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## *A Study on Effectiveness of HR Practices through HR Audit Practices of Mando Limited*

**Dr. I. Adaikalasamy**

Assistant professor of Commerce  
Mother Gnanammal women's college  
Varadarajanpet.Po. Ariyalur.Dt – India

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**Abstract:** *Indian Industrial organizations are gradually realizing the benefits of HR audits to their business in the short and long runs. Since it is not mandatory, many Indian firms ignored carrying out HR audits. However, recent factors like rising cost of human resources, the compulsion to reduce the cost of production due to intense competition in the market, and other business challenges acted as an eye-opener for many of the companies in realizing the utility value of HR audit. In the research domain of Mando Automotive India Limited the researcher identified the existing HR Audit practices. Employee's perception on HR audit practices in Mando culminates the whole research work.*

**Keywords:** *HR Audit, HR practices, Organization, Perception, Association and Classification.*

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### I. INTRODUCTION

Organizations are managed by people and through people. Without people, organizations can never exist. Indeed, people who make up the human resources of a company are unique and they can make or break an organization, depending upon their level of commitment, contribution and cooperation. Ineffective and misaligned HR policies and practices can cause damages to the sensitive industrial relations and bring employee-related liabilities in the form of legal suits against organization. HR audit ensure HRM processes are effectively aligned with the corporate strategies so that the firm gets a competitive advantage out of its human resources. This compels to study employee perception on HR audit practices.

#### 1. Human Resource Audit- an overview

HR effectiveness tools such as HR audit are concerned with the examination and evaluation of the policies, procedures and practices with reference to the human resource of the organization. It is a periodic review to measure the efficiency and effectiveness of Human Resource Management. HR auditing attempts:

1. To review the entire system of procuring, developing, allocating and utilizing the human resources in an organization
2. To evaluate the extent of implementation of the human resource policies and practices of an organization
3. To measure the HR department's record of compliance with the statutory provisions regarding hiring, compensation, safety and health, dispute settlement, etc.
4. To have an improved control over and check on all internal operations of the organization
5. To evaluate the performance of the staff looking after HRM function.

## II. MANDO AUTOMOTIVE INDIA LIMITED

Mando India Ltd., located at Chennai, was set up in 1997 in collaboration with Mando Corporation, Korea for the manufacture of state-of – the- art brake systems, strictly to Mando specifications. The company received many awards. The company has also been awarded the Asia’s Best Employer Brand Award, the Global HR Excellence Award, 2011, the Performance Management Award, the IFTDO Award amongst others.

## III. OBJECTIVES

The main focus of this paper is to clarify the employee’s perception over HR auditpractices in the private sector organization Mando Automotive limited.

The study also focuses on the various existing HR practices leading to Organizational effectiveness.

## IV. REVIEW OF LITERATURE

Jack J.Phillips(2001) defines HR audit as an investigative, analytical and comparative process that attempts to reflect the effectiveness of the human resource functions. HR audit is a systematic assessment of the strengths, limitations and developmental needs of its existing human resources in the context of organizational performance by Eric G. Flamholtz. According to Khatri (1999), People are one of the most important factors providing flexibility and adoptability to organizations. (Huselid, 1995) noted Productivity is influenced by employee motivation. Financial performance is influenced by employee skills, motivation and organizational structures.

## V. NEED OF THE STUDY

Although there is no legal obligation to conduct HR Audit, it is considered important for improving the performance of human resource, controlling the cost of labor and meeting the challenges of the trade union. It is clear that study in the HR Audit sector is very limited. So it is necessary to find out the organizations that have HR Audit practices and to study employee’s perception on HR Audit practices.

## VI. RESEARCH METHODOLOGY

The study is done with the help of primary Data.200 staff respondents were selected for collecting the data with the help of a questionnaire. For analyzing the data, I have used Cluster analysis and tools.

