HUMAN RESOURCE AUDIT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

STUDENT’S DECLARATION

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

Signature .................................. Date ..........................

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D61/60318/2010

SUPERVISOR’S DECLARATION

This project has been submitted for examination with my approval as the University Supervisor.

Signature ................................. Date .....................

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DEDICATION
This project is dedicated to my family – my husband Edward who stood by me through it all, my children Kimberly and Ryan for their unconditional love, and to my unborn child who gave me hope.
ACKNOWLEDGEMENT
I am grateful to God Almighty for His abundant grace and for good health throughout my studies and for bringing me this far.

I thank the lecturers and the academic staff in the School of Business, University of Nairobi and in particular, my supervisor Prof. Peter K’Obonyo for his valued advice, constant guidance and most of all for his patience and understanding.

I also acknowledge my dear parents, brothers and sister for their prayers, love, care, and unconditional encouragement.

My appreciation also stretches out to my classmates with whom we gave each other encouragement and positive criticism.

And to all those people I may not have named but helped me in one way or another to make my work a success, I say thank you and God bless you abundantly.

ABSTRACT
Human resource audit is a key tool to the analysis of the key strengths of a firm, its weaknesses, its opportunities and threats in relation to its human resource capital. It is therefore very important that firms undertake human resource audit as a strategy to
document its SWOTs (Strengths, Weaknesses, opportunities and Threats) as well as a strategy towards creating a competitive edge in the firm. Indeed, human resource audit is necessary in the development and identification of skills gaps and strengths which is critical to the attainment of organization goals and acquisition of a competitive edge. The research objective of the study was to determine the effect of human resource audit on performance of commercial banks in Kenya. The study used descriptive survey design because data was collected from several organizations. In addition, comparative data analysis was used. The target population for the study included all the commercial banks that are registered by Central Bank and operational in Kenya as at 31st December 2014. Primary data was used and the same was collected using a semi-structured questionnaire. Raw data collected from the field was cleaned for further analysis. Data was then subjected to SPSS for analysis and interpretations using descriptive statistics. Findings were presented in form of tables, pie charts and frequencies. Pearson’s correlation was used to establish the relationship between HR audit Practices and performance of Commercial Banks. The results show that the banks human resource audit entails the examination of policies, procedures, documentation, systems and practices with respect to its human resource function. The management of the banks are committed to fostering co-operative relations with the unions representing the employees and the union leaders in order to achieve the banks objectives. Finally, human resource audit influenced various performance indicators in the banks including the employee, shareholders as well as the organization in general. Inter-correlation analysis carried out to test the relationship between HR audit practices and performance of Commercial Banks showed a significant relationship (r=0.697, n=79, p<.05) between them. The relationship between the variable is significant with strong relationship. Based on the findings, this study recommended that; Management should focus on analyzing and improving the human resource function in the organization. The human resource audit itself is a diagnostic tool, not a perspective instrument. Therefore the management should act on the finding and evolve its function to a level where it’s full potential to support the organization’s mission and objectives can be realized. Human resource audit should be applied on a sample basis of practices and systems for identifying problems and ensuring that sound accounting principles are followed.

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## ABBREVIATIONS / ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>FLEs</td>
<td>Frontline Employees</td>
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<tr>
<td>KBA</td>
<td>Kenya Bankers Association</td>
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<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>HRMP</td>
<td>Human Resource Management Practices</td>
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<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In a world characterized by intense competition as well as increase in the demands and wants of all the stakeholders of the business i.e. customers, shareholders, employees, community and suppliers, businesses have struggled to achieve and maintain a competitive edge. Nevertheless, human capital in the business has been identified as a key source for attainment and sustained competitive edge (Shiri, 2012). To respond to the demands of human capital as a source of competitive edge, organizations and firms have developed and utilized new human capital management models, approaches and procedures. On the other hand, the academic fraternity has identified the human capital as a key source of competitive edge and has presented various theories and models to human capital management such as personnel management, employee relations, human resource management and strategic human resource management (Amy, 2010).

At the heart of the use and development of new human capital management theories, models and strategies, is the need to understand, evaluate and explore the current conditions, practices, strategies and policies that define human resource management at the organization level. This is commonly referred to as human resource audit. Human resource audit is a human resource effectiveness tool that aims to examine and evaluate the policies, procedures and practices in relation to their application, use and effectiveness in the work place (Durai and Adaikalasany, 2014). It aims to investigate
how human resource policies, practices and personnel contribute to the overall organization performance or attainment of organization goals.

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 analyze its human resource policies and practices, determining whether the changes and improvements are necessary. It helps decision makers understand what is happening with the various activities such as hiring, placements and training.

Biles and Schuler (1986) define 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 the 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 functions. A human resource audit evaluates the human resource activities in 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.

1.1.1 Human Resource Audit

Human resource audit can be classified as a functional audit that comprises the analysis, diagnosis, evaluation and assessment of futuristic approaches and views to the
undertaking of human resource management (Shiri, 2012). The Human Resource Audit is a process of examining policies, procedures, documentation, systems, and practices with respect to an organization’s Human Resource functions. It is a tool for evaluating the human resource activities of an industry or an organization and is an overall quality control check. The Human Resource Audit evaluates the Human Resource Management functions, the procedures used by the Human Resource Managers and the impact of these activities on the employees.

