

# Human Resource Audit Practices and Impediments in Manufacturing Firms of Pakistan; A Comprehensive Framework for Emerging Economies

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## Abstract

*This study examines human resource audit practices and challenges that manufacturing organizations in Pakistan are facing. The manufacturing sector in Pakistan faces limited HR capacity and gaps in compliance systems that affects organizational performance. However, there is limited understanding of how HR audits are actually performed and implemented in this context. In this study, a qualitative research method was used, and data were collected through semi structured interviews from 15 experienced HR professionals in the manufacturing industry of Pakistan. For qualitative data analysis, NVivo-14 software is used, where a six steps thematic analysis approach of (Braun & Clarke, 2006) was applied to generate and interpret the appropriate themes. The findings of the research demonstrated the key processes, challenges and benefits associated with HR audits. The results discovered that along with the challenges HR audit practices also have significant value for the manufacturing sector. On the basis of these findings, an HR audit framework is proposed which is designed to address the unique needs and limitations of manufacturing organizations in developing economies. The theoretical and practical implications of these findings are enormous for HR professionals and policy makers as they can be used as a roadmap towards streamlining HR audits to create organizational agility and regulatory compliance. Overall, this study contributes to the existing literature by offering a practical framework that helps improve the effectiveness of HR audits by aligning compliance, competitiveness and long-term sustainability in emerging economies.*

**Keywords:** HR Audit; HR audit framework; HR audit practices; HR audit constraints; HR audit significance; manufacturing sector; Pakistan; qualitative; thematic analysis.

**JEL Classification:** O15, O21

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## 1. Introduction

Human resource management has become a strategic function that plays an important role in the competitiveness and long-term sustainability of an organization. The role of HR is no longer limited to routine administrative work as it has been expanded to supporting sustainable competitive advantage and contributing directly to the overall goals of an organization (Agustian et al., 2023). Practicing HR in the manufacturing setup is significantly different from the corporate environment; therefore, issues and challenges involved in implementing HR systems also differ substantially from those in the service sector (Gulati, 2018). The manufacturing sector, particularly in emerging economies like Pakistan, face significant challenges such as globalization pressures, labor legislations compliance, workforce diversity, employee retention, and operational excellence (Muhammad, 2012). These challenges emphasize the need for an organized and defined approach in assessing the effectiveness of HRM practices. As a result, growing number of organizations are pursuing HR audits. HR audit provides a basis for significant improvement in HR strategy and service delivery. In addition, they facilitate the assessment of whether HR policies, practices, and procedures are aligned with strategic goals, legal compliance, and the effective use of human capital (Oza et al., 2024). Although the use of HR audits as global best practice is widely recognized (Ansari & Dhutraj, 2021), they are not followed to any great extent in Pakistan's manufacturing sector (Rashid et al., 2022). The lack of standardized processes, low awareness, and lack of resources prevent the effective implementation of HR audits (Ahmed, 2025; Sathishkumar, 2022). By incorporating HR audits within manufacturing operations, organizations can ensure inefficiencies can be addressed, HRM practices can be improved and better alignment to long term organizational goals can be ensured (Olurin et al., 2024; Sathishkumar, 2022). Although HR audits are a topic of considerable scholarly interest in the broader field of HRM, empirical studies on the practical application of HR audits in the manufacturing industry of low and middle economies are still sparse. Existing literature mostly focuses on conceptual discourses within context where HR systems are well formalized and digitally mature. In recent years, the manufacturing sector has become a major contributor in the economic development of Pakistan (Abbas & Sheikh, 2021) representing almost 11% to the country's GDP across both Large Scale manufacturing (LSM) and Small-Scale manufacturing (SSM) (Survey - Finance Division; Government of Pakistan, 2024). However, HR functions in the manufacturing industry in Pakistan are often limited by lack of resources, a dynamic regulatory landscape, and different levels of management commitment (Rashid et al., 2022), thus making the audit process quite different from that in developed economies. Consequently, there remains a substantive gap exists regarding our understanding of the structure, implementation, and translation of HR audits into organizational outcomes in such settings. To fill this gap, the current study aims to review the existing HR audit processes, identify key impediments and perceived significance, and developing a contextually grounded framework that represent the true dynamics of the Pakistani manufacturing industry. In doing this, the research aims to offer both empirical evidence and a practical capacity building model for organizations in emerging economies seeking to strengthen HR governance and performance.

## **2. Literature Review**

### **2.1 HR Audit: Definitions, Dimensions and Scope**

Audit is a term that is being used to create a base for renewal and enhance internal efficiency and effectiveness of HR practices. It aims at finding opportunities and gaps for creating an empowering future and strengthening the systems and capabilities of businesses (Rao, 2014). A comprehensive audit of HR systems and procedures needs to go beyond the check and tick/inspection level. Similarly, HR audit as a systematic approach aimed at evaluating the degree to which the existing HR and recruitment practices align with the organizational objectives and the implications of these actions on stability expectations and management of obligations. Hence, the HR audit differentiates between “what is” and “what should be” (Cannings & Hills, 2012). The primary objective of this process is to validate the overall performance of the HR department in compliance with the changing work environment (Ukil, 2015). Audits aim to ensure the security, reliability, and compliance of HR processes. They safeguard organizations against potential threats and provide assurance over the effectiveness of HR processes (John & Sharma, 2023).

HR audit develops the sense of goal achievement in the minds of employees, which is crucial for any business to gain a competitive advantage (Zakirova et al., 2019). The primary purpose is to ensure that HR processes comply with local, regional, and international labor laws, government regulations, and internal policies. This helps organizations avoid financial penalties, legal liabilities, and reputational damage from non-compliance (Pillutla, 2025). HR Audit is newer and broader than staff audit (personnel audit), previously known as management audit. A comprehensive HR audit includes the full array of functions within HR department. It offers information that supports the formulation of a long-term strategy to manage the department. The audit itself evaluates how well the department, its functional domains or a previously established HR strategy fulfills the objectives it was designed to accomplish (Jayprakash & Sarkhel, 2024).

### **2.2 Review of Established HR Audit Frameworks**

Bargerstock (2000) proposes HRM effectiveness audit as a comprehensive model for auditing, measuring, and improving HRM services. This model is designed to help HRM teams to navigate the challenge of increased accountability and expectations in both public and private sectors. The model focuses on three specific elements: inputs, outputs, and customers, ensuring that customer satisfaction remains a priority. The model suggested that audit helps identify “low hanging fruits” or easily implementable improvements that can easily enhance satisfaction level. By implementing this model, HRM teams can better align their services with the needs of internal customers ultimately enhancing their strategic role in the organization. Additionally, Hyland and Verreault (2003) developed a model that highlights the importance of a strong strategic partnership between internal audit (IA) and human resource management (HRM) to improve the effectiveness of HR audits. The idea behind the model is simple in a way that when both functions

work towards the same strategic goals, their collaboration becomes stronger and more useful. This model is built on two main elements, the strategic role of HRM, and the risk management focus on internal audit. However, the model depends mostly on the views of internal auditors, which could bring some bias to the findings. In addition, another HR audit framework proposed by Verreault and Hyland (2005) focus on linking strategic risk management with HRM practices to support a more effective HR audit process. The model is primarily based on the intellectual capital which includes human, structural, and relational capital.

