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# People Insights

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## People Insights, Inc.

14313 – 91<sup>st</sup> Avenue

Surrey, BC V3V 7T7

604-880-8043

[www.peopleinsights.com](http://www.peopleinsights.com)

## Conducting a Human Resources Audit

*How does your organization stack up with the best?*



by **Neil B. Zambik**  
 President,  
**People Insights, Inc.**

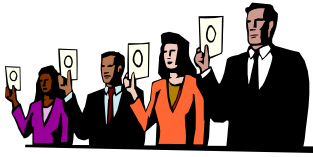
In this issue of People Insights, we examine high performing organizations from a Human Resources perspective and provide you with a tool to evaluate the effectiveness of your strategic HR systems and processes.

In an on-going study by Brian Becker and Mark Huselid<sup>1</sup>, they discovered that there is a strong correlation between high financial performance and high performance work systems (i.e. Human Resources systems). In this study, Firm Performance is measured as the ratio of market value to book value of shareholder equity.

The survey compared the lowest 10% of firms' financial performance with the top 10%. The sample size consists of over 2800 US companies with over 100 employees and more than \$5 million in sales. Some interesting results of the survey are highlighted in the column to the right. Results are in percent unless otherwise noted.

<sup>1</sup>Source: Brian Becker and Mark Huselid, "High Performance Work Systems and Firm Performance: A Synthesis of Research and Managerial Implications" in *Research in Personnel and Human Resources Management*, vol. 16 ed. Gerald R. Ferris (Greenwich, CT: JAI Pres, 1998), 53-101.

HR Practices	Bottom	Top
	10% HR Index	10% HR Index
Number of qualified applicants per position	8.24	36.55
Percentage of jobs filled from within	34.90	61.46
Percentage in a formal HR plan including recruitment, development, and succession	4.79	46.72
Number of hours of training for experienced employees	13.40	72.00
Percentage of employees receiving a regular performance appraisal	41.31	95.17
Percentage of employees whose merit increase or incentive pay is tied to performance	23.36	87.27
Percentage of workforce eligible for incentive pay	27.83	83.56
Percentage of the eligible workforce covered by a union contract	30.00	8.98
Firm Performance		
Employee turnover	34.09	20.87
Sales per employee	\$158K	\$618K
Market value to book value	3.64	11.06



## How Does Your Organization Stack Up?

Score	Description
0-9	No or limited strategic HR programs / processes exist for your organization. The company would do well by implementing strategic HR programs into the organization to increase profitability and improve competitive advantage.
10-19	Some strategic HR programs / processes exist for your organization. The company would do well by building on existing strategic HR programs and implementing new strategic HR programs into the organization to increase profitability and improve competitive advantage.
20-29	The company has some strategic HR elements but may be operating from an administrative perspective rather than a strategic HR perspective. The company could definitely build on what exists to further improve profitability and gain a strong competitive advantage for the future.
30-40	The company has many of the strategic HR elements and has the opportunity to become fully effective and realize its full potential. The company could definitely improve on what exists to even further improve profitability and outstrip the competition.

Look for the next issue on the costs of employee turnover

## Conduct your own mini Human Resources Audit

So how does your company rate on your strategic Human Resources initiatives? You may want to take a few moments to conduct a mini Human Resources Audit on your organization. It may also be helpful to ask some of your key employees for their views of how the strategic Human Resources systems and processes are working in your company. Rate your organization by circling the appropriate number. Use the following rating scale and add up your results to see where you stack up.

- 0 Does Not Exist
- 1 Has Been Discussed, Not Formalized
- 2 Some Components Exist, Needs Further Improvement
- 3 Components Exist, Not Being Fully Utilized
- 4 Fully Functioning – Very Effective

The hiring process evaluates candidates not only on skill and experience, but also on "fit" with the corporate culture.	0	1	2	3	4
Employees are effectively oriented to the company when they start with the organization.	0	1	2	3	4
An employee performance management process is in place for all employees, is linked to corporate objectives, and is designed to enhance individual and corporate performance.	0	1	2	3	4
A company wide education and development plan is implemented for all employees and fully functioning.	0	1	2	3	4
Employees are compensated properly and in alignment with the corporate compensation philosophy and the company's strategic objectives.	0	1	2	3	4
A company wide corporate communication plan is implemented and fully functioning.	0	1	2	3	4
Employee satisfaction surveys are conducted on a regular basis. Feedback is shared with employees and utilized to improve the organization.	0	1	2	3	4
Ethics guidelines and corporate values exist for the company and are truly "lived".	0	1	2	3	4
Managers are seen as coaches and are effectively trained as coaches.	0	1	2	3	4
All Human Resources programs and processes are developed in conjunction with employees and are aligned with and support the corporate strategy.	0	1	2	3	4
<b>TOTAL SCORE</b>					

\*\*\*\*Compare your total score to the chart on the left hand side of this page.

## Next Steps

If you found this exercise interesting and valuable to you and your organization, you may wish to conduct a more comprehensive HR self audit by going to the link below:

[www.peopleinsights.com](http://www.peopleinsights.com)

and clicking on the People Practices Audit tab.

To consider implementing strategic Human Resources programs into your organization or to discuss building upon your existing processes, please feel free to contact the President, Neil Zambik for a free initial consultation at:

Phone: 604-880-8043 or

E-mail: [neil@peopleinsights.com](mailto:neil@peopleinsights.com)