Human Resource Audit has a wide scope, it involves much more than management of Human Resource. Human Resource Audit covers the concept of ‘people management’ at all levels (philosophies, policies, procedures and practices). It involves all activities of Human Resource functions; Planning (forecasting, scheduling, staffing and development) Organizing, Motivation and commitment, Administration (leadership styles, supervision, delegation, negotiation), Research and Innovation, Experiments and Theory testing in all areas (Hannagan, 2008). Human Resource Audit involves itself with Audit of Human Resource Management to measure Managerial Compliance, Human Resource Climate / Employee Satisfaction and Corporate Strategy (Grojer and Johanson, 1998). The Audit may include review and analysis of the following aspects: Employees’ needs, wants, expectations, perceptions and satisfaction, Human Resource related strategies, plans, programmes and budgets, Human Resource related policies, systems, rules, regulations and procedures, Organizational Culture, Job descriptions, job performance standards, job competencies and job holder’s competency profiles, Induction and training development,

Human Resources Audit is to assess the effectiveness of the Human Resources function, to ensure regulatory compliance, and to reveal the strengths and weaknesses in the organization’s human resources system as well as any issues needing resolution. A good fit between a firm’s Human Resource practices and its business strategy enhances chances of success, proving that Internal alignment of business strategy, Human Resource practices, and Management philosophy contribute to business results. The measurements of impact of Human Resource Audit is conditioned to the practice and application of the Human Resource results in decision-making areas, namely: Level of Human Resource Audit practice in organizations; Quality of the Audits in terms of frequency and adequacy for strategy formulation; Quantity of the Audits in terms of type and coverage of the Human Resource activities and Implementation of the Audits and impact or level change associated with Audits (Torrington et al, 2008).

1.1.2 Organizational Performance
Performance is a result or set of results that represent productivity and competence related to an established objective, goal or standard. Organizational performance is measured as a composite index comprising of five partial measures: Service quality, Level of productivity, Profitability, Product to market time and rate of innovation, Absenteeism and turnover. Job performance has become one of the significant indicators used in measuring organizational performance in many studies (Wall, Michie, Patterson, Wood, Sheehan, Clegg and West, 2004). Performance is oftentimes determined
by financial figures, but can also be measured through the combination of expected behavior and task-related aspects (Motowidlo, 2003). Performance that is based on an absolute value or relative judgment may reflect overall organizational performance (Gomez-Mejia, Balkin and Cardy, 2007). Job performance is a multi-dimensional construct. Two aspects of performance-related behaviors that are increasingly important in today’s work organization are proactive behavior and creativity (Griffin, Neal and Parker, 2007). Researchers have argued that daily variations in performance levels are ‘substantial and meaningful’ (Beal, Weiss, Barros and MacDermid, 2005- P.1055).

Service quality plays an essential role in the business world in customer satisfaction, customer retention, customer loyalty and profits (Schneider & Bowen, 1993). The service-profit chain also connects internal service quality with employee satisfaction and loyalty and customer satisfaction and loyalty with organizational growth and profits (Heskitt, Jones, Loveman, Sasser & Schelesinger, 1994). Ayres (1999) pointed out that the level of internal customer service quality has an essential impact on the service value provided to the external customer. This realization has made many organizations focus on building truly good internal service quality to help increase their overall organizational results.

Human preferences for different patterns of time utilization have potentially important implications for effective workplace behavior (Bluedorn, Kaufman and Lane, 1992; Kaufman, Lane and Lindquist, 1991). Greater insight into the significance of the congruence between individuals' preferred patterns of time utilization and those preferred by their managers and co-workers should help managers understand and influence
behavior in their organizations. It should also facilitate the assignment of employees to positions where they will be more successful.

1.1.3 Commercial Banks in Kenya

The banking sector is an integral part of the economy of Kenya as it plays a major role in the well-being of the country. A bank is a company that carries on banking business and in Kenya this includes all banks except the Central Bank of Kenya (CBK). Banking business means: the accepting from members of the public money on deposit repayable on demand or at the expiry of a fixed period or after a notice; the accepting of money from members of the public on current account and payment on and acceptance of cheques; the employing of money held on deposit or on current account or any part of the money by lending, investment or in any other manner for the account at the risk of the person so employing the money.

Kenya has a long history of commercial banks, with the predecessors of the three major commercial banks set up before 1920s. By independence in 1963, Kenya had 10 commercial banks with the “big three”– National and Grindlays Bank, Barclays Bank and Standard Bank. Three banks were established by 1970 namely; The Co-operative Bank of Kenya, National Bank of Kenya (NBK) and Kenya Commercial Bank (KCB). The latter took over National and Grindlays Bank to become the biggest bank in the country. By the early 1970s, the structure of the commercial banks in Kenya had been transformed with two public – Kenya Commercial Banks and National Bank of Kenya accounting for 35% of paid and assigned capital and Barclays Bank and Standard Bank accounting for 22% each. The Kenya commercial banking system continued to grow in the 1970s and 80s so that by the onset of financial reforms in the mid-1980s, the number of licensed
commercial banks had doubled to 24 with about 15 foreign-owned, 3 state banks and 6 locally-owned private banks, www.centralbank.go.ke.

