

ASSESSING THE ECONOMIZATION, EFFICIENCY AND EFFECTIVENESS OF HUMAN RESOURCES FUNCTIONS THROUGH MANAGEMENT AUDIT AT PILLAR MAS GROUP

Isna Cholifatul Fitria¹, Retno Murni Sari²

isnafitria286@gmail.com^{1*}, retno@stieken.ac.id²

STIE Kesuma Negara Blitar, Indonesia¹

STIE Kesuma Negara Blitar, Indonesia²

Accepted: November 20, 2024	Reviewed: December 12, 2024	Published: December 31, 2024
--------------------------------	--------------------------------	---------------------------------

Abstract

This study aims to assess the economy, efficiency, and effectiveness of HR functions and provide recommendations for various issues found at Pilar Mas Group. The HR functions examined include HR planning, HR recruitment, HR selection and placement, HR training and development, career planning and development, employee performance evaluation, compensation and rewards, occupational health and safety, employee job satisfaction, and termination of employment. The study employs a qualitative method with a descriptive qualitative approach. Data collection methods include observation, interviews, and documentation. Data analysis techniques involve categorizing audit findings based on elements of condition, criteria, cause, and effect. The results indicate that HR planning, selection and placement, career planning and development, and termination of employment are not yet operating economically, efficiently, and effectively. HR recruitment, training and development, performance evaluation, compensation and rewards, occupational health and safety, and employee job satisfaction are functioning economically, efficiently, and effectively.

Keywords: management audit, HR functions

*Correspondence Author



By Authors

This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/).

1. Introduction

In today's era of globalization, competition between companies is getting tighter. This condition encourages companies to continue to follow technological developments in order to compete with other competitors. To support business progress, companies need human resources who are able to contribute to optimal business management. Therefore, it is important for companies to have reliable and competent human resources in their respective

fields. Human resources (HR) are valuable assets that need to be managed and considered properly. The function of HR in a company must be carried out economically, efficiently, and effectively, because it has a direct impact on business performance. Assessment of the level of economization, efficiency, and effectiveness of a company can be done through a management audit.

Management audit is an objective evaluation conducted by an independent party on the operational activities of an organization based on management approval, with the aim of assessing whether resources and finances have been utilized effectively in accordance with company policies (Badewin, Rosliana, and Melasari, 2022). Meanwhile, human resource management includes a series of processes including planning, recruitment, development, maintenance, and utilization of human resources to achieve organizational goals (Sihombing, Gultom, and Sidjabat, 2015).

The human resources function covers various aspects, such as HR planning, recruitment, selection and placement, employee training and development, career planning and development, performance appraisal, compensation and remuneration, occupational safety and health, job satisfaction, to termination of employment. HR audit is a process carried out systematically, objectively, and documented to examine and evaluate organizational functions related to human resource management. The purpose of this audit is to ensure that HR management runs according to the principles of effectiveness, efficiency, and suitability, so as to support the achievement of functional targets and organizational goals in the short, medium, and long term (Saputra, Novriyanti, and Triyono, 2022).

According to Bayangkara (2015), economization, efficiency, and effectiveness can be explained as follows: Economization refers to the extent to which input resources are used in managed programs. In other words, a company is considered to obtain resources economically if it is able to obtain operational needs with the least cost or sacrifice. Efficiency describes the relationship between input and output in a company's operational process, namely how optimally resources are used to produce output. Meanwhile, effectiveness refers to the level of achievement of goals set by the company, which is measured based on the results or output obtained.

The human resources function at Pilar Mas Group can be said to be not yet fully economical, efficient, and effective. This is due to the absence of

structured HR planning for permanent employees in the office. Employee recruitment is carried out only when the company feels the need for additional workers, especially since the number of field workers tends to fluctuate according to project needs. In addition, most of the recruited employees are placed in positions that do not fully match their skills and competencies, because the company prioritizes honesty as the main criterion in employee selection.