The model encourages the development and implementation of HR audits that align with firm specific strategies and practices. The framework also promotes the adoption of high-performance work systems (HPWS) that are particularly beneficial in the manufacturing sector. Such systems can enhance operational efficiency and align HRM practices with strategic objectives, which is crucial for manufacturing firms aiming to improve their competitive edge. Moreover, Cannings and Hills (2012) proposed an HR audit framework that emphasizes the integration of both internal and external factors to evaluate the effectiveness of HR functions within an organization. This framework evaluated the ongoing HR activities (recruitment, compensation, learning and development, and employee relations) against the organization's strategic plans. The framework claimed that HR audit can help identify areas for improvement in HR practices specific to manufacturing operations, which often requires efficient process to support production and distribution. Additionally, Kulchitskaya et al. (2016) propose two models for conducting an HR audit, cognitive model, and motivational model. The proposed cognitive and motivational models are designed to enhance the HR audit process across various industries, including manufacturing. The cognitive model is represented by a unique mental map of managerial decisions that guide the implementation of an HR audit. This mental map helps explain how decisions about HR practices and policies are made during the audit process. In simple terms, it highlights that HR audits should not work in isolation and need to stay aligned with the organizations overall goals and objectives. Tillema and Ter Bogt (2016) further discussed two approaches to performance auditing based on agency theory and stewardship theory. Within the agency theory model, a strong emphasis is placed on auditor independence. The relationship between the audit team and the organization is viewed as formal allowing auditors to perform their responsibilities objectively and without pressure. In contrast, the stewardship theory model takes a different view as it places more emphasis on auditor's responsiveness rather than strict independence. Under this approach auditors are encouraged to work more closely with the organization, promote open communication and develop trust with the aim of supporting continuous improvement on both sides.

### **2.3 Applicable Theories**

The review shows that using a suitable HRM framework is important for better understanding the role and impact of HR Audit role in the manufacturing industry. The Resource Based View (RBV) Theory explains that organizations gain an advantage when they develop unique resources particularly their people (Barney, 1991). In practice, SMEs rely heavily on

their employees as individual skills often influence productivity and innovation more directly than formal systems (Abas et al., 2024). From resource-based view, this makes HRM practices particularly more relevant since they help build employee value and support HR audits. Furthermore, organizations can see how well their human resources are being managed and used through HR audits.

Human Capital Theory (Schultz, 1961; Becker, 1964) informed the investigation into how HR audits assess workforce capabilities, skills development, and compliance mechanisms as an investments in organizational value. Similarly, Resource Based View informed exploration of HR systems and governance structure as strategic internal resources that must be carefully monitored to maintain competitive advantage. When properly applied, these practices do not only help individuals grow but also enhance the overall organization's capacity to respond to market changes and technologies (Abas et al., 2024). Social Exchange Theory helps explain the relationships between employees and organization. According to this theory, these relationships are built on reciprocal exchanges. When exchange is sometimes primarily economic, such as wages paid in exchange of work and sometimes more social like respect, loyalty, and commitment. An effective HRM is able to accommodate a positive working environment in which employees perceive that both forms of exchanges are balanced and fair. This results in improved employee engagement, reduced turnover, and increased job satisfaction (Abas et al., 2024). The strength of these relationships and how they affect employee satisfaction and loyalty in the long run can be analyzed using HR Audits to understand why compliance with employment laws is important within HRM practices in organizations. Compliance with these regulations is not merely a matter of ensuring that a legal obligation is fulfilled, but it also assist organizations to earn trust and maintain credibility with key stakeholders. HR audits may be used to evaluate the effectiveness of manufacturing organizations in aligning their HR practices with those norms, thus enhancing their credibility and trust among stakeholders.

## **2.4 HR Audit Processes and Practices**

The stages of HR audit generally include preparation, data collection, analysis, and reporting (Oza et al., 2024). Yadav and Dabhade (2013) advocated that an effective HR Audit includes five different components: functional audit, service audit, compliance audit, financial management audit, and strategic audit. In addition, HR audit typically involve assessment of key HR practices such as recruitment, health and safety, employee training, performance, compensation management, and legal compliance (Armstrong & Taylor, 2014). HR auditing consists of diagnosing, analyzing, evaluating, and assessing future lines of action within the framework of HRM (Olalla & Castillo, 2002). The HR audit has an extensive application in various aspects of an organization such as HR functions, business strategy, managerial compliance, employee satisfaction, and the culture of human resources (Ukil, 2015).

Additionally, audit practices will differ significantly among organizations when

addressing the factors that contribute to a safe work environment (Curtice, 2004). For SMEs in emerging economies HR audit provide a novel approach to overcoming workforce related challenges by aligning HR practices and ensuring compliance with organization's strategic goals (Srinivas & Sirisetti, 2022). In the manufacturing industry there is need for strategic HR management to balance workforce development and automation ensuring that HR audits contribute to maximizing workforce utility and production (Olurin et al., 2024). When it comes to auditing human resources procedures, one of the most emergent concepts is HR analysis. The potential of analytics is substantial it has the capability to replace traditional auditing processed with evidence-based strategies, data driven decision making, consistency in HR practices with justified impact of HR investments. Many HR analytic tools comprising workplace utility analytics, HR dashboards, HR ROI etc. (Koirala & Mishra, 2022)

## 2.5 HR Audit Constraints

Conducting an HR audit brings several challenges despite the widely recognized benefits. Introducing new HR systems often changes the way HR tasks are normally handled. Employees and managers who are used to manual processes may feel uncomfortable or resistance to these changes (Pillutla, 2025). Besides resistance to change, the rapidly evolving nature of technology presents another challenge, requiring auditors to stay updated with regulatory changes, industry standard and best practices (John & Sharma, 2023). Additionally, other challenge include complexity of data as many organizations opt for external audits which provide an unbiased perception and ensure that HR practices align with international best practices (Kulchitskaya et al., 2016). Despite the existence of safety measures and training programs, organizations face challenges in effectively implementing safety protocols, thus engaging employees in safety practices and decision making is crucial (Sathishkumar, 2022). In addition, the effectiveness of HR audits is also often limited due to the lack of continuously updated HR information systems and the shortage of qualified HR auditors with the necessary expertise to conduct reliable audits (Ahmed, 2025).

