

## Situations When the Personnel Audit Is Used in the Company

Martin Andrejčák

---

**Abstract:** *The issues of acquisition, selection, management, and human resources management are among the more resonating problems in theory as well as practice. Especially in the currently developed financial and economic crisis one of the most important tasks of management of enterprises/companies is to have “good human resource management”,<sup>1</sup> which is a source of information about the human capital resources not only in terms of the potential the individuals/employees have, or as whole working groups/teams, but especially in terms of the quality of the processes that exploit this potential, either contribute to it or vice versa – to cause the loss of it. This paper describes the situations when the personnel audit is used as well as provides partial results of the conducted monitoring. This paper was created within the project VEGA 1/0053/2012.*

**Key Words:** *Personnel Audit; Human Capital; Acquisition; Human Potential.*

---

### Introduction

The issues of acquisition, selection, management, and human resources management are among the more resonating problems in theory as well as practice. Especially in the currently developed financial and economic crisis one of the most important tasks of management of enterprises/companies is to have “good human resource management”,<sup>2</sup> which is a source of information about the human capital resources not only in terms of the potential the individuals/employees have, or as whole working groups/teams, but especially in terms of the quality of the processes that exploit this potential, either contribute to it or vice versa – to cause the loss of it. The above-mentioned is related to the basic definition of the personnel audit which is defined as “a form of systematic valuation of all

---

<sup>1</sup> KUNASZ, M. Intellectual Capital – A New Source of Competitive Advantage. *Economics & Sociology*. 2008, vol. 1, no. 1, pp. 50-57. ISSN 2071-789X.

<sup>2</sup> KUNASZ, M. Intellectual Capital – A New Source of Competitive Advantage. *Economics & Sociology*. 2008, vol. 1, no. 1, pp. 50-57. ISSN 2071-789X.

policies and programs of human resource management in the organization,"<sup>3</sup> while human resource management means "a logical and strategic approach to the people who make up an important source for the organization to the achievement of the set objectives."<sup>4</sup>

Acquisition of information on the status and level of human resource management in the company is subject to the personnel audit, the importance of which, as illustrated by the current theoretical and practical knowledge, continues to grow especially in the context of realizing the importance of quality of human resources in the company and the quality of their management in the direction of competitive benefits of the enterprise/company. On the other hand, the importance of personnel audit should be seen as a particular method which cannot only uncover and identify "bottlenecks", respectively risk factors and shortcomings in the state and structure of human resources in the company; it also has to uncover and identify the strengths of the human resources of the firm/company, and as a consequence also to analyze their level of efficiency in terms of strategic goals and objectives of the company.<sup>5</sup>

Multinational companies understand human resources and efficient management as one of the most valuable resources, while they are seen as one of the important and irreplaceable factors for competitive advantage.<sup>6</sup> As such, they are constantly under review, study, analysis, and control of various processes that take place in the enterprise. Among the procedures and methods that companies do to achieve this goal is using the personnel audit. This acquired knowledge and information allow especially multinationals and corporations systematically to develop human resources in accordance with the needs and visions of the company even in intercultural business environment, which is inherent in the present stage of development of the internationalization processes taking place in the world, enabling to find effective human resource manage-

---

<sup>3</sup> HERCUS, T. and D. OADES. The Human Resources Audit: An Instrument for Change. *Human Resource Planning*. 1982, vol. 5, no. 1, pp. 43-49. ISSN 0199-8986.

<sup>4</sup> ARMSTRONG, M. *Řízení lidských zdrojů: Nejnovější trendy a postupy*. 10. vyd. Praha: Grada, 2007. 789 p. ISBN 978-80-247-1407-3.

<sup>5</sup> SZARKOVÁ, M. et al. *Personální marketing a personální management*. 1. vyd. Bratislava: Ekonóm, 2013. 265 p. ISBN 978-80-225-3594-6.