According to the Central Bank of Kenya statistics as well as the Kenya Bankers Association Data statistics, Commercial Banks in Kenya employ over 29,000 employees directly spread out across the bank’s branches, agencies, departments and subsidiaries (Juma 2014). Nevertheless, there lacks an industry human resource management policy which guides the human resource practices and policies employed by banks. As a consequence, each bank has developed its own set of human resource practices which it employs for its employees. This has led to a multiplicity of human resource practices across the banking sector in Kenya with no clear indicators on which of the practices are better or best (Genga, 2014).

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.
Human resource audit is a key tool to the analysis of the key strengths of a firm, its weaknesses, its opportunities and threats in relation to its human resource capital. It is therefore very important that firms undertake human resource audit as a strategy to document its SWOTs (Strengths, Weaknesses, opportunities and Threats) as well as a strategy towards creating a competitive edge in the firm. Indeed, human resource audit is necessary in the development and identification of skills gaps and strengths which is critical to the attainment of organization goals and acquisition of a competitive edge (Shiri, 2012).

Shiri (2012) investigated the role of human resource audit in organization effectiveness in three companies in Bangalore. Shiri found that human resource audits improved the levels of human resource efficiency and effectiveness by providing alignment and synergies between the Human resource practices and overall organization strategies. Furthermore, human resource strategies provided opportunities for human resource improvement and alignment to organization strategy.

Durai and Adaikalasamy (2014) investigated the human resource audit practices perceptions of employees within Mando Automotive Company in India. Dura and Adaikalasamy noted that there was a dearth in human resource audit documentation in India. Further, the study noted that employees were supportive of human resource audit practices in the company and the practices led to an improvement of the commitment and overall performance of the company. Fajana, Owoyeni, Elegbede and Gbajumo-Sheriff (2011) documented the human resource management practices in Nigeria and noted that
there existed an empirical research gap on human resource audit practices amongst most companies in Nigeria.

In Kenya, Genga (2014) investigated the effectiveness of human resource audit practices in Alterrain Service Group Kenya and found that human resource audit was an effective tool for improving performance and improving the human resource practices of the service company. Oliko (2007) on the other hand investigated the relationship between corporate governance performance and human resource audit and found that improvement of human resource audit is an effective tool for competitive advantage acquisition. Shitakwa (2010) investigated the human resource audit practices amongst sugar manufacturing companies, noted that human resource audit was a rarely adopted amongst the companies, and made recommendations for the improvement and development of human resource audit practices in the sugar companies.

The reviews of studies above indicate that there are very few studies on human resource audit practices amongst companies in Kenya. Furthermore, the literature point that there is a dearth of literature on the use, importance and role of human resource audit practices especially in the banking sector in Kenya which is a high performing, very sensitive and critical driver of economic growth. Indeed, similar to the findings of Shitakwa (2010) this study seeks to provide answers on whether banking companies in Kenya adopt human resource audits, their role and effect on organization performance.

Due to the scarcity of studies on human resource audit practices in Kenya Commercial Banks a practice gap exists on the actual policies, rules and guidelines of human resource
management. Therefore this study aimed at bridging this gap by answering the question: What are the effects of human resource audit on performance of commercial banks in Kenya?

1.3 Research Objective
The research objective of the study was to determine the effect of human resource audit on performance of commercial banks in Kenya.

1.4 Value of the Study
This study may be important to stakeholders in the banking industry in Kenya;

Bank managers may understand the human resource audit practices in the sector, weaknesses and strategies to improve on the practices. The bank managers will also understand the effect of human resource audits on bank performance.

The banking regulators such as the Kenya Bankers Association may find this study useful in informing policymaking on human resource management practices in the sector. In the absence of an industry human resource audit best practice or policy guideline, this study could form primary basis for the formulation of an industry policy.

This study may contribute to the academia and scholars in a number of ways. The study will fill existing literature gaps as identified. Further, the study will contribute to existing body of knowledge on the relationship between human resource audit practices and bank performance. This may be done through a thesis at the University of Nairobi Library.
Finally, this study may lay building blocks upon which other studies will be conducted. The recommendations and issues identified in this study could inform future research and studies.
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 approach of Human Resource Audit, the scope of Human Resource Audit, the process of Human Resource Audit and the relationship between human resource audit and performance of commercial banks.

2.2. Theoretical Foundation
The study was based on the Human Capital Theory and Resource Based View 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 being 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 are the 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 of for example return on investment. Human Capital Theory provides guidance on the future human resources and business strategy. Human Capital Theory provides data that may inform strategies and practices designed to improve the effectiveness of human resource audit function in the organization.
2.2.2. Resource Based View 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) suggests that the Resource Based View 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 View Theory aims to improve resource capabilities, achieving strategic fit between resources and opportunities and also obtaining value from effective deployment of resources. Resource Based View Theory provides framework to examine the pool of human resources that may be either able or unable to carry out given strategy during the formulation phase. Resource Based View Theory focuses on the analysis of internal strengths and weaknesses, paying particular attention to the way in which organizations can develop valuable resources and remove barriers.

