

HR Audit: Auditing HR Practices of Public and Private Companies

Jothilakshmi M*

Department of Management Studies, V.V.Vanniaperumal College for Women, Virudhunagar, Tamilnadu, India

Abstract

The people in an organization are the prime sources have to be effectively allocated and engaged in various affairs of business. Many Indian companies are handling innovative practices to motivate and retain their talented pool. It has to be assured by a systematic procedure which is called HR audit that is deliberate and detailed analysis of HR standards. This paper mainly emphasizes the HR practices of public and private companies and their styles of handling their employees and their set of norms, rules of regulations towards people. Organizations belong to private and public industries are differed based on their capabilities and their freedom to operate. This study aims to audit the HR practices of one public and private company. Instead of criticism auditing the HR practices of those is the main motive of the study. BSNL a government owned company and Reliance communication have taken for this study. Both companies are represented public and private respectively. Through this study, we could easily and visibly understand the framework made by both sectors towards their people. The difficulties and problems are common to them but in different extent. This paper is not one to compare each, reveal and audit the public and private company's strengths and weaknesses towards their employees.

Keywords: Talent pool; HR audit; Public and private companies

Introduction

In the current competitive business climate, the companies in various industries are tries to enhance their competence level to survive in the market. To achieve their goals they have to comply with the dynamic pressures such as technology changes increased competition etc. The performance of an organization can be improved only through improved employee performance. Recruitment, training, compensation, conflict management and motivation all these are common functions of Human resource management. All these functions/activities have to be reviewed and evaluated in order to ensure the efficient HR policies and management system [1].

"Annual/quarter/need basis evaluation of HR functions of an organization is referred as HR Audit". The scope of an HR audit can range from a simple review of workplace policies to an extensive examination of practices, policies, procedures and measurements to determine how close the alignment is between the organization's strategic goals, direction and HR functions that support the company's strategy. HR audit May either evaluate the company's operational HR policies, practices and processes or review of current HR indicators [2].

An organization's HR Expertise and experienced person could do the in-house HR audit mostly an outside consultant is required to lessen the biases and prejudices in the auditing process [3]. There are some common types in auditing that are: 1) compliance with current federal, state and local laws and regulations 2) evaluating the HR policies and practices 3) focuses on the strengths and weaknesses of the HR system and 4) evaluate the specific HR functions such as Pay roll, training, documentation, compensation and benefits.

The performance details of the HR department obtained by some sources that are; documents, reports, complaints and various methods are used to audit the HRM system that are: 1) Observation 2) Interview method (Individual/group) 3) Questionnaire method 4) 360° review 5) Workshop 6) Assessment center. Finally the purposes of HR audit is not only assess the quality of existing human resource practices, also tries to identify the gaps in HR system, reduce the problems and also helps to achieve and maintain world-class competitiveness in key HR practice areas [4].

Why do HR audit? There are some necessary reasons to audit the HR practices that are: Provide business with a clear indication of where it stands with the current legislation, Highlights specific opportunities for change to improve by comparing existing practices to current legal requirements, Clarifies correct procedures for those areas that are unsure of, Reduces area for risk, thereby saving time and money and the audit report also delivers recommendations to help you achieve best practice, over and above legal compliance [5,6].

Statement of the Problem

The research problem of the study evaluates the systematic framework of HR policies, practices and procedures of public and private company in India based on secondary data.

Scope of the Study

For the research, Human Resource departments of BSNL and the Reliance Communication have taken. The companies HR schemes towards their employees are evaluated.

Objectives of the Study

- To audit the HR system in BSNL and Reliance Communication.
- To know the effective HR practices in BSNL and Reliance Communication.
- To compare the standards of BSNL and Reliance communication's Human Resource management system.

***Corresponding author:** Jothilakshmi M, Department of Management Studies, V.V.Vanniaperumal College for Women, Virudhunagar, Tamilnadu, India, Tel: 04562 243 540; E-mail: jothilakshmi510@gmail.com

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Strengths of HR System	Problems
<ul style="list-style-type: none"> By new recruitment cell, fresher's are recruited through Union Public Service Commission (UPSC). Effective training program to each cadre of employees. BSNL has pool of more than 3 lakhs of highly talented employees. Among 30,000 executives, 10,000 are Graduate Engineers. A proposal for providing uniforms to 50,000 linesmen across the country. Awards to recognize the employees in sales and marketing. 	<ul style="list-style-type: none"> Poor Grievances solving procedure. Laws and regulation, policies are not formulated well. Poor HR management. Poor leadership. Different unions for different cadres of employees. Poor working environment.