2. Research Method

This study uses a qualitative method with a descriptive approach. Qualitative methods aim to understand certain phenomena experienced by research subjects, such as behavior, perception, motivation, and actions, which are then explained through descriptions in the form of words based on real conditions. The data collected were analyzed using qualitative methods, focusing on meaning rather than generalization (Fiantika et al., 2022). The qualitative descriptive approach aims to understand social phenomena and situations through a detailed and comprehensive description of existing conditions.

This study aims to examine how the human resource function is implemented at Pilar Mas Group, assess the level of economization, efficiency, and effectiveness of HR activities in achieving company goals, and provide recommendations to overcome the weaknesses of the HR function found. The author collected data through observation, interviews, and documentation to obtain information about the HR function program at Pilar Mas Group. The data analysis process includes determining criteria, describing conditions, identifying causes, and concluding the impact of research findings.

3. Result and Discussion

A. Preliminary Audit

In the preliminary audit stage, the author conducted observations at Pilar Mas Group to gather information on the background, general description, and condition of the company. At this stage, interviews were conducted with the company director and the person in charge of engineering to gain a deeper understanding. After that, the author identified the problems in the company.

B. Review and Testing of Controls

At this stage, the author reviewed the data that had been collected to be used as audit findings. In addition, control testing was conducted to assess the extent to which internal controls were applied to each human resource activity. Pilar Mas Group is known to have implemented internal controls in the human resource function by socializing the company's strategy, so that employees understand the direction of the company's goals and make maximum efforts to achieve them.

C. Detailed Audit

At this stage, the author interviewed the company director, the technical person in charge, and 11 employees at Pilar Mas Group. The data obtained were then collected and classified into audit finding elements, namely conditions, criteria, causes, and effects. This data was analyzed to understand the problems that occurred and to evaluate whether the human resource activities carried out by the company were economical, efficient, and effective. Based on the results of the analysis, the author provided suggestions and recommendations to overcome these problems.

The results of the detailed audit related to human resource activities at Pilar Mas Group are as follows:

- 1) HR Planning
 - a) Condition: Pilar Mas Group has never run an HR planning program for permanent employees.
 - b) Criteria: There are no guidelines or regulations governing HR planning.
 - c) Cause: HR planning is only carried out when the company needs additional workers, so there is no structured HR planning program.
 - d) Effect: The company tends to place employees in positions that do not match their expertise, so that human resource needs are not optimally met.
- 2) HR Recruitment
 - a) Condition: The recruitment process at Pilar Mas Group is carried out only when there is a need for additional employees, with applicant requirements that have been adjusted to the company's needs.

- b) **Criteria:** Employee recruitment is based on the results of discussions between the company's director and the person in charge of engineering.
 - c) **Cause:** Employees are recruited based on an evaluation of the CV submitted by the applicant. If the CV meets the criteria, the applicant will proceed to the next stage, namely the interview.
 - d) **Result:** Pilar Mas Group has succeeded in recruiting new employees to meet the company's needs, although some of the employees recruited do not have the skills that match their field of work.
- 3) **HR Selection and Placement**
- a) **Condition:** Selection is carried out by reviewing the CVs of the most relevant prospective employees, then continued with an interview test. However, in the placement process, most of the employees selected do not have the skills that match the work assigned. This is due to the company's preference for prospective employees who are honest.
 - b) **Criteria:** There are no official standards or guidelines that regulate the HR selection and placement process.
 - c) **Cause:** Employee placement is not in accordance with the field of work because the company prioritizes honesty over the skills or experience of prospective employees.
 - d) **Consequences:** The company must provide intensive training from the beginning to new employees who have no experience in their field. This process takes quite a long time until the employee is considered ready to carry out his/her duties independently in the specified field.
- 4) **Human Resources Training and Development**
- a) **Condition:** Pilar Mas Group has a human resources training and development program with clear objectives, documented, and determined based on the identification of the needs of all employees.
 - b) **Criteria:** This training and development program is designed based on the results of discussions between the director and the person in charge of engineering.
 - c) **Cause:** Pilar Mas Group routinely holds training and development programs to improve the skills and work quality of its employees.

