

#### **3.3. Data Collection**

The study utilized a quantitative data collection technique. The use of primary data was used to get the information. The data collection tool used for the study was a questionnaire developed to address the specific objective, research questions of the study. The questionnaire had two sections Part A which covered Bio Data and Part B which covered the effects of the human resource audit on the effectiveness of the human resource function. The questionnaire was developed with a five point Likert Scale where the respondents were asked to rate the extent the human resource audit had an effect on the human resource practices after carrying out a human resource audit. The key informants from Alterrain Service Group Limited consisted of the Chief Executive Officer and the four heads of departments.

#### **3.4. Data Analysis**

The data was checked for accuracy, completeness and analyzed using descriptive statistics. The responses from the questionnaire was analyzed using frequency, percentages, measures of central tendency and measures of variation.

## CHAPTER FOUR

### ANAYLSIS, FINDINGS AND DISCUSSIONS

#### 4.1. Introduction

This chapter presents the results of the data analysis, the data from the completed questionnaire were summarized and tabulated in form of percentages, frequencies and mean scores. This chapter focuses on the response rate of the human resource practices and the discussions of the findings. The response rate of 80% is considered sufficient to yield meaningful statistical analysis.

#### 4.2. Analysis

##### 4.2.1. General Information

**Figure 4.1. Years of service**

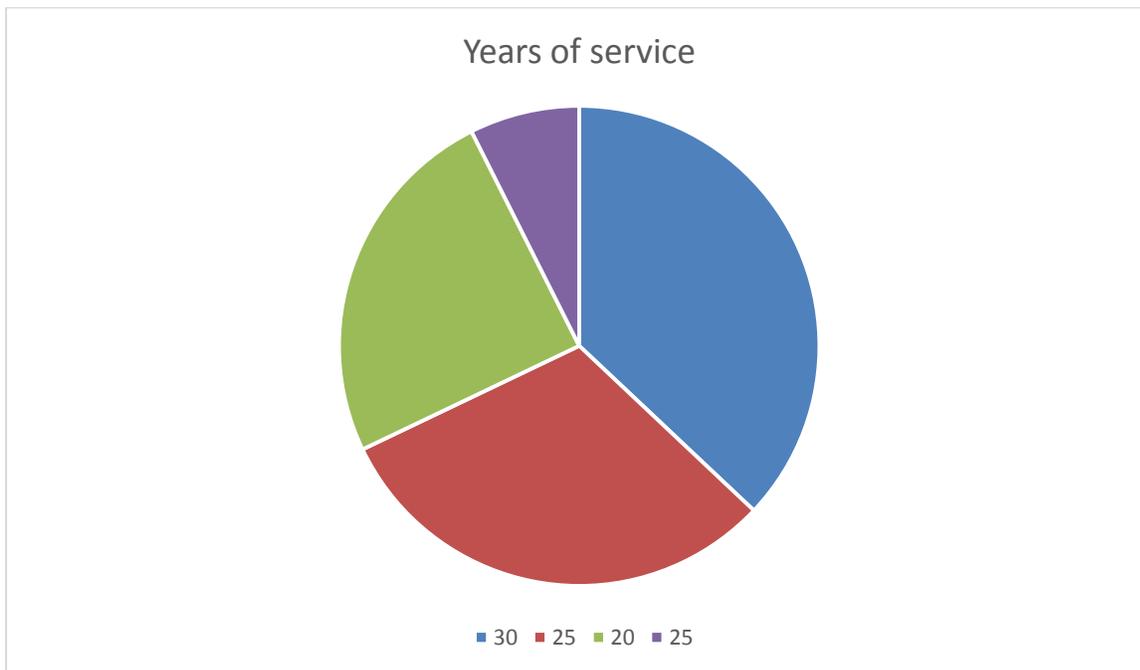


Figure 4.1. shows the years of service been 6yrs of service been 30%, 55yrs of service bee 25% and 4yrs of service been 20% from the pie chart.

##### 4.2.2. Human resource audit and human resource function

This part analyses the perceived effect of the human resource audit on the effectiveness of the human resource function as shown in the Table 4.1.