Purcell (2003), suggests that 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 View 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 View 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 practices
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 usually using a checklist as well as 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 and affirmative application. A human resource audit evaluates the human resource
function in the organization with a view of assessing it’s 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).

Mutsudd (2010) says, like financial audit, human resource audit is 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 instrument. It is 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 (Anthony et al., 2002).

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 of 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 results 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. Similarly, 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).

Several approaches are used depending on the scope of the human resource audit. The first approach is Comparative approach were the human resource audit team compares the organization with another firm to uncover poor performance. This approach is commonly 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 results 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 were 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 asses’ performance (Gupta, 2011). The fourth approach is compliance approach whereby 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-Objective (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).

Sherer and Kent (1983) state 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 firms human resource activities. To collect the data, several techniques and information gathering tools are used. 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 experience / 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 compiles the necessary information for reviewing by auditors. The second phase is Pre-audit Assessment that involves self-administered yes/no questionnaire. It asks a number of questions about current human resource policies and practices that allow 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 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, Not Urgent but Important and Not Urgent but Not Important. 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 includes both commendations for effective practices and recommendations for improving those that are ineffective. 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 Practices and Performance
As competition grows, management systems are becoming increasingly complex and diverse. The Human resource function cannot be considered to be a complete system of efficiency and effectiveness unless it is followed by an equally competent system of Audit. Human Resource Audit attempts to ascertain effectiveness of the Human Resource function to drive organizations strategic objectives. In the absence of Human Resource Audit, organizations may not realize the inefficiency or ineffectiveness of their Human Resource systems in time for corrective action, (Batra, 1996). Optimizing the performance of Human Resource system is the ultimate goal of Human Resource Audit. Human Resource Audit is future orientated and seeks to identify areas for organizational improvement - the basis for strategy development. (Ulrich, 1997) notes that Human Resource issues have always been, the difference is the approach to manage them. Unfortunately, managers concentrated on identifying cost rather than quantifying output. It has been suggested that there should be a shift from “do-ables” to “deliverables”.
Knowing what people do is not enough – “results alone are not sufficient measures of effectiveness, methods by which the 13 results have been achieved also matter.”

Mathis & Jackson, (2006) insist that Human Resource performance must be quantifiable or measurable – justifying cost by defining the value added, or else the cost should not be incurred. Human Resources Audit evaluates Human Resource systems effectiveness in quantifiable terms to justify the relevance of the Human Resource function in organizations. Finding out what is insufficient and inadequate is a first step toward improvement, next is to attempt to address these gaps, and organizations should take that first step only when they are ready to act. The application and usefulness of Human Resource Audit depends on the future efforts and experiments to be made from its findings and supported by management, only then can the full benefits of Human Resource Audit be felt. Organizations undertake Human Resource Audits for many reasons: to ensure effective utilization of human resources, to review compliance with tons of laws and regulations, to instill a sense of confidence in the Human Resource department that it is well-managed and prepared to meet potential challenges and opportunities and to maintain or enhance the organization's reputation in a community.

HR audit is a type of functional audit. Thus, as a first approach, one could say that HR auditing consists of diagnosing, analysing, evaluating, and assessing future lines of action within the framework of HRM. 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 HR audit is taken up, the scope is decided. Audit
need not be exhaustive, but should be focused on particular function of HRM 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 skills needed are set, so it becomes important for the HR department to understand why those practices are carried out. In such situation HR audit helps to build on essential areas and eliminate those areas that are not important.

The fundamental performance questions addressed in a strategic audit of HR are “Does the department align human resources and management practices, policies and procedures with the organization’s strategic objectives?” The basic functions of the audit of conformity or of performance as an element of HR auditing 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 (Shiri, 2012).

Huselid (1995) used several human resource management practices in his study which are; personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labour management participation, recruitment efforts, employee training and promotion criteria. His study, the Impact of Human Resource Management Practices on turnover, productivity and corporate financial performance, comprehensively evaluated the links between the systems of High Performance, Work Practices and Firm Performance. Results based on a
national sample of nearly one thousand firms indicated that these practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short and long-term measure of corporate financial performance. Support for the prediction that the impact of high performance work practices on firm performance is in part contingent on their interrelationships and links with competitive strategy was limited. Tuitoek (2008) studied performance appraisal among media houses and found that performance appraisals are used to enhance performance and career progression. Kiboi (2006) conducted a study of management perception of performance contracting in state corporations. Oresi (2005) studied on employees’ performance management practices for the court registry staff and concluded that the gains realized in the sector were because of prudent implementation of performance management practices.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the methodology the researcher employed in investigating the human resource audit practices and performance of commercial banks in Kenya. Among the elements discussed in this section are the target population, techniques used in data collection and as well as the techniques used to analyze the collected data.

3.2 Research Design
Creswell (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Dooley (2007) notes that a research design is the structure of the research, it is the ‘glue’ that holds all the elements in a research project together. The study used descriptive survey design. A descriptive survey is a design that involves establishing what is happening as far as a particular variable is concerned and the design was used to investigate the effect of the human resource audit practices and performance of commercial banks in Kenya. A descriptive survey was appropriate for this study because data was collected from several organizations. In addition, comparative data analysis was used.