## 2.6 Strategic Value of HR Audits

HR audits help organizations remain competitive by improving employee's efficiency, lowering turnover, and ensuring that HR practices are aligned with the company's strategic goals. This is particularly important in the manufacturing and service sectors where employees performance directly influences organizational outcomes (Ansari & Dhutraj, 2021). In addition, HR audits play a key role in ensuring compliance with labor laws in Pakistan, helping organizations reduce legal risk and protect their reputation (Rashid et al., 2022). Furthermore, real time reports and compliance dashboards, supported by systems like HCM, help HR leaders clearly see compliance trends and workforce data. This allows them to make better decisions and address issued before they become serious problems (Pillutla, 2025). Moreover, HR audits are critical for enhancing employee engagement and satisfaction. When HR practices are regularly evaluated

and improved, employee feel valued and supported, leading to a more positive work environment (Jayprakash & Sarkhel, 2024). Overall, this highlights the importance of conducting regular HR audits as they help assess HR performance, ensure that documentation is complete and up to date and verify that organizational policies comply with relevant regulations (Bukhari, 2021).

### **3. Research Methodology**

#### **3.1 Research Philosophy**

This study follows an interpretivist research philosophy, which focuses on understanding people's experiences and the social context in which they are shaped (Brown, 2019). Interpretivism helps researchers explore how individuals make sense of their actions and situations (William, 2024). It is established on the notion that reality is socially constructed and individuals can possess different perspectives. This allowed examining how employees perceive HR audit practices as different and the challenges they encounter. These varied perspectives assist in understanding how HR audit is a reality within organizations and how effectively it functions in practice.

#### **3.2 Research Design**

This study used a qualitative research approach as it is well suited for exploring areas that have received limited attention (Creswell & Creswell, 2017), such as HR audit practices in Pakistan's manufacturing sector. The research is exploratory in nature to identify key themes and patterns related to HR audit. Since there is limited prior research focused on the manufacturing sector of Pakistan as a developing country, this approach is appropriate in finding gaps and formulating new knowledge. The research has also informed conceptually the Human Capital Theory and the Resource Based View Theory which informed the development of interview protocol and the analytical reasoning of the research. Semi structured interview questions were specifically structured designed with an intention to not only capturing procedural aspects of HR audits but also to explore their contribution in capabilities building, resource optimization, and strategic alignment.

#### **3.3 Study Population and Sample**

The target population consists of experienced HR professionals including managers, auditors, and consultants working in the manufacturing sector in Pakistan. A purposive sampling technique was employed to identify participants who possess at least 08 years of relevant experience in HR compliance and audit within manufacturing sector. A sample of 15 participants was considered and interviewed for this qualitative study. Data saturation was achieved by the twelfth participant, aligning with existing literature that recommends sample size as small as one or within a range 9-12 for a homogenous population sample to ensure a better representation and better understanding of organizational practices (Boddy, 2016; Saunders & Townsend, 2016).

Organizations were selected from diverse manufacturing sub sectors, including textiles (n=5), automobiles (n=2), chemicals (n=4) and pharmaceuticals (n=4). Respondent's demographics are presented in Table-1.

Table 1  
*Respondents Demographic Information (n=15)*

<b>Characteristics</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender:		
Male	08	53.3
Female	07	46.7
Age (Years):		
30-39	05	33.3
40-49	06	40.0
> 50	04	26.7
Working Experience:		
8-10 Years	03	20.0
11-18 Years	07	46.7
> 18 Years	05	33.3

*Source:* Author's own work

### **3.4 Data Collection**

Primary data was collected using semi-structured interviews with experienced HR professionals working in the manufacturing sector in Pakistan. Semi-structured interviews are chosen allowing participants flexibility to express their perspectives freely (Creswell & Creswell, 2017). Semi structured interviews were conducted in-person and via virtual platforms between December 2024 and January 2025 as part of the primary data collection process. Secondary data was collected through relevant literature including academic articles and industry reports. The interviews averaged 35 minutes were conducted with hand-written notes before being transcribed for analysis.

### **3.5 Data Analysis**

Data was analyzed using thematic analysis (Braun & Clarke, 2006) to identify patterns and developed themes. Thematic analysis was performed using Nvivo-14 QDA (Qualitative Data Analysis) software. The authors independently analyzed the data and critically reviewed the identified themes (Clarke & Braun, 2017). Data analysis followed a structured coding process involving initial open coding, followed by axial coding to develop second order themes and aggregate dimensions. A codebook was developed to maintain consistency. Interview transcripts

were read multiple times for data familiarization. Initially, a total 54 first order themes were extracted for all three interview questions (Q1=17, Q2=18, Q3=19) by identifying recurring patterns as well as similarities and differences across the data. These first order themes were then combined into 21 second order themes (Q1=8, Q2=5, Q3=8) by examining their interrelationship and in order to give meaning to them. In the final step second order themes were further merged into 11 aggregate dimensions (Q1=4, Q2=3, Q3=4) so that they could align with research questions of this study and ensure comprehensive coverage of the study domain.

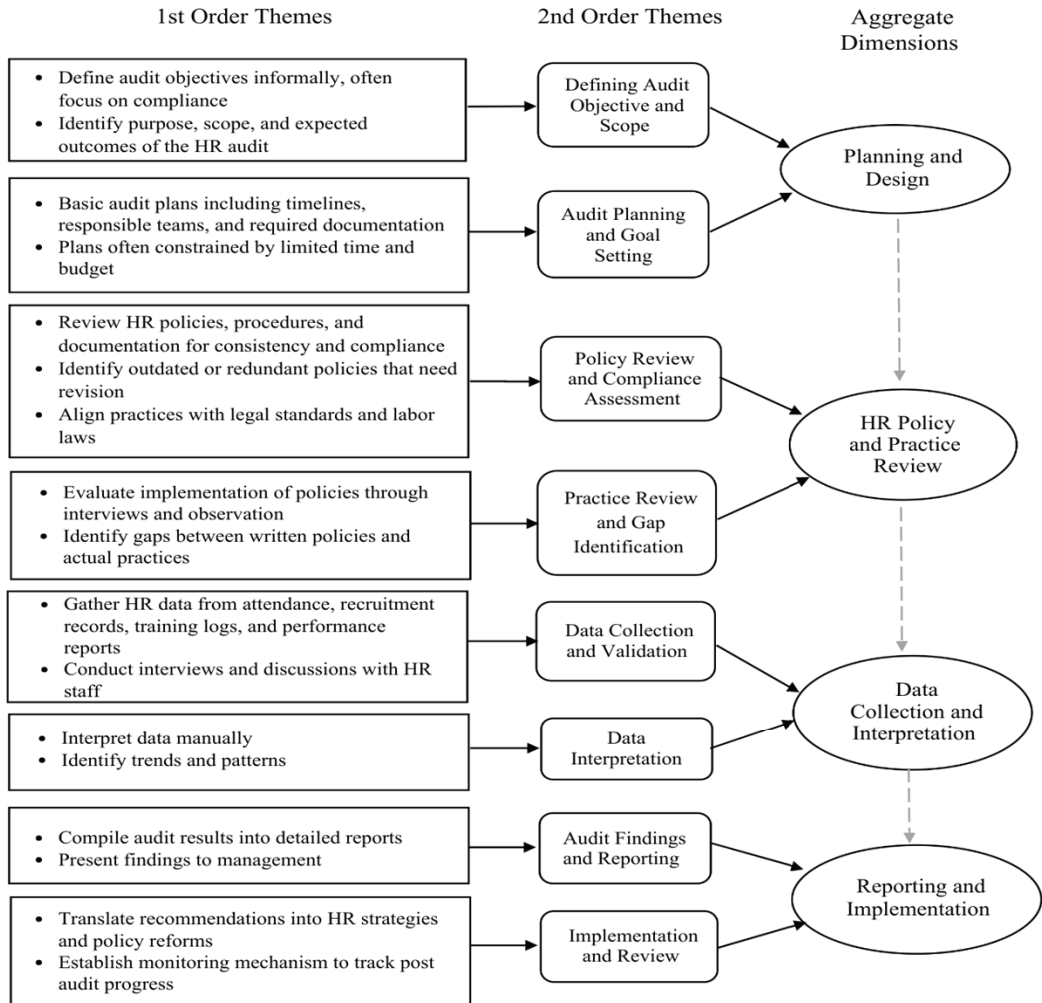
To enhance analytical rigor, emerging interpretations were discussed through peer debriefing, and discrepancies were resolved through mutual agreement. Additionally, during the data analysis stage, the codes were organized to differentiate between operational HR practices, structural impediments, and strategic value perspectives. The categorization was guided by the understanding that HR processes work not only as administrative routines but also as a strategic organizational asset. The proposed framework was developed through this theoretically informed interpretation, ensuring alignment between conceptual foundations and the findings.