<sup>6</sup> MRAČEK, P., J. VESELÁ and R. ZICH. Co-Creation in the Image Development in Car Industry: Possibilities and Limits. *Trendy ekonomiky a management*. 2012, roč. 6, č. 12, pp. 114-127. ISSN 1802-8527.

ment practices in multinational companies with a high degree of interculturality and disparity.<sup>7</sup>

### Usage of personnel audit

According to the scientific literature personnel audit is most often used in the following situations:

*Change in corporate ownership:* Recently, with the liberalization and access of companies to foreign markets there is a trend of emerging cooperation of corporations through various partnerships. Cooperation can bring many advantages and resources of cooperating organizations. Instruments of cooperation often become mergers and acquisitions, leading to a larger market share.<sup>8</sup> Most often they occur within one industry. The merger is a merger of two or more organizations in the new venture that creates a single identity for the resulting corporation. The acquisition is a takeover, in which the acquired organization totally absorbs and ceases to exist. These situations are, of course, also reflected in the management of human resources and one of the tools that can help in these situations is just personnel audit.

*Introduction of new objectives and strategies:* By achieving excellence the company is currently at a crossroads. Drastic changes are forcing businesses to the rapid transformation of the mission, vision, basic values, core competences, management style, and the like. Any change revolves around people that must change the settings of their mind, behaviour, and motivation level. Personnel management strategy “can play an important role in helping the company to achieve change.”<sup>9</sup> Strategy and objectives play role in any business. In today’s highly competitive environment should be given much attention to setting goals and strategies. Management objectives and strategies use forms for implementing development plans which are usually essential for the entire organization. While the targets relate to a shorter period of time, the strategy is a long-term nature. Since the objective of a particular strategy affects the

---

<sup>7</sup> SZARKOVÁ, M. *Psychológia pre manažérov a podnikateľov*. 1. vyd. Bratislava: Sprint, 2004. 278 p. ISBN 80-89085-36-9.

<sup>8</sup> STAHL, G. K., I. BJÖRKMANN and S. MORRIS, eds. *Handbook of Research in International Human Resource Management*. 2<sup>nd</sup> ed. Cheltenham; Northampton: Edward Elgar Publishing, 2012. 593 p. ISBN 978-1-84980-918-4.

<sup>9</sup> KALYANI, M. and M. P. SAHOO. Human Resource Strategy: A Tool of Managing Change for Organizational Excellence. *International Journal of Business and Management*. 2011, vol. 6, no. 8, pp. 280-286. ISSN 1833-3850.

whole society, it relates to the field of human resources which must be in accordance with the newly-set objectives or strategies. For these changes means an appropriate instrument the application of personnel audit.

*Transformation of business organization:* Businesses are constantly over time changing and evolving, which is related to the organizational structure. "Over the last decade most companies are trying to get rid of waste. Dismissal of employees, removing layers of management, consolidation, need to increase profits, re-engineering, and a focus on quality meant a change of focus on greater efficiency, process improvement, and removal of costs."<sup>10</sup> Reasons to reorganize the structure of the undertaking lead, for example, to fundamental changes, removal of the original shortcomings, expensiveness, upgrading, etc. By the choice of organizational structure several factors must be taken into account. An important factor is the chosen strategy which must be suitably adapted to the structure. Another factor is, for example, size of the business – the growth of the size usually changes also the structure. Furthermore, the choice of technology, for example, affects the organization and stability of the environment. Reorganization of structures also touches the human resources. Personnel audit can help to achieve consistency between the organization and management of human resources management.

*The need to improve business performance:* High competition forces the companies to constantly evolve, change, and react flexibly to different requirements. Enterprise to prosper in this environment must constantly search for areas in which it is possible further to improve. One of these areas are human resources. "Employees play a key role in achieving the company and it is necessary to understand the importance of perception and employee behaviour in the relationship between human resources and performance. Employees were surprisingly neglected by early research and their absence was often the basis for criticism of human resources management. It can be said that it is necessary to clarify the process of linking human resource management with the performance of the enterprise, which can lead to a better understanding of human resource management employees."<sup>11</sup> Proper implementation of a personnel audit can reveal weaknesses in human resources which should be given special

---

<sup>10</sup> ULRICH, D. *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. 1<sup>st</sup> ed. Boston: Harvard Business School Press, 1997. 281 p. ISBN 0-87584-719-6.

<sup>11</sup> GUEST, D. E. Human Resource Management and Performance: Still Searching for Some Answers. *Human Resource Management Journal*. 2011, vol. 21, no. 1, pp 3-13. ISSN 1053-4822.

attention; it can attention to the things that have scope for further development. Therefore, personnel audit can contribute to the overall improvement in business performance.

