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Conditions and use of personnel audit in small and medium-sized enterprises

Summary of a PhD dissertation

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Table of contents

Justification for the dissertation topic.....	3
Objectives and hypotheses of the dissertation	4
Material, spatial and temporal scope of the dissertation	6
Research methods.....	6
Structure of the dissertation	7
Research findings.....	8
Directions for further research.....	11
Table of contents.....	11
Bibliography.....	12

Justification for the dissertation topic

Regardless of the sector or size of the organisation, employees seem to be its most valuable resource and also one of the most difficult to reconstruct. It is because their competences exert direct influence on the enterprise's presence on the market, and they are a source of competitive advantage. As the economic system is constantly evolving towards a knowledge-based economy, in order to ensure the competitiveness of any organisation, it is necessary to improve not only its traditional key success factors, such as productivity or costs of labour, but also develop its creativity and manage personnel function-related risk, as well as attract and retain talents in the enterprise (Stabryła, 2012, p. 5).

Current changes in the labour market caused by demographic decline, labour migration of Poles, and the mismatch between the offer of the educational system and the needs of business have contributed to the shortage of qualified staff. Entrepreneurs now compete for employees with unique competences on the market, which has influenced the development of human resource management tools that are meant to help in the recruitment of the necessary personnel, but also to develop and retain such new employees. Such labour shortage has also forced employers to optimise the use of their organisations' current human potential, understood as the most important of corporate resources, which may be renewable and constantly expandable, but still is increasingly difficult to acquire. Human potential has a significant impact on the success of any organisation, depending on how its employees use their knowledge, skills and available resources, and how they interact with one another (Łukasiewicz, 2009, p.20; Słodkiewicz, 2014, p. 391).

A tool that makes it possible to identify and assess human potential is personnel audit, which, being an instrument of control, supports the development of human capital and, consequently, the entire enterprise. Personnel audit consists in systematic analysis and assessment of human resources, as well as an effective implementation of the personnel function. As a result, they can be improved as compliance of the status quo with the accepted standards is constantly monitored (Pocztowski, 2008, p. 6). Data from diagnostic activities within personnel audit can be used to assess the organisation's ability to create value in the area of personnel function (Stabryła, 2012, p. 6).

The dissertation author herself defines personnel audit as a tool to control and improve human resource management in the organisation by analysing the work, competences and motivation of employees, as well as an effective implementation of the personnel function in the enterprise.

Personnel audit has been selected as a topic for the doctoral thesis in view of the fact that collecting and managing corporate HR data are gaining in importance. According to a report by Deloitte, HR analytics is at the forefront of challenges that HR units are faced with because findings can help to increase the effectiveness of the organisation's activities in numerous areas, including the development of leadership competencies, talent management, employer image building, or employee turnover management (Global Human Capital Trends 2019, p. 93–94). An equally important trend is the protection of personal data and their proper use, to which economic entities are also trying to adapt their analytical tools (Trendy HR 2018, p. 17).

Smaller enterprises, if only they want to remain competitive on the labour market, should also adopt various HR management solutions. A research gap has been identified regarding the implementation of personnel audit by enterprises from the SME sector, as well as the determinants and scope of its use in such organisations. In addition, research in the area of human resource management (e.g. that conducted by consulting firms) is limited in its focus to the needs of large enterprises, or simply international corporations. The dissertation topic has also been chosen due to the fact that the literature on the subject is fairly limited, especially that regarding the determinants for the use of personnel audit.

Objectives and hypotheses of the dissertation

Due to the existing research gap, the main research problem has been formulated as the following question: What are the needs and possibilities of using personnel audit in the SME sector? The following research questions have also been asked:

1. What determinants and tools of personnel audit are described in the literature?
2. What are the benefits of using personnel audit in an enterprise from the SME sector?
3. What needs related to personnel audit can be identified in the SME sector?
4. What determinants related to personnel audit can be identified in the SME sector?

5. What are the tools of personnel audit that can be implemented by organisations from the SME sector?

In view of these problems, the following research hypotheses have been formulated:

H1: Small and medium-sized enterprises implement human resource management activities in a standardised manner.

H2: Needs for the use of personnel audit vary among organisations depending on their size.

H3: Personnel audit tools are not adjusted to the needs of organisations from the SME sector.

H4: Limiting factors for the use of personnel audit by organisations from the SME sector include high costs of such activities and the lack of knowledge to implement them.