**Table 4.1. Rating human resource practices**

	1	2	3	4	5	
<b>Human resource Practices</b>	<b>Not at all</b>	<b>To a Less Extent</b>	<b>To a Moderate Extent</b>	<b>To a Great Extent</b>	<b>To a Very Great Extent</b>	<b>Mean</b>
Human resource audit had made a positive effect on the recruitment and selection Process.				3	1	4.3
Human resource audit had contributed the improvement in performance management system.				2	2	4.5
Human resource audit has enhanced quality of training and development programs				4		4
Human resource audit contributed significantly to improvement in health and safety of workers				3	1	4.3
Human resource audit has improved compensation management system			2	2		3.5
Human resource audit has facilitated and improved employee relations				4		4
Human resource audit has positively and significantly contributed to employment and human resource services				3	1	4.3
<b>Grand Mean</b>						<b>3.6</b>

Table 4.1 shows that to a very great extent that the human resource audit had a positive effect on the recruitment and selection process with the mean being 4.3 which is very high. The performance management system is said to improve attributable to the human resource audit with the mean being 4.5 which is a very great extent. The training and development programs is perceived to have had the quality

enhanced by the human resource audit with the mean been 4 which is to a great extent. The health and safety of workers is perceived to have improved to a very great extent with the mean been 4.3 attributable to the human resource audit. The perceived effects of the human resource audit on the compensation management system is said to a great extent with a mean of 3.5. Employee relations is perceived to have improved to a great extent with the mean been 4 attributable to the human resource audit. The perceived effect of employment and human resource services is said to have improved to a very great extent with the mean been 4.3.

### **4.3. Discussions**

The study sought to investigate the perceived effects of human resource audit on the effectiveness of the human resource function by respondents rating the extent that the human resource audit had improved the effectiveness of the human resource function. From the findings the study found that most of the respondents indicated the following. The recruitment and selection process is perceived to have improved with 75% of the respondents saying that it improved the recruitment and selection process to a great extent and the remaining 25% of saying it improved to a very great extent. The mean is for recruitment and selection is 4.3 which indicates that human resource audit had improved the process to a very great extent.

The performance management system is perceived to have improved with 50% of the respondents saying that the performance management system to a great extent and the remaining 50% saying it improved to a very great extent. The mean obtained is 4.5 which indicates that the human resource audit had to a very great extent effect on the performance management system. The training and development programs is perceived to have improved the training and development programs with 100% of the respondents all agreeing that the training and development programs had improved to a great extent. The mean that was obtained is 4 which indicates that the human resource audit had a great extent effect on the quality of the training and development programs.

The health and safety is perceived to have improved with 75% of the respondents saying that the health and safety improved to a great extent and the remaining 25% saying it improved to a very great extent. The mean is 4.3 which indicates that the human resource audit had a very great extent effect on the health and safety of the workers. The compensation management system is perceived to have improved with 50% of the respondents saying it improved the compensation management system to a great extent and the remaining 50% saying it improved to a moderate extent. The mean been 3.5 which indicates that the

human resource audit had a great extent effect on the compensation management system. Employee relations is perceived to have improved with 100% of the respondents agreeing that the employee relations improved to a great extent. The mean been 4 which indicates that the human resource audit had a very extent effect on employee relations. Employment and human resource services is perceived to have improved with 75% of the respondents saying that employment and human resource services had improved to a great extent and the remaining 25% saying it improved to a very great extent. The mean obtained is 4.3 which indicates that the human resource audit had a very great extent effect on the employment and human resource services at Alterrain Service Group Kenya. From the information gathered it shows that human resource audit has indeed one way or another whether great or very great or moderate has improved the effectiveness of the human resource function.

## **CHAPTER 5**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1. Introduction**

From the analysis and data collected, the following summary, conclusions and recommendations were made the responses were based on the objectives of the study. The main objective of the research was to assess the perceived effects of human resource audit on the effectiveness of the human resource function.