### **3.6 Procedure**

Confidentiality and informed consent were considered to ensure ethical consideration, where participants were briefed about the study's purpose. Furthermore, personal and organizational information was anonymized to protect participants' identities. To ensure trustworthiness, several measures were adopted. Credibility was strengthened through member checking and peer debriefing. Dependability was supported by maintaining a clear audit trail of coding decisions and conformability was ensured through reflective documentation of interpretations. Transferability was ensured through thick description and inclusion of illustrative participant insights aligned with identified themes.

## **4. Results & Findings**

The findings of this study revealed that manufacturing firms in Pakistan follow an HR audit process that seems structurally sound, but it is informal, scattered, and inconsistently executed in practice. Four core stages of HR audit process emerged from the analysis, including planning and design, policy and practice evaluation, data collection and interpretation, reporting and implementation. Each stage is represented by first order concepts and second order themes derived from the participants' narratives. Data interpretation for research question about HR audit process is presented in Figure-1.



Source: Author’s own work

Figure 1: Data Structure – HR Audit Process

Participants generally recognized that HR audit begins with defining objectives and scope, but the process is not really formalized (P1, P4). Furthermore, in the manufacturing sector is Pakistan HR audit focuses on labor laws and compliance. These responses in this context indicates that planning exists more as a verbal coordination than a comprehensive formal design. An audit planning that includes developing a timeline, identifying audit areas, and assigning responsibilities is similarly ad hoc and resource constrained (P7, P11). These findings align with the observed first order concepts including informal objective setting, reactive audit initiation, and absence of measurable KPIs. This cause gaps between an effective audit planning and its on ground execution. The second dimension of audit process highlights reliance on manual policy reviews,

with participants stating that they check policies manually from old files that need revisions (P3, P13). Findings also highlight that gaps between policy and actual practice are identified through verbal discussions instead of evidence-based discussion (P1, P9). These results indicate the fact that the policy analysis is more about documentation compliance rather than strategic performance, which is an indication of poor HR audit maturity. The collection of data seemed to be one of the major steps of the process yet majority of the documents were managed manually, which slowed down the audit and made errors more likely. (P8, P12). The analysis of audit data was mostly qualitative and HR professionals trusted more on intuition and experiences over metrics or other tools to interpret the data (P1, P9). There were also gaps in reporting practices. Audit reports tend to be descriptive and do not relate the findings to the business objectives of the organization (P3). A large number of respondents stated that the audit recommendations were either not followed or followed late which is a lack of follow-up and continuous improvement. Table-2 shows the quotations of the participants regarding the HR audit process.

Table 2  
*Data Supporting Interpretations for HR Audit Process*

<b>Themes</b>	<b>Participants Quotations</b>
Defining Audit Objective and Scope	We start HR audit by deciding what exactly need to be checked... usually it covers compliance with company policies and labor laws (P1) We do not have a formal written document or approval for this purpose...The objectives are discussed among HR teams (P4) Our priorities are mainly on urgent issues including attendance, recruitment or performance inconsistencies (P7)
Audit Planning and Goal Setting	We usually audit when some issue arises... planning become reactive due to time constraint and limited staff (P7) We do not have any particular template and timeline... we receive approval of management and begin accordingly (P11) We develop a general plan with some important areas... there is no specific audit calendar used (P5)
Policy Review and Compliance Assessment	We review policies manually from files... most of them need revision (P3) We are primarily concerned with labor laws and safety standards (P13) We make use of our current HR manual... we generally do not benchmark with other companies (P2)
Practice Review and Gap Identification	Sometime we find differences between actual practice and policy... usually follow-up actions are delayed (P6) Gaps are identified with discussions with managers... formal audit checklist are not always used (P10)

*Table to be continued...*

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Data Collection and Validation	<p>The written policy and actual practice is not compared (P15)</p> <p>Our audit data comes from manual records like attendance register, payroll sheets and training files (P8)</p> <p>We don't have HR software... verifying records takes a lot of time and sometime data is incomplete (P12)</p> <p>Information is collected from different departments through email or paper... it is time consuming to consolidate</p>
Data Interpretation	<p>We analyze data on our professional judgment and past experience... analytical software are not available (P1)</p> <p>We discuss audit insights within teams... formal analytical tools are not used (P9)</p>
Audit Findings and Reporting	<p>Mostly we rely on trend observation like turnover and absenteeism (P5)</p> <p>Reports are mostly descriptive... audit results are presented without regular formats (P2)</p> <p>We submit our findings in detailed report... management attention depends on severity of issue (P11)</p> <p>The report usually highlights compliance issues... it does not always link with business performance (P3)</p>
Implementation and Review	<p>Implementation of recommendation is slow... sometime we never hear back about progress and what actions are taken (P6)</p> <p>HR audits are treated as one-time activity... continuous monitoring is at missing (P10)</p> <p>There is no structured or fixed follow up system to monitor what happen after the audit (P8)</p>

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*Source:* Author's own field data / interviews