The main objective of the dissertation is to identify the determinants for the use of personnel audit in the SME sector, and to propose a methodology for its application in the sector organisations. A prerequisite to achieve the main objective of the dissertation is the achievement of some specific detailed objectives, namely the following:

- epistemological objectives:
 1. analysis and critical assessment of literature on the development of personnel audit against the evolution of human resource management concepts;
 2. analysis and critical assessment of literature which discusses personnel audit as a tool for exploring and assessing the organisation's human resources and personnel function;
- cognitive and explanatory objectives:
 1. identification, analysis and systematisation of exogenous and endogenous determinants for the use of personnel audit in the SME sector based on literature studies;
 2. defining the analytical needs of organisations from the SME sector regarding human resources in the organisation and an effective implementation of the personnel function;
 3. identification and analysis of barriers to and benefits of using personnel audit;

4. specifying a personnel audit methodology (tools, scope of application and effectiveness assessment) for the SME sector.

Material, spatial and temporal scope of the dissertation

In view of the assumptions mentioned above, the scope of the dissertation is as follows:

- material scope: determinants for the use of personnel audit and its tools in the context of the development of the organisation's personnel function;
- subjective scope: micro, small and medium-sized enterprises, on the proviso that the author understands microenterprises as enterprises with the headcount of less than 10 employees. Small enterprises are understood as businesses with fewer than 50 employees. On the other hand, medium-sized enterprises employ less than 250 employees (Commission Recommendation – definition of microenterprises...);
- spatial scope: the area of the Wielkopolskie Voivodeship (the study covered the enterprises with the headquarters in the Wielkopolskie Voivodeship);
- temporal scope: as far as the theoretical part is concerned, the dissertation goes back to the period when first mentions of the personnel function and personnel audit appeared in the literature, with a particular emphasis on scientific studies from the last decade (literature studies were carried out in 2015 and 2016), whereas in empirical terms, the thesis covers the years 2015–2017.

Research methods

The dissertation is theoretical and empirical in nature and deals with the determinants for and the scope of use of personnel audit in organisations from the SME sector.

The research methods adopted by the author stem from the very nature of the dissertation. In the theoretical part of the thesis, the method of logical analysis is used to examine the components of complex phenomena, supplemented further by the method of deduction: drawing conclusions based on logical reasoning.

In both the empirical and analytical part of the dissertation, logical inference methods are used, including:

- synthesis – for the purposes of generalisation and conclusion drawing;

- cause and effect analysis to describe relationships between the studied phenomena;
- induction – for drawing conclusions based on the existing premises.

In the theoretical part of the doctoral dissertation, the current state of knowledge is assessed based on extensive reading of non-periodicals and academic papers in Polish and English, press articles, statistical data of the Polish Central Statistical Office, reports of consulting firms, as well as web portals devoted to personnel audit and human resource management topics.

Having analysed the literature on the subject, the author could review and systematise the concepts related to the material scope of the dissertation to be contemplated in the empirical part.

Verification of the dissertation hypotheses required the use of original sources. Therefore, research was conducted using the CATI technique (computer assisted telephone interviewing) and direct IDIs (individual in-depth interviews).

With the use of methodological triangulation, qualitative research was carried out in the form of individual in-depth interviews with representatives of small and medium-sized enterprises (2 interviews in each enterprise group). These studies were designed to identify analytical needs in the area of human resource management, and how effective the implementation of the personnel function was among organisations from the SME sector. In addition, a case study was carried out to check the personnel audit methodology designed for small and medium-sized enterprises, and to assess the solutions proposed by the author.

Structure of the dissertation

The dissertation consists of an introduction, four chapters and conclusions. Chapter one and two are theoretical and are based on literature studies. In chapter three, the empirical research results can be found, whereas chapter four presents the personnel audit methodology designed for small and medium-sized enterprises.

Chapter one, which deals with theoretical aspects of the topic, discusses personnel audit as a process that is used extensively by large organisations. The chapter presents audit definitions, types, objectives, scope and tools – broken down by categories.

Chapter two includes a comprehensive description of the development of personnel audit against the parallel development of the personnel function, closely related to the

evolution of human resource management concepts. In this part of the dissertation, however, the focus is placed on identifying the determinants for personnel audit based on literature studies. An attempt was also made to classify the factors that make up the rationale for using personnel audit in an enterprise.

Chapter three presents the results of quantitative and qualitative empirical research of personnel audit applications among small and medium-sized enterprises from the Wielkopolskie Voivodeship. On the other hand, chapter four describes the personnel audit methodology proposed by the author, illustrates the implementation of this tool in an organisation from the SME sector, and presents an attempt to evaluate it.

Conclusions contain a post-verification summary of the main hypothesis and partial hypotheses, as well as recommendations for further research in the field of personnel audit in small and medium-sized enterprises in Poland.

Research findings

The analyses have shown that the needs in the area of personnel audit components do vary depending on the size of an enterprise, although certain needs seem to coincide. The research carried out for the purposes of the dissertation has shown that small entities are primarily interested in the analysis of job responsibilities, human resource processes, and the communication system. On the other hand, medium-sized enterprises would be most interested in employee satisfaction surveys, and analysis of: job responsibilities, personnel processes, and the organisational structure. It has also been found that as the size of the organisation increases, its interest in expanding personnel audit tools is growing.