3.3 Population of the Study
According to Ngechu (2004), a study population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Thus, the population should fit a certain specification, which the researcher was studying and the population should be homogenous. The target population for the study included all the commercial banks that are registered by Central Bank and
operational in Kenya as at 31st December 2014. According to the Central Bank of Kenya, there were 43 commercial banks that were operating in the country (CBK, 2014). The study collected data from all the 43 commercial banks since the population was small thus a census was more applicable because data was collected across commercial banks in the Kenyan industry at one point in time.

3.4 Data Collection Method
According to Ngechu (2004), there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data.

Primary data was used. Primary data was collected using a semi-structured questionnaire. The questionnaire was divided into three parts. Part one collected data on the demographic information of the respondents. Part two focused on HR audit practices of the banks. Part three was on the organizational performance of the banks. The respondents were the Heads of HR Departments and the HR Managers at the banks. The questionnaires were administered through the “drop and pick later” method and via e-mail.

3.5 Data Analysis
Raw data collected from the field was cleaned for further analysis. Data was then subjected to SPSS for analysis and interpretations using descriptive statistics. Findings were presented in form of tables, pie charts and frequencies. Pearson’s correlation was
used to establish the relationship between HR audit Practices and performance of Commercial Banks.

CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter discusses the interpretation and presentation of the findings. It contains the demographic characteristics of the respondents, Human Resource Audit Practices, Organizational performance and the relationship between Human Resource Audit practices and performance in commercial banks.
4.2 Demographic Characteristics of the Respondents
The study found it crucial to ascertain demographic information about the respondents since it configured the banks under which the study can fairly capture the applicable information. The analysis relied on this information of the respondents.

4.2.1 Gender of the Respondents

Figure 4.1: Gender of the Respondent

According to the findings, majority (69%) of the respondents were male while the rest (31%) were female. This implies that though there is gender distribution in employment in commercial banks in Kenya, most of the opportunities are occupied by males.

4.2.2 Age Brackets (Years)

Table 4.1 summarizes the study finding on the age bracket of the respondents’.

<table>
<thead>
<tr>
<th>Age Brackets (Years)</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>35-44</td>
<td>23</td>
<td>29</td>
</tr>
<tr>
<td>45-50</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>Above 51</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Author, 2015)
Most (40%) of the respondents were within the age bracket of 45-50 years, 9% were aged between 25-34 years, 29% were aged between 35-44 years while the rest (22%) were aged above 51 years. This implies that most of the employees in commercial banks in Kenya were aged between 25-50 years.

4.2.3 Highest Education Level
Figure 4.2 shows the findings of the result.

![Highest Level of Education of the Respondents](image)

Source: (Author, 2015)

Majority (50%) of the respondents had acquired bachelor’s degrees as their highest academic qualification, 38% had master’s degrees as their highest level of education while 12% had diploma. This depicts that all of the human resource and finance
employees working at commercial banks in Kenya are literate hence they are capable to adopt any strategic issues that the organizations formulate with the aim of improving business performance to survive in competitive environment they operate in.

4.2.4 Length of Service
The findings are tabulated below.

Table 4.2 : Length of Service in the Organization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-5 years</td>
<td>39</td>
<td>49</td>
</tr>
<tr>
<td>6-10 years</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Author, 2015)

As per the findings, most (39) of the respondents had worked in the organization for 2-5 years, 28 had worked in the organization for 6-10 years while 12 of the respondents had worked in the organization for more than 10 years.

4.3 Human Resource Audit Practices

4.3.1 Frequency of Human Resource Audit
The respondents rated the frequency of HR Audit practices as presented.
Table 4.3: Frequency of Human Resource Audit

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very rarely</td>
<td>1.16</td>
<td>0.168</td>
</tr>
<tr>
<td>Less frequently</td>
<td>2.48</td>
<td>0.297</td>
</tr>
<tr>
<td>Moderately frequent</td>
<td>2.61</td>
<td>0.198</td>
</tr>
<tr>
<td>Very frequently</td>
<td>3.99</td>
<td>0.284</td>
</tr>
<tr>
<td>Frequently</td>
<td>4.21</td>
<td>0.196</td>
</tr>
</tbody>
</table>

Source: (Author, 2015)

Most of the respondents indicated that their organization use human resource audit frequently as indicated by a mean of 4.21. They also pointed that they mostly use human resource audit very frequently as depicted by mean of 3.99. On the other hand, they disagreed that they use human resource audit moderately frequent, less frequently and very rarely as illustrated by mean of 2.61, 2.48, and 1.16 respectively.

4.3.2 Accountability on Recruitment, Selection and Placement
All the respondents agreed that there is one position within their bank that is accountable for overseeing and coordinating employee recruitment, selection and placement. Pfeffer (2005) affirms that acquisition, development and retention of talent form the basis for developing competitive advantage in many industries and countries.