## VII. ANALYSIS AND DISCUSSION

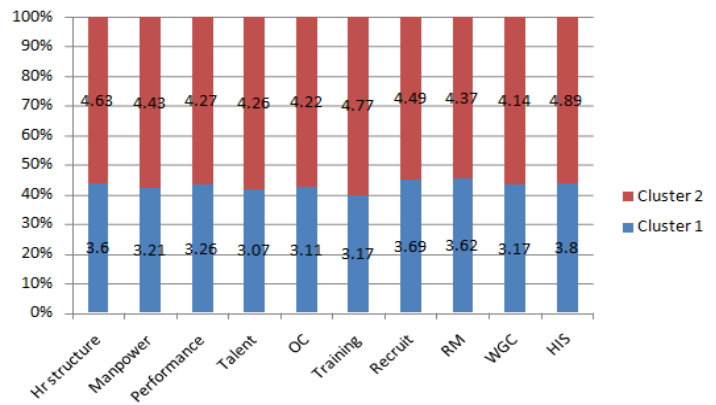
### 7.1 Classification of Staff on the basis of the existing HR Audit practices

After reviewing national and international literatures the researcher identified 10 HR Audit practices prevailing in Mando for staff. They are as follows. HR Structure, Man power, Performance Management, Talent identification, Creation and Retention, Organization Culture, Training, Recruitment, Selection & Induction, Record maintenance, Women’s Grievance Committee and Human Information System. On the basis of these the perceptual difference among the staff are classified through cluster analysis as stated in the following tables.

**Final Cluster Centers**

	Cluster 1	Cluster 2
Hr structure	3.60	4.63
Manpower	3.21	4.43
Performance	3.26	4.27
Talent	3.07	4.26
OC	3.11	4.22
Training	3.17	4.77
Recruit	3.69	4.49
RM	3.62	4.37
WGC	3.17	4.14
HIS	3.80	4.89

\* source: Primary Data



**Number of Cases in each Cluster**

<b>Cluster</b>	<b>1</b>	<b>34.000</b>	<b>17%</b>
	<b>2</b>	<b>166.000</b>	<b>83%</b>
<b>Valid</b>		<b>200.000</b>	

\* source: Primary Data

From the above table it is found that the first cluster consist of 17% of employees who moderately agree the HR practices and disagree with training methods. Therefore the group of employees can be named *Mechanical employees*. The second group consist of 83% of employees strongly agree for the HR practices. Hence they can be named as *Optimistic employees*.

**7.2 Association between perceptual difference among staff regarding HR Audit practices**

Factor analysis followed by cluster analysis classified the Staff and OE's in to two heterogeneous groups respectively. The association between these groups under the demographic characteristics is presented in the following associations.

**7.2.1 Association between Gender of staff & Clusters of Staff**

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with male and female are presented in the following table.

**Crosstab**

		<b>Gender</b>		<b>Total</b>	
		Male	Female	1.00	
<b>Mechanical Employees (M E)</b>	1	Count	27	7	34
		% within staffcluster	79.4%	20.6%	100.0%
<b>Optimistic Employees (O E)</b>	2	Count	139	27	166
		% within staffcluster	83.7%	16.3%	100.0%
<b>Total</b>		Count	166	34	200
		% within staffcluster	83.0%	17.0%	100.0%

\* source: Primary Data

From the above table it is found that majority of the Mechanical employees 79.4% are male employees and 83.7% of Optimistic employees are found in the male group. This leads to computation Chi- Square statistics as presented in the table below

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.374(b)	1	.541		
Continuity Correction(a)	.130	1	.718		
Likelihood Ratio	.359	1	.549		
Fisher's Exact Test				.616	.348
Linear-by-Linear Association	.372	1	.542		
N of Valid Cases	200				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.78.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics .374 and  $p = .541$  are statistically insignificant at 5% level. Therefore it can be concluded that there is no association between the perceptual difference among staff regarding HR Audit practices and their gender. Male and Female employees have cohesive perception regarding HR Audit practices at Mando.

**7.2.2 Association between Age Group of staff & Clusters of Staff**

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with below 20 years, 20-30, 30-40 and 40 – 50 years are presented in the following table.