As regards barriers to the implementation of personnel audit, it can be stated that small and medium-sized organisations do not have sufficient knowledge in this area. The empirical research has shown that the knowledge concerns the process assumptions, its workflow, and the possibility of translating the outcomes into real benefits for the enterprise concerned. If such knowledge is missing, costs of its acquisition tend to be high. It may become necessary to outsource the process, or the implementation may entail overinvestment of time resources. Ultimately, activities of the SME sector organisations are fragmentary, separate in time, and inconsistent.

On the other hand, benefits of personnel audit identified by the author include an increase in employee motivation, growth in efficiency of the management system and the

staff themselves, and improved matching of goals and tasks to job positions, as well as an overall increase in the efficiency of HRM activities. Enterprises with no experience with personnel audit also mention an insight into staff skills and capabilities as one of the resulting benefits.

Participants in the survey and individual interviews have confirmed, in turn, that small and medium-sized enterprises are increasingly implementing standardised HR tools by using selected components of more complex solutions, adapting them to their own, specific needs. Even if their organisational structures or business scale are not that extensive compared to large corporations, it can be said that reliance on reliable, professional and systematically verified information when deciding on investment in employees or building a proposal for potential candidates becomes routine in the SME sector.

Findings of the survey and individual interviews clearly indicate that small and medium-sized enterprises do not resort to personnel audits for affordability reasons. The use of personnel audit tools requires the involvement of field experts or even whole teams, and therefore necessitates considerable outlays in terms of time and money. In addition, as noted by representatives of small and medium-sized enterprises participating in the study, they do not have sufficient knowledge to apply the existing solutions, even if they are available on the market. The respondents have also pointed to the need to have some sort of “user manual” for personnel audit. In addition, quantitative research carried out for the purposes of the dissertation has shown that the respondents identify the concept of personnel audit with the definition proposed by the author.

According to the research among small and medium-sized enterprises, the most desirable components include employee satisfaction surveys and analyses of job responsibilities and human resource processes. In other words, SMEs are interested in certain specific constituent of personnel audit, and not necessarily the entire audit process. For this reason, the three components have become the core in the process of designing the personnel audit methodology. Barriers mentioned by entities from the SME sector have also been taken into account, especially the lack of knowledge regarding the use of the existing personnel audit solutions and their high costs.

During individual in-depth interviews, the respondents have stated that personnel audit should:

- increase the efficiency of activities that are undertaken by persons responsible for human resource management in the enterprise;
- increase employee motivation and satisfaction through a sense that their needs are seen and considered;
- work optimisation resulting from analysis of job responsibilities, translating into career path planning and staff development efforts across the organisation;
- identification of employees/teams that are of key importance for the enterprise.

The research also shows that entrepreneurs from the SME sector collect data in order to exercise control and prepare their organisation for a change implementation process. Therefore, the newly designed methodology should also address these issues.

Referring to the needs voiced by study participants from small and medium-sized enterprises regarding the application of personnel audit, it is possible to visualize the newly designed methodology as a process consisting of four stages – signposts for the user, as presented in Figure 1.