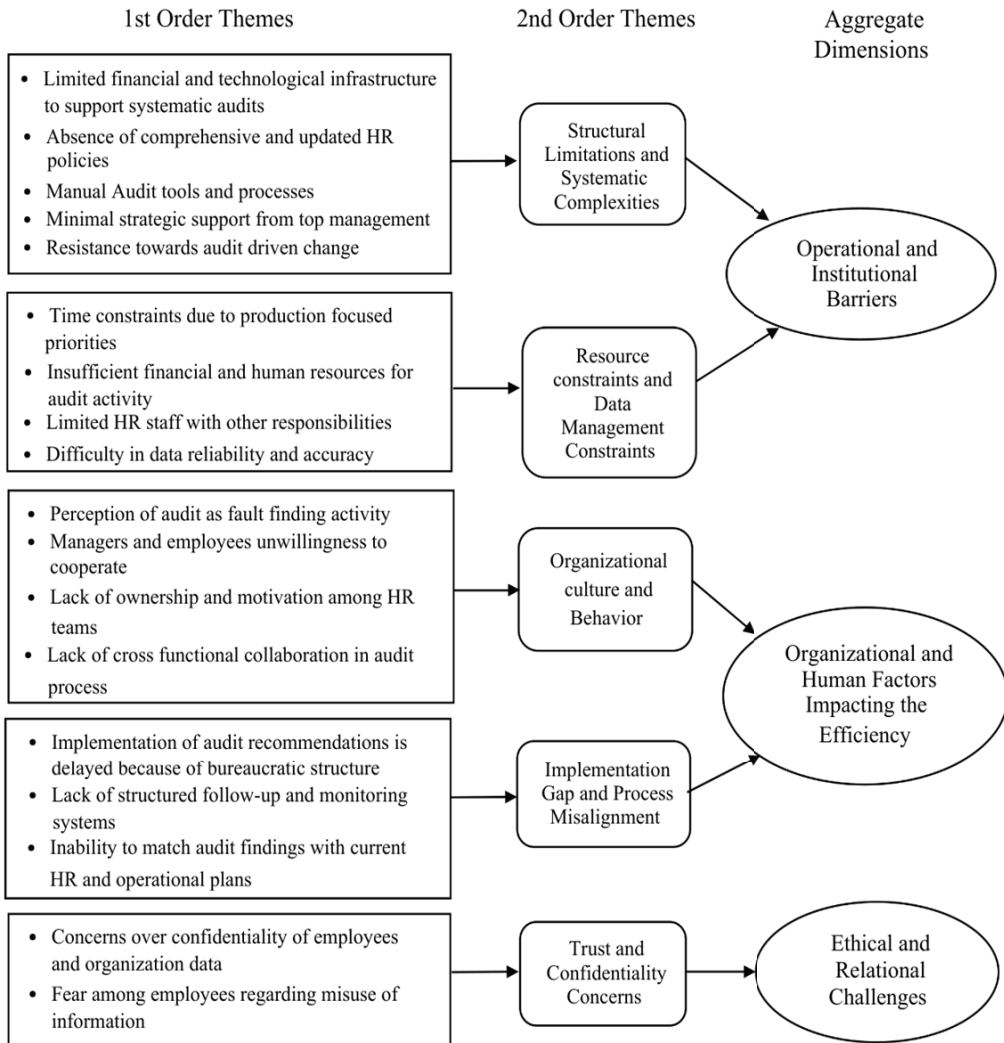
The findings showed a four-stage process based on what participants described about current HR audit practice in the manufacturing firms in developing economies like Pakistan. It still has several inefficiencies and gaps that reduce its overall effectiveness even though the process exits as shown in Table-3. These problems offer a useful foundation for designing a strategic HR audit framework that can better support manufacturing firms working with limited resources.

Table 3

*Identified Gaps / Inefficiencies in Existing HR Audit Process*

<b>Aggregate Dimensions</b>	<b>Identified Gaps / Inefficiencies (Developing Country Context)</b>
Stage-1 Planning and Design	<ul style="list-style-type: none"> <li>• Audit goals are usually informal and only set when a problem arises</li> <li>• HR audits are not well connected to the business strategy</li> <li>• Management involvement is weak and resource planning is not done properly</li> </ul>
Stage-2 Policy and Practice Review	<ul style="list-style-type: none"> <li>• There are no standard audit KPIs or templates to follow</li> <li>• Many policies are outdated or incomplete</li> <li>• HR audits mainly check compliance instead of looking at how effective the policies are</li> </ul>
Stage-3 Data Collection and Interpretation	<ul style="list-style-type: none"> <li>• There is no benchmarking against industry best practices</li> <li>• Data is collected manually on paper which often leads to mistakes</li> <li>• There is no proper HRIS or analytical tools in place</li> <li>• There are no standardized metrics or methods to validate data</li> <li>• Auditors depend on intuitions and experience instead of using data driven insights</li> </ul>
Stage-4 Reporting and Implementation	<ul style="list-style-type: none"> <li>• Audit recommendations are not linked to performance outcomes</li> <li>• Weak follow-up or monitoring of audit findings</li> <li>• Audit reports are compliance focuses rather strategic</li> <li>• Absence of accountability and continuous improvement cycle</li> </ul>

*Source:* Author's own work



Additionally, the findings indicate that manufacturing firms face systemic barriers such as limited digital infrastructure, manual documentation and lack of HR audit tools. From the participant’s responses for an interview question on HR audit impediments, first and second order themes and aggregate dimensions are presented in Figure-2.

Source: Authors own work

Figure 2: Data Structure – HR Audit Constraints

Leadership support was found inconsistent for HR audit exercise. Many respondents shared that there is less priority for HR audits from top management (P7). Resistance to change was also frequently discussed where employees perceive audits as a disciplinary practice (P3, P12). It was also found that manager also showed low engagement. Confidentiality and trust emerged as another major concern (P11, P15). Participants' quotations for research question on HR audit constraints is presented in Table-4.