#### **5.2. Summary**

The main aim of the research study was to determine the perceived effects of the human resource audit on the effectiveness of the human resource function at Alterrain Service Group Kenya. The recruitment and selection process is perceived to have improved with 75% of the respondents saying that it improved the recruitment and selection process to a great extent and the remaining 25% of saying it improved to a very great extent. The performance management system is perceived to have improved with 50% of the respondents saying that the performance management system to a great extent and the remaining 50% saying it improved to a very great extent. The training and development programs is perceived to have improved the training and development programs with 100% of the respondents all agreeing that the training and development programs had improved to a great extent.

The health and safety is perceived to have improved with 75% of the respondents saying that the health and safety improved to a great extent and the remaining 25% saying it improved to a very great extent. The compensation management system is perceived to have improved with 50% of the respondents saying it improved the compensation management system to a great extent and the remaining 50% saying it improved to a moderate extent. Employee relations is perceived to have improved with 100% of the respondents agreeing that the employee relations improved to a great extent. Employment and human resource services is perceived to have improved with 75% of the respondents saying that employment and human resource services had improved to a great extent and the remaining 25% saying it improved to a very great extent. From the analysis and discussions it is established that for an organization to remain relevant there need to play safe and one way of doing this is to have an effective human resource function in place. Hence human resource audit has become part and parcel at Alterrain Service Group Kenya. Human resource audit is an old idea constantly being utilized by the organization and new practitioners throughout the world. The human resource audit facilitate Alterrain Service Group Kenya to have the right people at the right place.

### **5.3. Conclusion**

We conclude by stating the perceived effect of the human resource audit play a critical role in the effectiveness of the human resource function at Alterrain Service Group Kenya which is a sole organization. From the research it is evident that the human resource audit had an effect on the human resource practices in this particular organization. The practices such as recruitment and selection process, performance management systems, training and development programs, compensation management system, health and safety of workers, employee relations and employment and human resource services all had perceived effect attributable to human resource audit. More still needs to be done regarding human resource audit practices in any organization. All what may work for one organization may not necessary work for another. The human resource function must be constantly monitored in order for it to be effective.

### **5.4. Recommendations**

Alterrain Service Group Kenya is recommended to strengthen its human resource audit practices more so as to improve the effectiveness of its human resource function to a very great extent. It is also recommended that the human resource audit should involve everyone and not just managerial staff. A survey is also recommended to investigate many other organization so as to provide deeper insight not just from one organization. Based on the findings of the study the human resource function needs to re-look a number of key human resource products and services if it want to maintain or improve the current level of effectiveness. Human Resource function can improve its effectiveness by identifying existing problems, creating detail solutions and reinventing human resource structure. The recommendation of regular evaluation implies the obvious in that the human resource function, in this evaluation, needs to work through the results of this evaluation and develop a plan of action to address the highlighted issues.

### **5.5. Suggestions for further research**

This research study focused on establishing the perceived effects of the human resource audit on the effectiveness of the human resource function. It is therefore recommended that further research work be carried out to provide deep insight on the principles of an effective human resource audit. Further research should also be carried out to find out what an effective human resource function is and what makes an effective human resource practices, structures and activities.

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## Appendices

### Appendix 1: Questionnaire

#### Part A : Bio Data

Name of Respondent.....

Position in the organisation.....

How many years they have worked for the organization.....

#### Part B: Effects of the Human Resource Audit on the Human Resource Functions

Please rate the extent to which Human Resource Audit that your organization undertakes has improved the effectiveness of the Human Resource Activities listed in column one of the matrix presented below. Tick only one box against each activity.

Rating of the scale 1-5 where they have the following meaning

1= Not at all

2= to a less extent

3= to a moderate extent

4= to a great extent

5= to a very great extent

	1	2	3	4	5
<b>Human Resource Activities</b>	<b>Not at all</b>	<b>To a less extent</b>	<b>To a moderate extent</b>	<b>To a great extent</b>	<b>To a very great extent</b>

Human resource audit had made a positive effect on the recruitment and selection process					
Human resource audit has contributed to improvement in performance management system					
Human resource audit has enhanced quality of training and development programs					
Human resource audit has contributed significantly to improvement in health and safety of workers					
Human resource audit has improved compensation management					
Human resource audit has facilitated and improved employee relations					
Human resource audit has positively and significantly contributed to employment and human resource management services					