Table 1: A Public Sector Company–Bsnl.

Strengths of HR System	Problems
<ul style="list-style-type: none"> Ranked as 6th 'Best Companies to Work for in India' by <i>Business Today</i> on 2011. People friendly HR policies. Attractive salary package. Good working environment and culture such as Fun Fridays, Monthly celebrations, parties and festival celebrations. 	<ul style="list-style-type: none"> Inadequate procedures to reduce attrition rate. Incentives are not adequate. HR policy is not reviewed and restructured frequently. Poor HR policies.

Table 2: A Private Sector Company–Reliance.

Research Methodology

Sources of data

Secondary data are collected through books, journals, magazines, HR auditing websites and auditing reports of companies.

BSNL

Bharat Sanchar Nigam Limited (abbreviated BSNL) is an Indian state-owned telecommunications company headquartered in New Delhi, India. It was incorporated on 15 September 2000. It took over the business of providing of telecom services and network management from the erstwhile Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO), with effect from 1 October 2000 on going concern basis. It is the largest provider of fixed telephony and fourth largest mobile telephony provider in India, and is also a provider of broadband services. Recently BSNL faces many financial and people management problems. And the following is the report of HR audit conducted in BSNL [7].

KPMG, a global management consultant firm was appointed by BSNL at a cost of Rs 64.20 lakhs to realizing the need for strengthening the HR functions in the organization to achieve the goals. The HR auditing committee submitted two sets of their reports on five human resource deliverables that are: 1) Personnel policy 2) Manpower planning 3) Norms for staffing 4) Incentives/performance appraisal and 5) Conduct and disciplinary rules. The following are few of the recommendations of the HR audit process to the company:

- The company was advised to prepare man power planning and manuals.
- The Company was advised to formulate a recruitment policy to give a definite direction to the process of recruitment to its different cadres.
- The Company should formulate a well-defined, fair and transparent transfer policy based on the consultant's recommendations (Table 1).

Reliance communication

Reliance Communications Ltd. (commonly called RCOM) is an Indian Internet access and Telecommunications Company headquartered in Navi Mumbai, India. RCOM is India's second largest telecom operator. It is the 15th largest mobile phone operator with over 150 million subscribers. It is a subsidiary of Reliance Group [8] (Table 2).

Findings

BSNL

a. Interview conducted from employees of BSNL revealed the dissatisfaction towards the HR management system. The grievances are not rectified and many cases are still in pending against BSNL administration by their employees.

b. There is no control over non-executives (Group C and Group D) in BSNL and it leads to disciplinary issues, they are directed and backed by Trade unions.

Reliance communication

The Reliance has been offering excellent working atmosphere to their employees and also many training programs to enhance the technical skills. Some issues related to the HR system such as poor incentives causes low level of dissatisfaction among employees.

Recommendations

a. As a public sector entity, the problems regarding HR system of the public company could be regulated and systemized by Ministry of Communications and Information Technology, Department of Telecommunication.

b. Disciplinary mechanism in the public company can be strengthened.

c. The working culture of Reliance Communication is difficult for the employees to adopt and they need minimum 3 years to adopt themselves to the organization culture. To avoid this problem, orientation training to the fresher's will be helpful.

Conclusion

The research has taken two companies from Telecommunication industry one is BSNL, an Indian state owned company, and Reliance is another private concern owned by Anil Ambani. Even though both service based companies are almost having similar kinds of processes they have mass differences in their HR systems. From the study it can be conclude that both public and private companies are alike in carrying out the HR practices in effective manner as well public companies are facing some allegations and also they are tailoring their HR practices regarding the organizational size, financial capabilities, legal issues and the competition in markets. We could find some problems in public sector company than private sector due to some reasons such as number of labor associations and unions, accountability of officials and the heavy competition etc.

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