Table 4

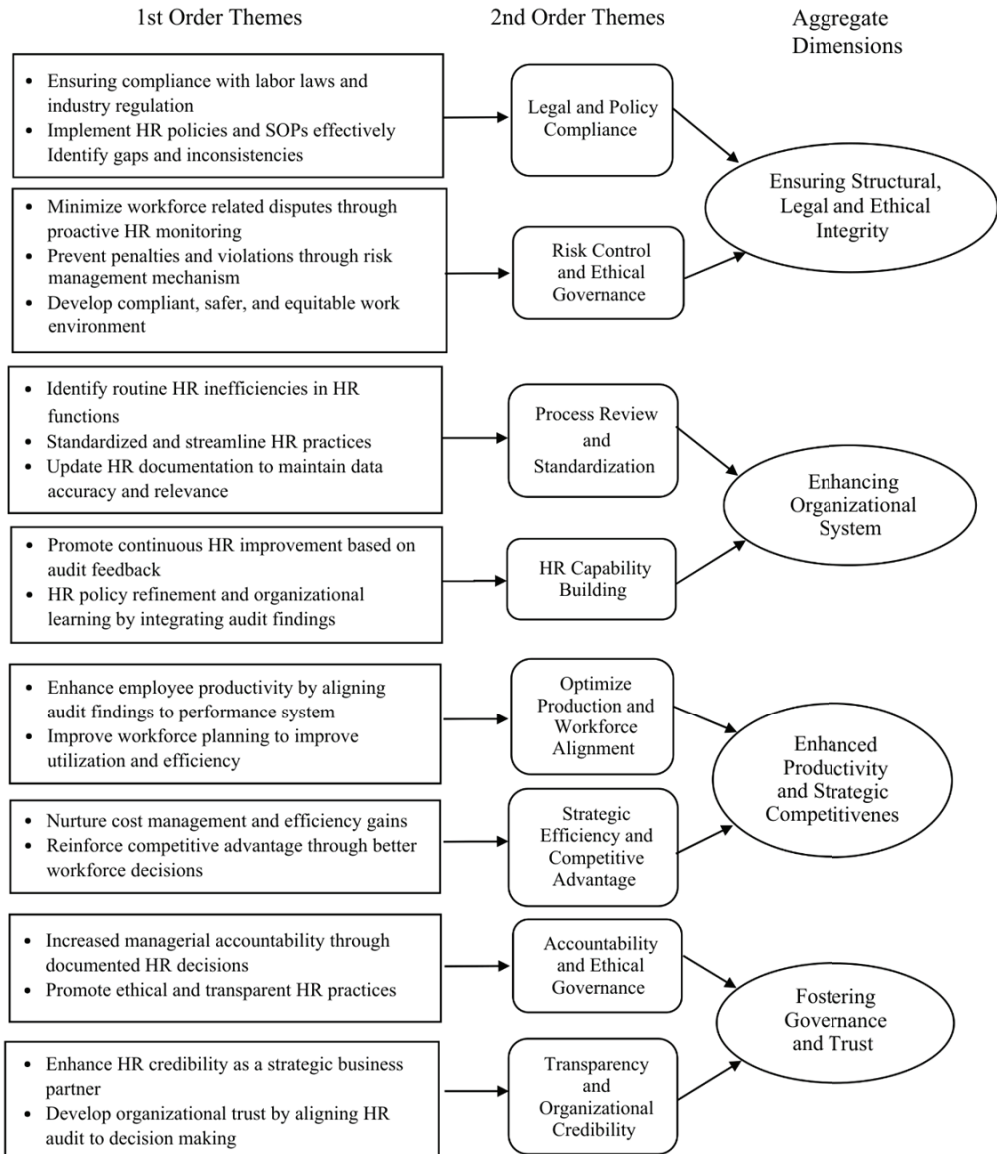
*Data Supporting Interpretations for HR Audit Constraints*

<b>Themes</b>	<b>Participants Quotations</b>
Structural Limitations	We have limited HR audit tools and systems, most of the work is manual... it takes much time and process get delayed (P2) Sometime we are not clear on latest compliance requirements due to complex labor laws that create confusion during the audit (P1) Audits are not regular due to less priority concern by decision makers... they see it as extra cost rather than investment (P8)
Resource and Data Management Constraints	We have limited HR staff and everyone is managing daily operations... it is challenging to perform comprehensive audits (P4) Data collection is a big issue because records are scattered across files and spreadsheets... accuracy is concern (P10) We plan the audit but it gets postponed because of production targets or lack of funds (P13)
Organizational Culture and Behavioral Resistance	People think audits are meant to find faults, they hesitate to cooperate or share data honestly (P3) During audits defensiveness is sometimes observed among employees...they feel it may influence performance appraisal (P12) Audits are not always taken seriously by some senior staff and are often viewed as a formality rather than an opportunity for learning and improvement (P7)
Implementation Gaps	Although audit findings are shared, acting on them remain challenging...implementation is sometimes delayed by management or follow-up by HR function is not carried out effectively (P9) There is no proper system in place to ensure that audit results are aligned with business goals (P6) In many cases audits do not lead to real change... the same problems show up again in next audit (P14)
Trust and Confidentiality Concerns	Concerns are often raising by employees that audit data may be used against them... particularly in relation to performance issues or disciplinary action (P15) Trust in the audit process is also frequently lacking... as audit is perceived as a means of assessing individual performance rather than improving system (P12) Although efforts are made to maintain confidentiality, audit results are sometime shared through informal discussions before the official report is released (P11)

*Source:* Author's own field data / interviews

Despite the challenges and limitations in the process, participants were clearly aware of the strategic value of HR audits in improving their organizations. They viewed HR audits

as an important tool for ensuring compliance with labor laws, regulatory requirements and internal policies. Beyond compliance ethical governance is also supported through audits by encouraging transparency, standardization, and accountability in HR practices. Data structure for research question on HR audit strategic value in developing nations is exhibited in Figure-3.



Source: Authors own work

Figure 3: Data Structure –Strategic Value of HR Audit

Participants also viewed HR audit as a process for organizing and updating outdated HR processes and formalizing documentation practices (P1, P6). Moreover, HR audit contributes to continuous improvement by helping HR professionals identifying capability gaps, process inefficiencies and opportunities for skill development (P8, P14). It was also noted that effective execution of HR audit practices can lead to better workforce management and improved operational efficiency (P13). Such improvements can make a real difference in highly competitive markets particularly in developing countries. Better workforce management, fewer errors, strong compliance and smooth HR operations together contribute to improved organizational performance. Participants also viewed HR audits as a way of developing transparency and trust between employees and the organization (P4, P9). In addition, HR audits were seen as promoting fairness, improving transparency and increasing confidence in HR processes. HR audits are even more helpful in workplaces where informal practices and lack of communication are common norm as they help to build the trustworthiness of the organization and enhance the relationships among employees. Table-5 provide the summary of the participant responses on the significance of HR audits.

Table 5

*Data Supporting Interpretations for Strategic Value of HR Audits*

<b>Themes</b>	<b>Participants Quotations</b>
Legal Adherence and Policy Compliance	The HR audit keep us in line with labor laws... it reminds us that compliance is not something we can ignore (P2) We use HR audits to check whether our policies follow government rules and our internal SOPs (P1) Sometime we find gaps in our documentation and procedures... audit help us fix them before they turn into legal issue (P8)
Risk Control and Ethical Governance	Audits protect us from compliance related penalties... a small mistake in payroll or hiring can become a problem for us (P7) It is not only about the law but it is also about ethics such as treating our people well (P12) HR audit help us identifying areas where the decision made by HR lack transparency which promote ethical standards (P3)
Process Review and Standardization	The practices that were done informally and without consistency are now organized in our audits (P1) Each time we conduct an audit we revise policies that were previously only verbal practice (P10) Processes should be regularly checked and this create sense of discipline... people take them more seriously (P6)
HR Capability Building	Our audit results tell us where to work on or improve further (P14) We apply the findings to improve our HR system and skill and make it a learning opportunity (P8) As we conduct audits we improve our processes of handling data, documentation and compliance (P11)

*Table to be continued...*

Productivity Optimization and Workforce Alignment	In my experience workforce productivity improves when HR processes become structured due to audits (P4) Audit reveal the gaps in performance... and we become more efficient in our operations (P13) Delay in production and manpower shortages also decline... everything works properly when HR functions run smoothly (P9)
Strategic Efficiency and Competitive Advantage	Our audit results are now associated with cost efficiency... cost saving is likely due to less compliance related penalties (P7) Efficient HR systems and practices put us ahead in this competitive market... audits help us to go in the right direction (P2) We are not entirely digital yet but even manual audits can assist in streamlining our operations and make us compliant (P15)
Accountability and Ethical Governance	Audit findings make managers more accountable because everything is documented and reviewed (P1) It puts pressure on everyone including HR, to act responsibly and follow procedures (P13) Since we started auditing HR practices, we have seen less internal conflicts (P12)
Transparency and Organizational Credibility	The HR audit give management and employees confidence that things are being done correctly (P4) It enhances our company's reputation... when clients and investors see we have HR audit reports it develops trust and confidence (P9) Transparency through HR audits improve relationship between HR and employees (P15)