*The need to assess the human potential in the enterprise:* Proper forming and efficient use of human resources for the successful functioning of the organization is an important component for the prosperity of the company. This area has a strategic importance for the company. It is important not only for getting quality in human potential, but also for its further improvement, in form and content. For effective management of human resources, companies need to arise the objective assessment of their human potential. Entirely human potential can evaluate personnel audit. "Currently, in the full global and technological change, it is necessary to seek, recruit, and maintain talent. As sports clubs aggressively seek and employ the best athletes, businesses must be more aggressive in fighting the best employees."<sup>12</sup> "The changing workforce, global competition, advances in information technology, new knowledge, global recession, and requirements for sustainable performance forced the owners and managers of companies to examine and rethink how to manage and businesses. Reaction to the use of new technologies, changing of the business structure, reprocessing methodology, variation and movement of labor, and improving work processes. These changes have a significant impact on how should human capital be lead and personnel functions should operate. More than ever company efficiency depends on its ability to solve problems, manage talent as well as to manage knowledge, manage changes and capacity building. The key question is whether recruiters are able to seize this opportunity to bring effective solutions."<sup>13</sup> Personnel audit, of course, not only operates in the following "typical" situations, it is also carried out by businesses that are interested in maintaining the quality level of human resources, corporate climate, and culture of the company.

*The need to assess the structure of employees of the enterprise:* Assessment structure of employees as the essential role of human resources personnel audit is devoted by F. Pryor.<sup>14</sup> It is based on the analy-

---

<sup>12</sup> ULRICH, D. *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. 1<sup>st</sup> ed. Boston: Harvard Business School Press, 1997. 281 p. ISBN 0-87584-719-6.

<sup>13</sup> LAWLER III, E. E. and J. W. BOUDREAU. *Creating an Effective Human Capital Strategy*. *HR Magazine*. 2012, vol. 57, no. 8, pp. 57-59. ISSN 1047-3149.

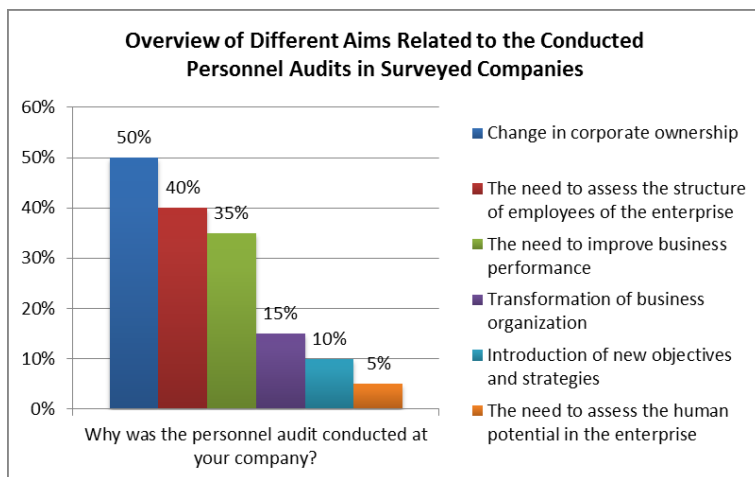
<sup>14</sup> PRYOR, F. L. *The Future of U. S. Capitalism*. 1<sup>st</sup> ed. Cambridge: Cambridge University Press, 2002. 447 p. ISBN 0-521-81358-1.

sis of statistical data describing the current momentum of globalization on four phenomena characterized by the following factors to be considered when implementing a personnel audit: the growing importance of international trade, labor migration, international capital flows, and information flows. Teams with individuals of all ages, sexes, nations, cultures, graduates from various universities who have various mental and physical abilities, etc. are just one result of the globalization process. Personnel audit in general, according to F. Pryor, has to answer the questions: How to lead and effectively manage occupational culturally diverse team? Are culturally diverse teams a diverse threat or advantage for multicultural organization? What are the risks of such teams and what are their advantages? These are questions you must ask in every business/corporation with a culturally diverse workforce; these issues are also aspects that must be in focus of an efficient personnel audit.