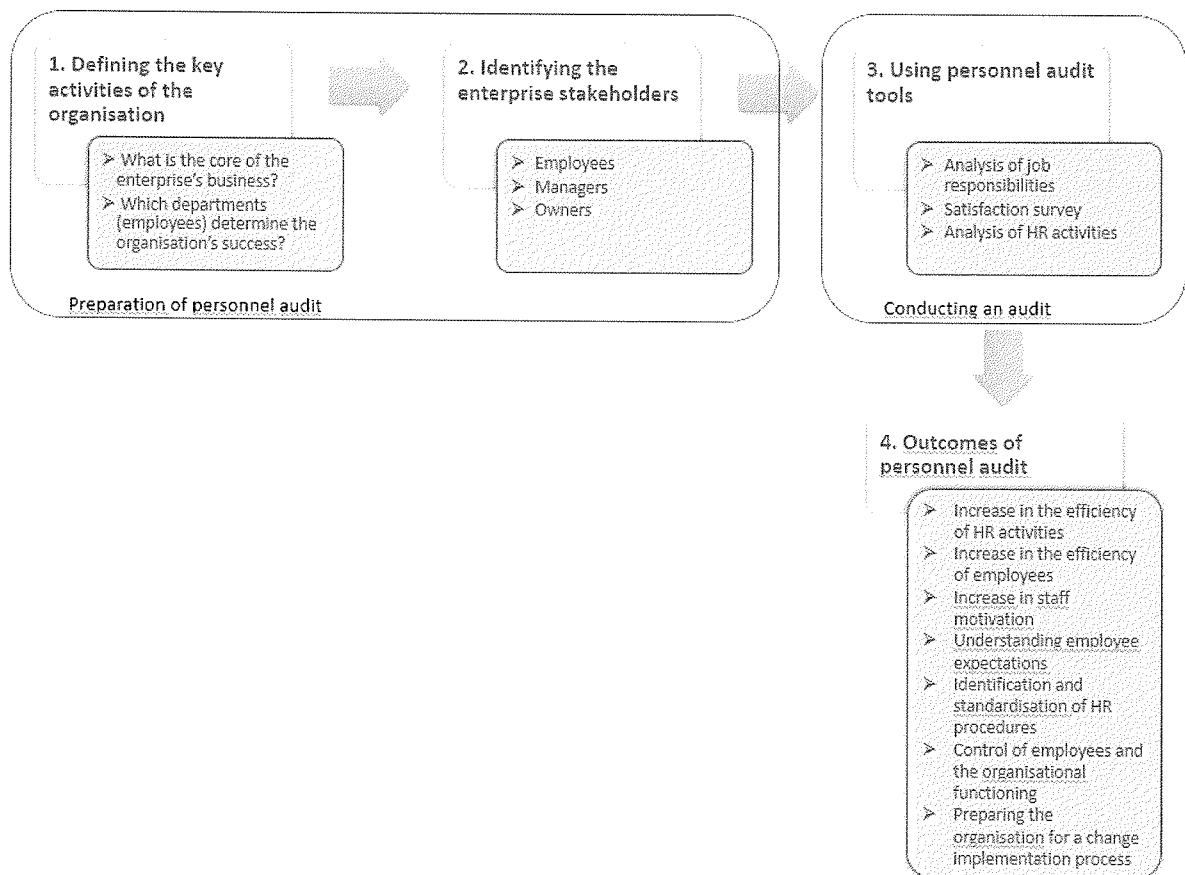


Fig 1. Personnel audit methodology

Source: Own compilation

Directions for further research

Based on the research carried out among small and medium-sized enterprises, a personnel audit methodology has been designed in the dissertation, with the tools tailored to their specific needs. The solutions proposed by the author have been implemented in a medium-sized enterprise to check their practical usefulness. However, the newly created tools should be applied in a larger number of organisations, both small and medium-sized. In this way, it will be possible to thoroughly verify whether the tools concerned are truly versatile.

Therefore, further research should be empirically-oriented to test the personnel audit methodology presented here and evaluate its tools. Considering the dynamics of the environment, it is also necessary to systematically check the analytical needs of small and medium-sized enterprises in the area of human resource management, and thus expand the methodology designed here with further solutions that will take HR trends into account. It is the author's hope that her methodology of personnel audit will become the basis for the development of future methodologies and models, which will allow for the implementation of personnel audit in small and medium-sized enterprises.

Further research directions should therefore focus on a practical verification of the personnel audit methodology proposed here, as well as on continuous, subject-oriented literature studies in order to improve it. The author of this doctoral dissertation plans to further develop the tools created, and continue her research to promote personnel audit among small and medium-sized enterprises, as well as facilitate its implementation by such entities. Consequently, the identified research gap will narrow yet further.

Table of contents

Introduction

Chapter 1. Characteristics of personnel audit

- 1.1. Audit concept and types
- 1.2. The essence, scope and process of personnel audit
- 1.3. Description of personnel audit tools
- 1.4. Premises for using personnel audit in an enterprise

Chapter 2. Determinants for personnel audit in an enterprise

- 2.1. The development of personnel audit against the evolution of human resource management concepts
- 2.2. The importance of measuring human capital as a premise for using personnel audit
- 2.3. Classification of determinants for the use of personnel audit
 - 2.3.1. Legal determinants
 - 2.3.2. Economic determinants
 - 2.3.3. Organisational determinants
 - 2.3.4. Social and cultural determinants
 - 2.3.5. Technological determinants

Chapter 3. Personnel audit in the SME sector

- 3.1. Characteristics of the SME sector
- 3.2. Research methodology
- 3.3. The use of personnel audit tools in small and medium-sized enterprises
- 3.4. The rationale for implementing personnel audit in small and medium-sized enterprises

Chapter 4. The personnel audit methodology concept designed for organisations from the SME sector

- 4.1. Methodological assumptions and introduction to personnel audit
- 4.2. Description of personnel audit tools dedicated to the SME sector
- 4.3. Outcomes of the personnel audit methodology
- 4.4. Practical application and evaluation of the proposed personnel audit methodology

Conclusions

Bibliography

List of drawings

List of tables

List of charts

List of annexes

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