*Source:* Author's own field data / interviews

## 5. Discussion

Moreover, findings also show a noticeable gap between what HR audits are intended to achieve in the manufacturing organizations and how they are actually carried out in developing country context. While HR professionals understand the purpose and potential of HR audits, the existing HR audit practices remain disconnected, manual and compliance driven. As described by the participants the current HR audit process includes the necessary steps of planning, policy evaluation, data collection, analyzing findings and reporting. Prior researches suggest that strategic HR audit planning is pivotal and a good start for the success of the process as it contributes to workforce optimization (WFO), consistent regulatory compliance meeting the strategic goals of the organizations (Cannings & Hills, 2012; Ukil, 2015; Zakirova et al., 2019). However, in the manufacturing organizations of Pakistan these steps are carried out in a highly informal and inconsistent manner. HR audit planning rarely goes beyond verbal coordination with limited documentation, weak alignment with organizational goals and limited management support. The findings of the study also highlight that HR policy and practice review considered as one of the significant steps in HR audit process in the manufacturing firms in Pakistan.

These findings support previous research indicating that carefully examining policies and practices in HR audits helps organizations to identify regulatory compliance gaps and

areas of improvement (John & Sharma, 2023; Pillutla, 2025). However, the findings of the study indicate a significant gap in standardized policy reviews as the majority of respondents highlighted unstructured policy reviews. The findings support the research studies emphasizing the role of HR analytics in factual or evidence-based HR audits. Organizations that use HR analytics in HR audits tend to make more transparent and accurate decisions (Koirala & Mishra, 2022), but the results of the study advocate that only a few of the firms are taking insights from HR analytics and many others still lack data driven HR audit mechanism. The reason behind this notion is that being labor intensive sector HR departments in the manufacturing firms mainly textile firms are yet not as agile or proactive with less exposure to HR technology as compared to other sectors like banking and IT in Pakistan. It is also found that audit findings and reporting is final but crucial phase in HR audit process in the manufacturing firms. The findings of this study are consistent with previous studies emphasizing the importance of HR audit reporting in enhancing organizational performance and compliance (Oza et al., 2024). Although HR audit effectiveness depends on how well the findings are reported and acted upon, many manufacturing firms in Pakistan lack consistency in structured reporting. These are the process constraints that are closely connected with the organizational issues which influence the outcomes of HR audits. The findings agree with the past studies that have also reported impediments to successfully implementing HR audits. Sathishkumar (2022) observed that manufacturing firms in emerging economies such as those in South Asia often struggle to implement safety measures due to resistance to change and limited technical training. In this study behavioral and cognitive factors that shape the implementation of HR audits emerge as key themes.

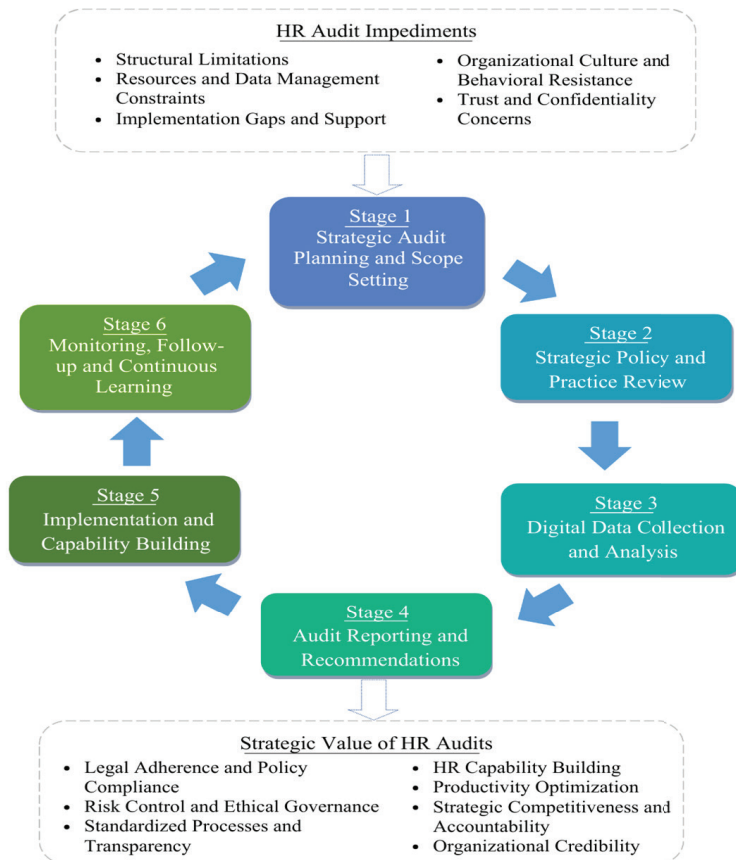
This is in line with the Kulchitskaya et al. (2016) who believes that employees and management should have a fair and objective perception of HR audit in order to make it effective. Also, the implementation is difficult due to weak technology systems, limited resources and difficulties in developing skills. These issues suggest that HR audit is not just a technical or procedural matter but it is also influenced by broader organizational constraints. It is also challenging to create an effective HR audit ecosystem because of poor digital systems, lack of analytical expertise, weak HR capabilities and low collaboration between stakeholders. However, the study discovered that HR audits can provide a number of advantages including compliance, competitiveness, employee welfare, and a compliance ecosystem. These implications are aligned with previous research studies where Ansari and Dhutraj (2021) and Bukhari (2021) proposed that HR audits help organizations to remain competitive through workforce optimization and adopting best HR practices. Furthermore, HR audits not only ensure compliance that mitigate the legal consequences (Rashid et al., 2022) but also contribute to continuous improvement of HR processes and provide recommendations for best practices (John & Sharma, 2023). Although respondents endorsed insightful benefits of HR audit practices, there is still a lot of value remaining in the context of manufacturing sector in emerging economies like Pakistan. For instance, most of the manufacturing firms still focusing on legal adherence with less focus on performance optimization. Moreover,

process enhancement through digital HR audits is emerging in pharmaceuticals segment of manufacturing sector but traditional manual audits still dominate in many textile firms. The combination of operational, strategic, and social benefits shows why HR audits are still considered important in the manufacturing organizations even when the current processes are not working well.