### **Partial results of the monitoring**

The partial results of the monitoring provide an interesting overview of the different aims related to the conducted personnel audits in surveyed companies (Graph 1). These companies were based in Slovakia with not only the Slovak, but also with international equity participation. As it was predicted, the highest percentage of the companies conducted the personnel audit due to the change in corporate ownership, when the personnel audit was instructed by the mother company as a result of the change in ownership in order to value the human potential in the enterprise as well as the structure of the employees. These are the main aims of the personnel audits conducted in the surveyed companies. The interesting part is that there is an increasing trend in the execution of the personnel audit in even smaller and middle-sized companies with the pure Slovak ownership, where this audit is viewed as the function or tool of human resource management that can help the organization to undergo changes and also to improve the overall performance of the company. The surveyed managements of the companies are starting to use the personnel audit in cases where any deeper change in the organization structure could impact the everyday life of each of their employees and hence decrease their performance.

Graph 1 Overview of Different Aims Related to the Conducted Personnel Audits in Surveyed Companies



Source: Own processing.

## Conclusion

In the current global work environment, most companies focus on lowering employee turnover and retaining the talent and knowledge held by their workforce. New hiring not only entails a high cost but also increases the risk of the newcomer not being able to replace the person who was working in that position before. Human resources departments also strive to offer benefits that will appeal to workers, thus reducing the risk of losing knowledge. Currently, managements of every company must direct issues of recruitment and selection of the right people/staff/managers in the company and their efficient management and leadership towards achieving business objectives. In the early days, personnel audit was used to identify the strengths and weaknesses in human resources of the firm and to identify gaps in the effective management of multinational corporations/companies, but currently it is considered to be a method or even function of the human resource management that can obtain relevant information on human resources, their performance and utilization in order to improve business performance and provide higher yield from the inputs that enter the transformation process, while making the company more successful.

## References

- ARMSTRONG, M. *Řízení lidských zdrojů: Nejnovější trendy a postupy*. 10. vyd. Praha: Grada, 2007. 789 p. ISBN 978-80-247-1407-3.
- GUEST, D. E. Human Resource Management and Performance: Still Searching for Some Answers. *Human Resource Management Journal*. 2011, vol. 21, no. 1, pp 3-13. ISSN 1053-4822.
- HERCUS, T. and D. OADES. The Human Resources Audit: An Instrument for Change. *Human Resource Planning*. 1982, vol. 5, no. 1, pp. 43-49. ISSN 0199-8986.
- KALYANI, M. and M. P. SAHOO. Human Resource Strategy: A Tool of Managing Change for Organizational Excellence. *International Journal of Business and Management*. 2011, vol. 6, no. 8, pp. 280-286. ISSN 1833-3850.
- KUNASZ, M. Intellectual Capital – A New Source of Competitive Advantage. *Economics & Sociology*. 2008, vol. 1, no. 1, pp. 50-57. ISSN 2071-789X.
- LAWLER III, E. E. and J. W. BOUDREAU. Creating an Effective Human Capital Strategy. *HR Magazine*. 2012, vol. 57, no. 8, pp. 57-59. ISSN 1047-3149.
- MRAČEK, P., J. VESELÁ and R. ZICH. Co-Creation in the Image Development in Car Industry: Possibilities and Limits. *Trendy ekonomiky a management*. 2012, roč. 6, č. 12, pp. 114-127. ISSN 1802-8527.
- PRYOR, F. L. *The Future of U. S. Capitalism*. 1<sup>st</sup> ed. Cambridge: Cambridge University Press, 2002. 447 p. ISBN 0-521-81358-1.
- STAHL, G. K., I. BJÖRKMANN and S. MORRIS, eds. *Handbook of Research in International Human Resource Management*. 2<sup>nd</sup> ed. Cheltenham; Northampton: Edward Elgar Publishing, 2012. 593 p. ISBN 978-1-84980-918-4.
- SZARKOVÁ, M. et al. *Personálny marketing a personálny manažment*. 1. vyd. Bratislava: Ekonóm, 2013. 265 p. ISBN 978-80-225-3594-6.
- SZARKOVÁ, M. *Psychológia pre manažérov a podnikateľov*. 1. vyd. Bratislava: Sprint, 2004. 278 p. ISBN 80-89085-36-9.
- ULRICH, D. *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. 1<sup>st</sup> ed. Boston: Harvard Business School Press, 1997. 281 p. ISBN 0-87584-719-6.



Ing. Martin Andrejčák

Faculty of Business Management  
University of Economics in Bratislava  
Dolnozemská cesta 1  
852 35 Bratislava  
Slovak Republic  
mandrejcak@gmail.com