4.3.3 Workforce Stability
The study determined how stable the bank’s workforce is in general and found out that the work force was relatively stable due to the increasing competition amongst the institutions in the financial sector.
4.3.4 Purpose of Training and Development
From the findings it was clear that training and development equips the employees with the appropriate knowledge and skills they require to undertake their duties. The respondents explained that it is not so much what employees currently know that shapes a company's future; it is what they must eventually know that's most important. In addition, the degree to which an organization is genuinely committed to the training and development of their employees is a critical factor in attracting and keeping high-performing employees. Similarly, Down (2007) notes that training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons.

4.3.5 Bank Policy on Employee Compensation
Figure 4.3 illustrates the findings.

Figure 4.3: Bank Policy on Employee Compensation
Majority (92%) of the respondents agreed that their bank has a policy clearly stating its position on employee compensation with 8% stating the contrary.

The respondents who agreed that their bank has a policy clearly stating its position on employee compensation were probed on if the policy linked to the bank’s management philosophy on compensating employees and reinforcing the values of the bank. All respondents agreed to this. Silbert (2005) argues that compensation is very important in enhancing employee retention because it has enduring impression on employees and support the perception of employee’s that they are valued.

4.3.6 Existence of equal employment opportunity laws and regulations

A mean score of over 3 points showed that the component of clear policies and practices to ensure compliance with equal employment opportunity laws and other governmental
regulations had been adopted in the banks. The contrary was shown by a mean score less than 3 points. The findings are tabulated herein.

**Table 4.4: Existence of Clear Policies and Practices in Respondents Banks**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placement</td>
<td>3.76</td>
<td>0.009</td>
</tr>
<tr>
<td>Recruitment</td>
<td>3.89</td>
<td>0.143</td>
</tr>
<tr>
<td>Selection</td>
<td>3.91</td>
<td>0.299</td>
</tr>
<tr>
<td>Treatment of employees</td>
<td>3.99</td>
<td>0.143</td>
</tr>
<tr>
<td>Compensation</td>
<td>4.01</td>
<td>0.087</td>
</tr>
</tbody>
</table>

**Source:** (Author, 2015)

From the findings most of the respondents indicated that their banks have clear policies and practices to ensure compliance with equal employment opportunity laws and other governmental regulations in relation to compensation (mean=4.01), treatment of employees (mean=3.99), selection (mean=3.91), recruitment (mean=3.89) and placement (mean=3.76). Likewise, available literature demonstrates that the fundamental HRM practices include human resource planning, recruitment and selection, job analysis; compensation and reward, performance appraisal, training and development, career management, employee relations and welfare (Matthis & Jackson, 2010).

### 4.3.7 Human Resource Audit Practices in Respondents Bank

Table 4.5 shows the Human Resource Audit practices in respondent’s bank.

**Table 4.5: Human Resource Audit Practices in Respondents Bank**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The workplace rules in my bank are flexible.</td>
<td>3.61</td>
<td>0.036</td>
</tr>
<tr>
<td>My bank has been undertaking human resource audit for more than 10 years.</td>
<td>3.99</td>
<td>0.221</td>
</tr>
</tbody>
</table>
Human resource audit in my bank is linked to the overall bank’s strategy  |  4.03  |  0.089  
Human Resource Audit is used in my bank to inform training and development decisions | 4.07  | 0.077  
The scope of Human Resource Audit in my bank covers all policies, strategies, procedures, systems and activities. | 4.09  | 0.332  
Human Resource Audit in my bank is geared towards evaluating contribution of the Human Resources other functional areas. | 4.11  | 0.056  
My bank offers forums that allow for regular interaction and information exchanges between employees and management. | 4.21  | 0.208  
Human resource audit in my bank is geared towards improving alignment between Human Resource function and corporate strategies. | 4.27  | 0.159  
Human Resource audit in my bank is intended to enhance efficiency and effectiveness of the Human Resource functions. | 4.33  | 0.141  

**Source:** (Author, 2015)

The study found that human resource audit practices in the banks: is intended to enhance efficiency and effectiveness of the human resource functions (mean= 4.33) and is geared towards improving alignment between human resource function and corporate strategies (mean= 4.27). Their bank offers forums that allow for regular interaction and information exchanges between employees and management (mean= 4.21). The bank is geared towards evaluating contribution of the Human Resources other functional areas (mean= 4.11) and covers all policies, strategies, procedures, systems and activities (mean= 4.09). Human resource audit practices are used in their bank to inform training and development decisions (mean= 4.07) and is linked to the overall bank’s strategy (mean= 4.03). The bank has been undertaking human resource audit for more than 10 years (mean= 3.99). The workplace rules in their bank are flexible (mean= 3.61).

This implies that the respondents’ bank human resource audit entails the examination of policies, procedures, documentation, systems and practices with respect to its human
resource function. The findings concur with Dessler (2013) who asserts that 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 ensuring the employer is adhering to government regulations and company policies.

4.3.8 Respondents Bank Work Environment
All the respondents agreed that the bank provides a work environment that contributes to and demonstrates concern for employee safety, health and well-being.