**Crosstab**

		Age			Total	
			20-30	30-40	40-50	2.00
M E	1	Count	21	12	1	34
		% within staffcluster	61.8%	35.3%	2.9%	100.0%
O E	2	Count	33	111	22	166
		% within staffcluster	19.9%	66.9%	13.3%	100.0%
Total		Count	54	123	23	200
		% within staffcluster	27.0%	61.5%	11.5%	100.0%

\* source: Primary Data

From the above table it is found that 61.8% of Mechanical Employees are found to be in the age group 20 -30 and 13.3% of Optimistic Employees are distributed over the age group of 40 – 50. It is further found that 2.9% Mechanical Employees are distributed in the age group of 40 – 50 and 66.9% of Optimistic Employees are found in the age group of 30 – 40. This leads to computation Chi- Square statistics as presented in the table below

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.520(a)	2	.000
Likelihood Ratio	23.313	2	.000
Linear-by-Linear Association	21.193	1	.000
N of Valid Cases	200		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 3.91.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics 25.520 and  $p = .000$  are statistically significant at 5% level. Therefore it can be concluded that there is association between the perceptual difference among Staff regarding HR Audit practices and their age group. The employees in different age group have different perception regarding HR Audit practices at Mando.

**7.2.3 Association between Education of staff & Clusters of Staff**

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with Diploma, Graduate, Post Graduate and others are presented in the following table.

**Crosstab**

		Education					Total
			Diploma	Graduate	P. G	Others	1.00
M E	1	Count	15	17	2	0	34
		% within staffcluster	44.1%	50.0%	5.9%	.0%	100.0%
O E	2	Count	3	139	23	1	166
		% within staffcluster	1.8%	83.7%	13.9%	.6%	100.0%
Total		Count	18	156	25	1	200
		% within staffcluster	9.0%	78.0%	12.5%	.5%	100.0%

\* source: Primary Data

From the above table it is found that 50% of Mechanical Employees are Graduate and 83.7% of Optimistic Employees are distributed over to Graduates. It is further found that 44.1% of Mechanical Employees are Diploma holders and 13.9% Optimistic Employees are distributed in the category of Post graduates. This leads to computation Chi- Square statistics as presented in the table below

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.889(a)	3	.000
Likelihood Ratio	44.754	3	.000
Linear-by-Linear Association	31.951	1	.000
N of Valid Cases	200		

a 4 cells (50.0%) have expected count less than 5. The minimum expected count is .17.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics 61.889 and  $p = .000$  are statistically significant at 5% level. Therefore it can be concluded that there is association between the perceptual difference among Staff regarding HR Audit practices and their Educational qualification. The employees in different educational qualification have different perception regarding HR Audit practices at Mando.

**7.2.4 Association between Region of staff & Clusters of Staff**

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with East, North, Northeast, South and West are presented in the following table.

**Crosstab**

		Region					Total	
			East	North	N.East	South	West	1.00
M E	1	Count	2	1	1	30	0	34
		% within staffcluster	5.9%	2.9%	2.9%	88.2%	.0%	100.0%
O E	2	Count	10	23	3	122	8	166
		% within staffcluster	6.0%	13.9%	1.8%	73.5%	4.8%	100.0%
Total		Count	12	24	4	152	8	200
		% within staffcluster	6.0%	12.0%	2.0%	76.0%	4.0%	100.0%

\* source: Primary Data

From the above table it is found that 88.2% of Mechanical Employees are found to be in south region and 13.9% of Optimistic Employees are distributed over the region of north. It is further found that no Mechanical Employees are found in

west region and 6% of Optimistic Employees are found in the region of east and 2.9% of Mechanical employees are found in the region of northeast. This leads to computation Chi- Square statistics as presented in the table below

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.429(a)	4	.246
Likelihood Ratio	7.722	4	.102
Linear-by-Linear Association	.811	1	.368
N of Valid Cases	200		

a 5 cells (50.0%) have expected count less than 5. The minimum expected count is .68.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics 5.429 and  $p = .246$  are statistically insignificant at 5% level. Therefore it can be concluded that there is no association between the perceptual difference among Staff regarding HR Audit practices and their region. The employees in different regions have identical perception regarding HR Audit practices at Mando.