- d) Effect: Training and development programs are considered to be able to broaden horizons, improve skills, and strengthen employees' abilities in carrying out their duties.
- 5) Career Planning and Development
 - a) Condition: Pilar Mas Group does not yet have a structured career planning and development program for all its employees.
 - b) Criteria: There are no official regulations or standards related to career planning and development programs in the company.
 - c) Cause: The absence of a career planning and development program causes the company to lack understanding of the benefits of implementing the program.
 - d) Effect: Employees feel they lack direction and motivation to develop their careers in the company, while the company loses the opportunity to identify and develop internal talent for strategic positions in the future.
 - 6) Employee Performance Assessment
 - a) Condition: Pilar Mas Group routinely conducts employee performance assessments every month, with the results documented and delivered to employees as feedback.
 - b) Criteria: Performance assessments are carried out in accordance with the regulations set by Pilar Mas Group.
 - c) Cause: The company has socialized the objectives of the performance assessment program to all employees and routinely monitors their development through this program.
 - d) Effect: The company can monitor the development of employee performance, while employees can identify deficiencies in their performance to be improved in the future.
 - 7) Compensation and Rewards
 - a) Conditions: Pilar Mas Group has provisions governing the provision of compensation and rewards, where all employees receive salaries that exceed the UMR standard.
 - b) Criteria: Provisions for compensation and rewards are formulated through the results of a meeting between the company director and the technical person in charge.
 - c) Causes: Compensation is given based on the level of difficulty and results of the work done, while additional rewards are in the form of annual vacation facilities for employees.

- d) Consequences: Employees feel satisfied and happy with the compensation and rewards provided by the company.
- 8) Occupational Safety and Health
- a) Conditions: Pilar Mas Group provides training related to work hazards and how to use work protection equipment properly.
 - b) Criteria: Occupational safety and health programs are prepared based on the results of discussions between the director and the technical person in charge.
 - c) Causes: This program is implemented to provide a sense of security and comfort to employees and reduce the risk of work accidents.
 - d) Consequences: Employees can work more calmly because the company has provided a safe work environment and ensured responsibility for their health.
- 9) Employee Job Satisfaction
- a) Condition: Pilar Mas Group provides an opportunity for employees to convey their complaints or input while working.
 - b) Criteria: This program is designed based on the results of a meeting between the director and the technical person in charge regarding employee job satisfaction.
 - c) Cause: Pilar Mas Group runs a job satisfaction program to create a good and harmonious relationship between the company and employees.
 - d) Effect: The company can understand the conditions felt by employees while working, so that employees do not feel pressured and are able to produce maximum performance.
- 10) Termination of Employment (PHK)
- a) Condition: Pilar Mas Group does not yet have an official policy regarding PHK. Currently, employees who make mistakes are only deactivated for a maximum of one month and are allowed to return to work after that.
 - b) Criteria: There are no regulations or guidelines governing the PHK program in the company.
 - c) Cause: Because the company has never conducted a layoff, employees who make mistakes are usually only temporarily deactivated. However, many of them choose to resign because they feel ashamed.

- d) Effect: The lack of a clear policy regarding PHK can cause conflict, dissatisfaction, and disrupt the harmony of the work environment.

Discussion

1) Human Resource Planning

Pilar Mas Group has not implemented an HR planning program for permanent employees, so the company has not been able to meet its workforce needs according to the expected target. Therefore, it is recommended that Pilar Mas Group start implementing an HR planning program to ensure smooth work implementation and timely target achievement.

2) HR Recruitment

The recruitment program at Pilar Mas Group has been running economically, efficiently, and effectively. This is because the company utilizes social media and information from employees to disseminate job vacancies, thereby reducing the cost of printing brochures. In addition, the recruitment policy has been documented even though the process is only carried out when there is a need for additional workers.

3) HR Selection and Placement

The HR selection and placement program at Pilar Mas Group is still not running well because many employees are placed in positions that do not match their expertise. This condition has caused the company to suffer losses of up to tens of millions of rupiah due to the lack of employee knowledge and experience, which triggers misunderstandings with clients. To improve this condition, the company needs to include more detailed job qualifications, such as expertise and abilities according to the required field, and continue to consider honesty in the selection process.