4.3.9 Banks Management Relationship with Employee Unions
As in figure 4.4 below.

Figure 4.4: Banks Management Fostering Co-Operative Relations with Employee Unions

Source: (Author, 2015)
According to the findings, majority (83%) of the respondents agreed that their banks management foster co-operative relations with the unions representing the employees and the union leaders in order to achieve the banks objectives while 17% were of the contrary opinion. This portrays that the management of the banks are committed to fostering co-operative relations with the unions representing the employees and the union leaders in order to achieve the banks objectives.

4.4 Organizational Performance
The table below shows the outcome of the analysis.

<table>
<thead>
<tr>
<th>Table 4.6: Organizational Performance</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in health and safety of workers</td>
<td>4.01</td>
<td>0.219</td>
</tr>
<tr>
<td>Improved compensation management</td>
<td>4.07</td>
<td>0.156</td>
</tr>
<tr>
<td>Improved employee performance</td>
<td>4.19</td>
<td>0.058</td>
</tr>
<tr>
<td>Improvement in performance management system</td>
<td>4.22</td>
<td>0.089</td>
</tr>
<tr>
<td>Increased return on investments</td>
<td>4.28</td>
<td>0.141</td>
</tr>
<tr>
<td>Improved employee relations</td>
<td>4.30</td>
<td>0.216</td>
</tr>
<tr>
<td>Enhanced recruitment and selection process</td>
<td>4.31</td>
<td>0.221</td>
</tr>
<tr>
<td>Increased Job Satisfaction</td>
<td>4.41</td>
<td>0.056</td>
</tr>
</tbody>
</table>

Source: Author, 2015

The study found that human resource audit influenced various performance indicators in the banks. It was observed that human resource audit increased job satisfaction to a high extent (mean score = 4.41) in the banks. It also enhanced recruitment and selection
process (mean score = 4.31). Human resource audit improved employee relations (mean score= 4.30). Human resource audit increased return on investments (mean score= 4.28). Human resource audit improved performance management system (mean score= 4.22). Human resource audit improved employee performance (mean score= 4.19). Human resource audit improved compensation management (mean score= 4.07). Human resource audit improved health and safety of workers (mean score= 4.01).

This depicts that human resource audit influenced various performance indicators in the banks including the employee, shareholders and the organization in general. In agreement to this, Shiri (2012) asserts that the basic functions of the audit of conformity or of performance as an element of HR auditing 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.

4.5 Human Resource Audit Practices and Performance
According to Sekaran (2003), in a research project that included several variables, beyond knowing the means and standard deviation of the dependent and independent variable, the researcher would often know how one variable related to another. Correlation analysis indicates the nature, direction and significance of the bivariate relationship of the variables used in the study. Pearson’s correlation was used to establish the relationship between human resource audit Practices and performance of Commercial Banks.
The correlation matrix between dependent variable and independent variable are exhibited in Table 4.7 as below. The findings of this analysis are then compared against the objectives of the study.
Table 4.7: Pearson Inter-Correlation between the Variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>HR audit Practices</th>
<th>Performance of Commercial Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR audit Practices</td>
<td>1</td>
<td>0.697</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.00</td>
<td>0.032</td>
</tr>
<tr>
<td>N</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Performance of Commercial Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.697</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.032</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>79</td>
<td>79</td>
</tr>
</tbody>
</table>

** Correlation is significant at p<.05 level (2-tailed)

Inter-correlation analysis carried out to test the relationship between HR audit practices and performance of Commercial Banks showed a significant relationship (r=0.697, n=79, p<.05) between them. The relationship between the variable is significant with strong relationship.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this chapter, the finding of the study are summarized, concluded and recommendations provided. Additionally, recommendations for future research are also suggested.

5.2 Summary of the findings
The purpose of this study was to determine the effect of human resource audit on performance of commercial banks in Kenya.

The study revealed that the banks greatly use human resource audit frequently. There is one position within the banks that is accountable for overseeing and coordinating employee recruitment, selection and placement. Banks work force was relatively stable due to the increasing competition amongst the institutions in the financial sector. Training and development equips the employees with the appropriate knowledge and skills they require to undertake their duties. Majority of the banks have a policy clearly stating its position on employee compensation. The banks have clear policies and practices to ensure compliance with equal employment opportunity laws and other governmental regulations in relation to compensation, treatment of employees, selection, recruitment and placement.

The study found that human resource audit practices in the banks are intended to enhance efficiency and effectiveness of the Human Resource functions and are geared towards improving alignment between Human Resource function and corporate strategies. The banks offer forums that allow for regular interaction and information exchanges between
employees and management. The banks were found to provide a work environment that contributes to and demonstrates concern for employee safety, health and well-being. The banks management also fosters co-operative relations with the unions representing the employees and the union leaders in order to achieve the banks objectives.

The study found that human resource audit influenced various performance indicators in the banks and increased job satisfaction. It also enhanced recruitment and selection processes and employee relations. Human resource audit increased return on investments, improved performance management systems as well as employee performance. It also improved compensation management and health and safety of workers.