### 7.2.5 Association between Employment status of staff & Clusters of Staff

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with shop floor and staff are presented in the following table.

### Crosstab

		Employment			Total	
			Shop-floor	Staff	Others	1.00
M E	1	Count	6	28	0	34
		% within staffcluster	17.6%	82.4%	.0%	100.0%
O E	2	Count	58	107	1	166
		% within staffcluster	34.9%	64.5%	.6%	100.0%
Total		Count	64	135	1	200
		% within staffcluster	32.0%	67.5%	.5%	100.0%

\* source: Primary Data

From the above table it is found that 82.4% mechanical employees are found to be in the shop floor and 34.9% of Optimistic Employees are distributed over staff of Mando. This leads to computation Chi- Square statistics as presented in the table below

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.181(a)	2	.124
Likelihood Ratio	4.695	2	.096
Linear-by-Linear Association	2.980	1	.084
N of Valid Cases	200		

a 2 cells (33.3%) have expected count less than 5. The minimum expected count is .17.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics 4.181 and  $p = .124$  are statistically insignificant at 5% level. Therefore it can be concluded that there is no association between the perceptual difference among Staff regarding HR Audit practices and their employment status. The employees of different employment status have the same perception regarding HR Audit practices at Mando.

**7.2.6 Association between Experience of staff & Clusters of Staff**

The two clusters of Staff namely Mechanical employees and Optimistic Employees and their association with 1-5 years, 5-10, 10-15, 20 above are presented in the following table.

**Crosstab**

		Experience				Total	
		1-5yrs	5-10yrs	10-15yrs	20 above	1.00	
M E	1	Count	13	13	6	2	34
		% within staffcluster	38.2%	38.2%	17.6%	5.9%	100.0%
O E	2	Count	7	118	38	3	166
		% within staffcluster	4.2%	71.1%	22.9%	1.8%	100.0%
Total		Count	20	131	44	5	200
		% within staffcluster	10.0%	65.5%	22.0%	2.5%	100.0%

\* source: Primary Data

From the above table it is found that 38.2% of Mechanical Employees are found to be in 1- 10 years of experience and 71.1% of Optimistic Employees are distributed over the 5-10 years of experience. It is further found that 17.6% Mechanical Employees are distributed in the 10- 15 years of experience and 1.8% of Optimistic Employees are found above 20 years of experience. This leads to computation Chi- Square statistics as presented in the table below

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.534(a)	3	.000
Likelihood Ratio	29.944	3	.000
Linear-by-Linear Association	6.950	1	.008
N of Valid Cases	200		

a 3 cells (37.5%) have expected count less than 5. The minimum expected count is .85.

\* source: Primary Data

From the above table it is found that the Pearson Chi-Square statistics 39.534 and  $p = .000$  are statistically significant at 5% level. Therefore it can be concluded that there is association between the perceptual difference among Staff regarding HR Audit practices and their years of experience. The employees in different years of experience have different perception regarding HR Audit practices at Mando.

**VIII. CONCLUSION**

From the above study the researcher identified three associations between the perceptual difference among staff regarding Hr audit practices and their age group, Educational Qualification and years of Experience. The study urges the organization to improve the ability of the company to attract the best talents. HR department has to redraft the job specification statement with increased emphasis on the multi- skills of the prospective applicants.

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**AUTHOR(S) PROFILE**



**Dr. I. Adaikalasamy** received Doctorate in Commerce from Bharathidasan University in 2015. Now working as Assistant Professor of Commerce in Mother Gnanammal Women’s College affiliated in Bharathidasan University. He is also guest lecturer for Immaculate College, Viriyur, St. Joseph’s college in Kovour.