4) Human Resource Training and Development

Pilar Mas Group has implemented an HR training and development program economically, efficiently, and effectively. Training is conducted using digital technology, thus saving time because it can be accessed anywhere. This program is also designed based on the results of employee training needs identification. Pilar Mas Group assesses that this program has succeeded in significantly increasing employee insight and skills.

5) Career Planning and Development

The career planning and development program at Pilar Mas Group has not been running economically, efficiently, and effectively. This is due to the absence of a clear program for all employees and the absence of standards governing the implementation of the program. Therefore, Pilar Mas Group is advised to start developing a structured career planning and development program. This program can not only improve the company's reputation but also provide opportunities for employees to develop further and have better career goals.

6) Employee Performance Assessment

The employee performance assessment program at Pilar Mas Group has been running efficiently and effectively. Assessments are carried out routinely every month, considering factors such as attendance rate, discipline, enthusiasm for learning, and loyalty to the company. In addition, the company has used the right instruments to evaluate employee performance. The results of this assessment are conveyed transparently to employees, so that they can identify deficiencies in their performance and improve them.

7) Compensation and Rewards

The compensation and rewards program at Pilar Mas Group has been running economically, efficiently, and effectively. The company uses a bank transfer system for salary payments, ensuring that compensation is given on time without complicated procedures. In addition, the provision of compensation is in accordance with applicable regulations. In addition, every year the company holds a joint holiday activity for all employees as a form of appreciation.

8) Occupational Safety and Health

The occupational safety and health program at Pilar Mas Group has been implemented efficiently and effectively. The company designs a work environment that supports safety and health with optimal utilization of space and equipment. In addition, training and socialization about work hazards are routinely carried out. The company also provides a safe, comfortable, and healthy workplace, so that employees feel calm while working because they are sure that their safety and health have been guaranteed by the company.

9) Employee Job Satisfaction

The employee job satisfaction program at Pilar Mas Group has been running economically, efficiently, and effectively. This program helps reduce employee turnover rates, so that the company can save on recruitment and training costs. In addition, the company can handle issues faced by employees more quickly. Pilar Mas Group also provides an opportunity for employees to convey their complaints while working. With this program, the company can understand the condition of employees, while employees feel more comfortable and not stressed, so that their work productivity can increase.

10) Termination of Employment (PHK)

Pilar Mas Group does not yet have a policy or regulation governing the PHK program. This makes employees unaware of the applicable procedures, which can cause conflict and disrupt the harmony of the work environment. In addition, companies find it difficult to deal with unexpected situations related to PHK. Although they have never carried out PHK, companies are advised to immediately establish policies and regulations related to PHK in order to provide certainty for employees and improve HR management.

4. Conclusion

Based on the results of the research and discussion, it can be concluded that of the ten human resource functions studied at Pilar Mas Group, six of them have been running economically, efficiently, and effectively. These functions include: HR recruitment that has a well-documented policy; HR training and development that has been planned in a structured manner; employee performance assessments that use the right instruments and are carried out routinely; compensation and remuneration that are in accordance with regulations; occupational safety and health equipped with a risk management system and a safe work environment; and employee job satisfaction that is maintained by providing opportunities to convey complaints while working.

However, the other four functions are still not running optimally. The HR planning function has not been implemented, employee selection and placement still places most employees in positions that do not match their expertise, career planning and development do not have clear guidelines or

policies, and termination of employment (PHK) is still not supported by a structured policy.

To ensure that all human resource functions can run economically, efficiently, and effectively, Pilar Mas Group is advised to start implementing all HR functions comprehensively and to prepare guidelines and policies that are in accordance with the needs of each HR function.

Based on the conclusions that have been presented, the author provides several suggestions as an effort to improve the problems found. Pilar Mas Group is advised to start socializing regulations or guidelines related to each human resource function program to all employees. In addition, the company needs to conduct a more in-depth analysis before recruiting new employees, so that employee placement can be adjusted to their expertise. It is also recommended to form a special division that is responsible for managing all activities related to human resources. Finally, the company can consider using the services of an external auditor to conduct routine human resource function management audits.