5.3 Conclusion
The objective in this study has been achieved whereby the results show that the banks human resource audit entails the examination of policies, procedures, documentation, systems and practices with respect to it’s human resource function. The management of the banks are committed to fostering co-operative relations with the unions representing the employees and the union leaders in order to achieve the banks objectives. Finally, human resource audit influenced various performance indicators in the banks including the employee, shareholders as well as the organization in general. Inter-correlation analysis carried out to test the relationship between HR audit practices and performance of Commercial Banks showed a significant and strong relationship between the variables.

5.4 Recommendations
Based on the findings, this study recommends that;

Management should focus on analyzing and improving the human resource function in the organization.
The human resource audit itself is a diagnostic tool, not a perspective instrument. Therefore the management should 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 should be applied on a sample basis of practices and systems for identifying problems and ensuring that sound accounting principles are followed.

5.5 Limitations of the study

There are certain limitations identified in the study.

This study used questionnaires in the collection of primary data and this proved to be a limitation in that some of the respondents did not get some of the questions clear.

This study was cross sectional as the data was collected within a certain period in time and this was a limitation in that had the data been collected over a spread out period of time, some of the respondent’s views could have probably varied.

This study was limited to the banking sector, specifically to the commercial banks in Kenya.

5.6 Suggestions for further studies

Based on the limitations identified in the study, the following suggestions arose.

This study suggests that future studies could explore other data collection methods such as interviews.

The study would suggest a longitudinal approach for further studies.

The study suggests that future studies expand into other industries and probably come up with a comparison between the findings.
REFERENCES


**APPENDICES**

**Appendix I: Questionnaire**

This questionnaire is designed to collect data on human resource audit practices and performance of commercial banks in Kenya. The data shall be used for academic purpose only and it will be treated with the confidentiality it deserves.

**Section A: Demographic Information**

1. Gender
   - Female [ ]
   - Male [ ]

2. Indicate where you fall among the following age brackets (years)
   - Below 25 [ ]
   - 25-34 [ ]
   - 35-44 [ ]
   - 45-50 [ ]
   - Above 51 [ ]

3. Level of education
   - Secondary Certificate [ ]
   - Diploma level [ ]
   - Bachelor's Degree Level [ ]
   - Masters Level [ ]
   - PhD [ ]

4. How long have you worked in the organization?
   - Less than 2 years [ ]
   - 2-5 years [ ]
   - 6-10 years [ ]
Part B: Human Resource Audit Practices

5. Please rate the frequency of Human Resource Audit in your organization.

Please tick the box of your choice

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</thead>
<tbody>
<tr>
<td>5.1 Very rarely</td>
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<tr>
<td>5.2 Less frequently</td>
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<td>5.3 Moderately frequent</td>
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<td>5.4 Frequently</td>
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<td>5.5 Very frequently</td>
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6. Is there one position within your bank that is accountable for overseeing and coordinating employee recruitment, selection and placement?

Yes [ ]

How stable is the bank’s workforce at large?

……………………………………………………………………………………
……………………………………………………………………………………
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7. What is the purpose of Training and Development in your bank?

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

8. Does your bank have a policy clearly stating it’s position on employee compensation?

Yes [ ]

If yes, is the policy linked to the bank’s management philosophy on compensating employees and reinforcing the values of the bank?
Yes [ ]  No [ ]

9. Rate on the scale of 1-5 where:

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

Does the bank have clear policies and practices to ensure compliance with equal employment opportunity laws and other governmental regulations as they relate to;

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<tbody>
<tr>
<td>Recruitment</td>
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<td>Selection</td>
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<td>Placement</td>
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<td>Compensation</td>
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<td>Treatment of employees</td>
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10. Please rate the following statements in regards to Human Resource Audit practices in your bank. Tick only one box against each statement. 
Rate on the scale of 1-5 where:

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

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<tbody>
<tr>
<td>My bank has been undertaking human resource audit for more than 10 years.</td>
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<td>My bank offers forums that allow for regular interaction and information exchanges between employees and management.</td>
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</table>
The workplace rules in my bank are flexible.

Human resource audit in my bank is linked to the overall bank’s strategy

Human Resource Audit is used in my bank to inform training and development decisions

Human Resource audit in my bank is intended to enhance efficiency and effectiveness of the Human Resource functions.

Human resource audit in my bank is geared towards improving alignment between Human Resource function and corporate strategies.

The scope of Human Resource Audit in my bank covers all policies, strategies, procedures, systems and activities.

Human Resource Audit in my bank is geared towards evaluating contribution of the Human Resources other functional areas.

11. Does the bank provide a work environment that contributes to and demonstrates concern for employee safety, health and well being?

Yes [ ] No [ ]

12. Does your bank’s management foster co-operative relations with the unions representing the employees and the union leaders in order to achieve the bank’s objectives?

Yes [ ] No [ ]

Section C: Organization Performance

1. What extent are the following performance indicators influenced by human resource audit in your bank?

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<tr>
<td>Improvement in health and safety of workers</td>
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<td>Improvement in performance management system</td>
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<td>Enhanced recruitment and selection process</td>
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<td>Improved compensation management</td>
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<tr>
<td>Improved employee performance</td>
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<tr>
<td>Improved employee relations</td>
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<td>Increased return on investments</td>
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<tr>
<td>Increased Job Satisfaction</td>
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Thank you for your time and cooperation.