The gap between what HR audits can and should provide, and what they actually deliver represent a core problem in the implementation of HR audits in the manufacturing firms in the developing countries. Although HR professionals understand the inherent value of HR audits, the barriers they face prevent such assessments from achieving their full potential. This gap forms the basis for the suggestion of a strategic HR audit framework for manufacturing organizations in developing countries. The proposed framework (Figure-4) synthesis the major insights gained from the study and explicitly addresses the operational and structural issues identified by participants. It outlines a more structured and systematically organized HR audit process, which starts with strong strategic planning and then moving to a thorough review of existing policies and practices. Moreover, it recommends the use of data driven methodologies in the collection and analysis of information. For this purpose, improving digital skills and developing basic digital infrastructure are key to the long-term improvement of HR audits in the manufacturing firms in developing countries. Given the fact that many companies face resistance to change, lack of technology and digital skills, using simple and low-cost tools such as Microsoft Excel, Power BI or Google sheets can help start the digitization of HR audits without the need for major investment. The framework also encourages organization to focus on capacity building and learning that is supported by management and that enable employees to become more accepting of change and improve their digital literacy. It encourages a step by step approach where adopting technology and HR audit matures incrementally rather than assuming an immediate digital transformation. In addition, this framework also emphasizes strategic HR audit reporting with a view of encouraging HR teams to align HR audit outcomes with organizational and workforce performance, and the expectations of governance. It further includes a strong implementation aspect that guides HR departments in how to transform audit recommendations into actions and how to monitor this progress through measurable indicators.

The proposed HR audit framework is novel primarily because of its iterative design. Within the context of developing countries, constraints such as availability of resources, resistance to change and skills gaps are common. Therefore, a constant cycle of auditing and improvement rather than one-time intervention is more viable and sustainable. Moreover, the iterative nature of the framework supports capacity building through improving HR knowledge, documentation practices, and the development of advanced analytical competencies. Such a sustainable audit framework becomes indispensable for manufacturing firms operating in demanding competition and often face challenges associated with compliance, workforce management and documentation. Finally, the findings achieve greater clarity by examining

the Human Capital Theory and the Resource Based View Theory. Within manufacturing firms, HR audits are most often implemented for compliance purposes, and often in an informal way, thus they do not enable accurate assessment or development of the true potential of the workforce. When audits are not structured or strategic in nature, it becomes challenging for organizations to identify if the employees are being developed as long-term contributors to value creation. Similarly, the Resource Based View emphasizes that HR systems can only be used to support sustained competitive advantage when they are well organized, regularly monitored, and are consistent with overall business strategy. The gaps highlighted in planning, data integration, and follow up indicate that the use of HR audits in this context are not yet functioning as strong strategic tools. The proposed framework attempts to overcome these limitations by adding more clarity in planning, better use of digital tools, a better feedback mechanism, and a continuous learning cycle. By doing so, it reflects theoretical concepts into a practical and context specific governance strategy for manufacturing firms in developing economies.



Source: Authors own work

Figure 4: HR Audit Implementation Framework

## **6. Theoretical and Practical Implications**

### **6.1 Theoretical Implications**

This research contributes to the emerging literature of human resource management by describing the HR audit practices in the manufacturing industry of a developing economy. Previous research has focused on developed nations without paying much attention to the practical aspects and regulations in emerging contexts like Pakistan. Drawing on the experiences of HR professionals from manufacturing firms, this study combines established HR audit concepts with practical insights from the local context. By doing so, it offers a more grounding understanding of how these practices are understood and applied in developed economies. In doing so it extends theory in several meaningful ways. Firstly, through literature review and findings of the study highlight the comparison between localized practices and global HR standards of how organizations in developing countries adapt or struggle to implement HR audit practices. Secondly, by employing thematic analysis techniques to identify key factors of the domain of study this methodological contribution promotes further research work in the field by providing replicable models to examine HR audits in other regions and sectors. Finally, the HR audit model helps address important challenges that are common in labor intensive industries such as limited resources, compliance issues and organizational behavior and culture. The integration of theory and practicality helps the study to create a better picture of the strategic aspect of HR audit. This establishes a practical foundation on the studies that can be made in the future particularly in the comparison of related industries and economic conditions.

### **6.2 Practical Implications**

The practical implications of this research can be beneficial to HR professionals, organizational leaders as well as policymakers in the manufacturing sector. To HR professionals the research will provide insights to the areas that can be reviewed by the company to facilitate and enhance recruitment compliance and training. HR audits enable organizations to solve cognitive operational and behavioral problems through understanding and aligning HR practices to organizational vision. As a result, employee satisfaction and performance improve, turnover tends to decline and levels of compliance and accountability become stronger. In addition, the systematic HR audit framework helps HR professionals build the skills needed to carry out audit activities effectively while considering the specific demands and challenges of the industry. This consequently enhances the overall organizational competitiveness. The study will also be of practical value to business leaders in offering insights on how to use HR audit as a strategic tool in reducing risk and compliance with labor laws. Furthermore, these insights are applicable irrespective of the size of the business since they focus on common aspects in practicing HR audits, adherence to labor regulations, safe and healthy work environment, human resource development and efficient use of resources.

From policy perspective the study highlights the importance of promoting awareness and adoption of HR audits in the manufacturing sector. As a broader perspective this study provides comprehensive framework that not only bridges theoretical gaps but also facilitates HR professionals with actionable strategies to improve HR audit practices.

## **7. Conclusion**

HR audits are important tool for evaluating HR functions and practices in order to meet the strategic goals of an organization. The literature, results, and findings of the study indicates that HR audit in the manufacturing sector plays an important role where the focus is mainly upon compliance with company polices, labor laws, and regulations set by the government that broadly covers associated functions of HRM including recruitment, compensation, health safety, and environment etc. In order to obtain the desired results like compliance, process improvements and enhanced competitiveness etc, particularly in the manufacturing sector a comprehensive HR audit process is essential to adopt. In this research study an HR audit model is proposed considering the unique conditions of developing countries. The proposed framework emphasized on flexibility, scalability, and step by step implementation to address challenges like resource limitation, complexities etc. It is also pertinent to highlight that before the execution of HR audit process it is important to understand the domain of HR audit process based on the unique dynamics of manufacturing sector. While HR audits bring substantial benefits like continuous improvement, employee wellbeing, credibility, and competitiveness etc, the potential challenges also cannot be exempted like complexities, lack of support, technology, and resources etc.

## **8. Limitations and Future Research Direction**

This study has a few limitations therefore the results should be viewed carefully. First, the research was conducted in Pakistan and focused only on manufacturing sector. Because of this the findings may not represent all HR audit practices across the country. Second, the study relied on interviews which can bring subjective biases as participants may not fully reflect every aspect of HR audit practices or challenges. Finally, the sample size is relatively small and limited to specific context. As a result, the conclusions may not fully represent practices in other sectors or geographic regions. Future studies could expand this line of research by applying different methodological approaches and examining HR audit practices across a wider range of industries and regions. Such efforts would contribute to a more comprehensive understanding of how HR audits are conducted, why they are important, and what challenges organizations face in implementing them.

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## **Annexure**

### **Semi Structured Interview Questions**

#### **Interview Question 01**

Can you explain how HR audit is done in your organization and which steps or processes are involved in this activity?

#### **Interview Question 02**

What are the main difficulties or challenges you usually face when conducting HR audits in your organization?

#### **Interview Question 03**

From your experience, how do HR audits help organizations and specifically to companies in the manufacturing industry?



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