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The ABCs of HR Audits

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Cissy Pau, CHRP

Here is a common scenario:

A manufacturing facility employs 25 employees, primarily technicians, machine operators and administrative staff, in a Metro Vancouver industrial park. The company was started 10 years ago by the owner who is also the President and CEO of the company. He's a ticketed tradesperson, started the business from scratch, and has successfully built the business to where it is today. Business is booming (annual revenues hover around \$5 million with projected growth of 10 per cent per year) and customers are demanding more and more from the company. The company needs to hire more staff to cover the increased workload. Unfortunately, over the past few months, several employees have quit to join other companies. Their stated reason: higher pay and better benefits elsewhere. Also, the company is having difficulty attracting new employees to join – recent newspaper ads have generated very limited response. The owner is desperate and asks his Office Manager to "fix the problem". "Figure out what we should be paying new employees and get a benefits plan in place, as soon as possible!"

Sound familiar? If you work in, or have ever encountered, one of the tens of thousands of small businesses in B.C. that employ between 5 and 50 employees, this scenario may sound all too familiar.

From an HR perspective, this company is a prime candidate for an HR audit.

What is an HR audit?

As with any type of audit, the purpose of an HR audit is to provide an objective overview of what's working and what's not in a company

33%

No noticeable change:
10%

No, we're still growing:
24%

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regarding their current HR policies, practices and procedures. In addition, an HR audit also results in recommendations for HR priorities going forward in order to improve a company's HR function.

Very often, an HR audit involves interviewing company leaders and key decision makers about existing HR systems. Employees can be interviewed as well; however, this needs to be communicated and handled tactfully so as not to establish the wrong expectations with employees regarding the purpose of the HR audit.

Why conduct an HR audit?

As in the scenario above, the business owner has self-identified that his company needs a more competitive pay and benefits package to attract and retain employees. However, perhaps the real reason employees are leaving is because the company doesn't offer training and development opportunities to employees. Maybe it's because job descriptions aren't in place and employees don't know what's expected of them in their jobs. Or maybe communication with employees is non-existent so employees have no way of knowing that business is growing and that more staff are required.

Because the owner is not an HR expert, he may be missing some key issues which are impacting the company much more than the reasons he has self-identified.

An HR audit allows for an independent, unbiased expert opinion on key HR issues affecting a company. It will identify important processes and systems that may be missing. It will identify areas where improvements can be made. It will also identify areas of strength that should be capitalized.

When conducting HR audits, we also provide an HR strategy and timeline for the company to follow to ensure that HR processes are addressed or implemented in a planned, strategic way. This big picture view of HR helps not only to educate our clients on what HR is and the scope that is covered, but also helps to ensure that HR strategy is aligned with the goals of the company.

Who should conduct an HR audit?

Ideally, an HR audit should be performed by an objective 3rd party who is experienced with the broad scope of HR and who has no prior association with the company. This will ensure impartiality of the process. An HR audit can certainly be performed by an in-house HR practitioner; however, to get the most support and buy-in from the owner(s) and/or senior management, it is imperative that this internal HR person can be objective and impartial about the company's internal processes. If conducted internally, it is best to do so when the new HR person starts employment with the company so

that they are not yet influenced by the company's internal mechanisms.

When should an HR audit be conducted?

There is no perfect timing for an HR audit. It is often conducted when there is a major shift in business operations, or a change in senior management. Another opportune time to conduct an HR audit is prior to hiring a company's first HR person to help determine the scope of the HR role that needs to be filled. Or, the HR audit can be done immediately upon hiring a new HR person so that the new employee can get a feel for the priorities to set for the position.

Cissy Pau, CHRP is presenting [Conducting HR Audits](#) in Surrey on October 9, 2008.

About the Author:

Cissy Pau, CHRP, is the Principal Consultant of Clear HR Consulting Inc., a human resources consulting firm for growing small- to medium-sized businesses. She is a leading HR expert and has been quoted by such media as the National Post, Business in Vancouver, and BC Business Magazine. Cissy frequently speaks at conferences and association meetings, and she instructs at BCIT's Venture Development Centre and Douglas College.

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