5. References

- Al-Nakeeb, A. A. R., & Ghadi, M. Y. (2024). Human resource management practices for effective organizational change: A review of research in Western and non-Western countries. *Foundations of Management*, 16, 7–22. <https://doi.org/10.2478/fman-2024-0001>
- Armstrong, M. (2021). *Armstrong's Handbook of Strategic Human Resource Management* (7th ed.). London: Kogan Page.
- Badewin, Rosliana, and R. Melasari. (2022). *Audit Manajemen: Petunjuk Bagi Praktisi*. Ponorogo: Uwais Inspirasi Indonesia.
- Bayangkara, I. (2015). *Audit Manajemen: Prosedur Dan Implementasi*, Edisi Kedua. Jakarta: Salemba Empat.
- Boxall, P., Purcell, J., & Wright, P. (2007). *The Oxford Handbook of Human Resource Management*. Oxford: Oxford University Press.
- Callaghan, C. W., & Papageorgiou, E. (2019). The use of human resources literature regarding the relationship between affect and student academic performance. *SA Journal of Human Resource Management*, 17, Article a1111. <https://doi.org/10.4102/sajhrm.v17i0.1111>
- Collins, C. J. (2021). Expanding the resource-based view model of strategic human resource management. *The International Journal of Human Resource Management*, 32(2), 331–358. <https://doi.org/10.1080/09585192.2019.1711442>

- Decramer, A., Smolders, C., & Vanderstraeten, A. (2020). Employee performance management culture and system features in higher education: Relationship with employee performance management satisfaction. *The International Journal of Human Resource Management*, 31(5), 620–646. <https://doi.org/10.1080/09585192.2017.1365706>
- Dessler, G. (2020). *Human Resource Management* (16th ed.). Upper Saddle River, NJ: Pearson Education.
- Fiantika, F.R. et al. (2022). *Metodologi Penelitian Kualitatif*. Sumatera Barat: PT. Global Eksekutif Teknologi.
- Mathis, R. L., Jackson, J. H., Valentine, S. R., & Meglich, P. A. (2019). *Human Resource Management* (15th ed.). Boston, MA: Cengage Learning.
- Meijerink, J. G., Beijer, S. E., & Bos-Nehles, A. C. (2021). A meta-analysis of mediating mechanisms between employee reports of human resource management and employee performance: Different pathways for descriptive and evaluative reports? *The International Journal of Human Resource Management*, 32(2), 394–442. <https://doi.org/10.1080/09585192.2020.1810737>
- Otoo, F. N. K. (2019). Human resource development (HRD) practices and banking industry effectiveness: The mediating role of employee competencies. *European Journal of Training and Development*, 43(3/4), 250–271. <https://doi.org/10.1108/EJTD-08-2018-0086>
- Piwowar-Sulej, K. (2022). Sustainability in the development of human resources. *Sustainable Development*, 30(1), 219–230. <https://doi.org/10.1002/sd.2135>
- Saputra, R.M.I., Novriyanti, & Triyono, A. (2022). *Perencanaan Dan Audit Sumber Daya Manusia*. Purbalingga: Eureka Media Aksara.
- Sihombing, S., Gultom, R. S., & Sidjabat, S. (2015). *Manajemen Sumber Daya Manusia*, Edisi Revisi. Bogor: Penerbit IN MEDIA.
- Subramony, M., & Pugh, S. D. (2019). Services management research: Review, integration, and future directions. *Journal of Management*, 45(1), 254–286. <https://doi.org/10.1177/0149206318799703>
- Torrington, D., Hall, L., Taylor, S., & Atkinson, C. (2020). *Human Resource Management* (10th ed.). London: Pearson Education.
- Van Beurden, J., Van De Voorde, K., & Van Veldhoven, M. (2021). The employee perspective on HR practices: A systematic literature review, integration, and outlook. *The International Journal of Human Resource Management*, 32(2), 356–393. <https://doi.org/10.1080/09585192.2020.1759671>
- Wafy, D. J. I., & Deka, A. (2024). The impact of human resource management practices on employee performance: A systematic review. *Journal of Human Resource Management*, 27(1), 98–108.