



# Managers' experiences of internal HR audits

A case study of follow-ups within the field of competence development

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# Abstract

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**Purpose:** The purpose of the study is to investigate managers' experiences of internal HR audit processes within a company. The main focus will be on the HR process within the area of competence development.

**Theory:** The theoretical framework used is the new institutional theory which helps bring an understanding of determinants and shaping of HRM practices and the relation between an organisation and its environment. Decoupling and loose coupling are based on the relationship between institutionalized rules and individual or organisational actions which help understand the conformity of the case company to external pressures.

**Method:** For the methodology a qualitative case study of managers within different departments in three facilities in a company has been chosen. 13 semi-structured interviews have been conducted.

**Result:** The results showed mixed perceptions among the managers where managers were unfamiliar with the term HR audit. In addition, managers lacked commitment towards HR audits which turned out to be a neglected and downgraded task among the managers. They were also experiencing a gap between what is intended and implemented. The managers were unsatisfied with the existing tools and systems since they were not well-functioning. Instead they wanted to work more integrated and establish a common process. The challenges that appeared to impact the managers' work with internal audits were the experienced lack of support as well as the adaptation to external changes.

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## **List of abbreviations**

HR	Human Resources
HRD	Human Resource Development
HRM	Human Resource Management
IAF	Internal Audit Function
IATF	International Automotive Task Force
ISO	International Organisation for Standardization
MNC	Multinational Company
QMS	Quality Management System

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# 1. Introduction

## 1.1 Background

In the society of today, organisations are facing a more transparent world than ever before (Bartley, 2007; Mol, 2015). The demand for transparency towards customers, employees, labour market, stakeholders and organisations are of importance for organisations to gain trust and legitimacy. In order to maintain relationships and certain standards, organisations need to check-up on each other to make sure regulations and standards are being followed. Organisations also need an internal check-up in order to ensure that processes and systems are being followed. These check-ups are called an “audit” (Power, 1997).

The beginning of audits came from the aim of keeping records of the business and getting information about financial systems (Power, 1996; Power, 1997). The practice arose in the United Kingdom during the late 1980s in line with pressures and political demands of greater accountability and transparency from for example taxpayers, patients and citizens (Power, 2000). It was a financial reform in public sector institutions where inspecting practices became highly valued and changes were desired. Audits gave rise to transformations in governing style and the use of audits increased and became a part of many business areas. Non-financial areas such as quality audits and functional audits, which aim to diagnose, analyse, control and advise certain areas also became auditing areas (Olalla & Castillo, 2002).

Human Resource (HR) audits are a part of the functional audits whose processes are quite similar to the functional area as they are diagnosing, analysing, evaluating and assessing what actions need to be taken (Olalla & Castillo, 2002). HR auditing in organisations is seen as a tool used to manage and identify future action plans within HR, in order to get a broad view and control the quality of the HR activities. The HR audits aim to serve two types of functions; to help develop the HR processes using feedback of the management systems about the current situation, and to have a method for how to control, follow-up and evaluate existing relevant policies and processes (Olalla & Castillo, 2002).

Trust and legitimacy are important parts of auditing (Power, 1997; De Fine Licht, 2019). With trust it is meant to be transparent to both internal and external suppliers and gain legitimacy by

using audit as proof of validity. The use of audits prevents compliance and ethics failures which could harm a company negatively. For example, a sportswear company was hit by a lawsuit in 2018 because of violation against the equal pay act with gender pay discrimination (Helmore, 2018; Hsu, 2018; Manning, 2019). The public trust of the company was destroyed and dramatic changes had to be done to rebuild its reputation. With the use of audits, external as well as internal, similar issues can be discovered and managed directly to validate the trustworthiness of a company. The trust is of importance in many aspects such as the retention of customers, employees and establishment of business relationships (Zeng, 2005; Simon et al., 2014; Hautz, 2017).

The continuation of this chapter will outline the problem investigation and is followed by the purpose and research questions of the study. Delimitations of the study will thereafter be presented and the chapter ends with a disposition of the thesis.

## **1.2 Problem Investigation**

The automotive industry is one of the most globalized industries of today (Dicken, 2015). In order to stay competitive, ongoing organisational and technology innovations are essential to maintain competitiveness and improve profitability (Pavlínek, 2020). In line with an increased understanding and demand of transparency, organisations are forced to acquire responsibility for internal control systems in order to comply with the internalized society of today (Power, 1997). Organisations are obliged to conduct external audits by a third party, which increases the need for internal audits to keep ‘control of control’ (Power, 1997). Previous research has identified what is done in practise and what is told in theory, and when it comes to assessing competence development in organisations, it was found that current HR practices do not meet the theoretical aspirations of HR processes (Cannings & Hills, 2012; De Vos, 2015; Wallo et al., 2020).

The case company is a supplier to multiple MNCs and is forced to maintain certain certifications as a proof of quality. Pressures are put on suppliers to maintain these certifications and are continuously being audited to ensure they are fulfilling the requirements. It creates an issue where the supplier needs to adapt to the MNCs practices and structures at the same time as they need to maintain their own structures and adapt to local HRM practices (Rosenweig, 1994; Cai & Jun, 2018). It is considered to be challenging for professionals involved in these HR audits

to conduct quality assured audits related to HR processes. Furthermore, it can be assumed that managing HR related tasks can be problematic for managers, since they may not have the specific competence or understanding of the acquired responsibility of assuring competencies in relation to HR. Managers are forced to perform the task, but may also perceive the task to be redundant because of an already tight schedule. The quality of the internal audits affects the organisation and especially the outcome of the required external audits. A low quality of the internal audits increase the risk of deviations which can be costly and lead to deducted certificates (Maslova et al., 2017). Internal audits help HR to ensure the quality of established processes and practises (Yadav & Dabhade, 2013). Additionally, the field of HR audits is rather unexplored in previous studies and it is therefore of our interest to investigate the experiences and perceptions of managers taking part in these internal audits.

### **1.3 Purpose and Research Questions**

The purpose of the study is to investigate internal quality processes of HR audits conducted in a company within the automotive industry. This is studied by looking at one particular HR audit area; competence development. The focus will be on the managers' perspective as managers do not have the professional knowledge of HR related tasks, but still need to perform the task of assuring competencies of the employees in their team. To understand the managers' experiences of the internal HR audit function, the study will investigate how internal HR audits are done in practice, how they work with competence development and its quality and what they perceive as challenging.

In line with the background, problem statement and purpose of the study, the research question are the following:

*How do managers experience the function of internal HR audits on competence development?*

In order to answer the research question, three sub questions have been formulated:

1. How are internal HR audits done in practice in the company?
2. How do managers at the case company work with competence development?
3. What challenges are the managers facing in the internal HR audit process?

### **1.4 Delimitations**

To fulfil the purpose of the research we have made three delimitations to focus the study. Firstly, as the main topic of this research is HR audits, we will solely focus on competence

development in order to contribute with a deeper understanding in the determined areas. Secondly, we chose to focus on internal audits rather than external since identifying crucial issues internally decreases the risk of getting deviations from the external auditors. Thirdly, although the case company is a MNC, the empirical data will only be collected in Sweden. This is done to reduce the risk of differences in national regulations which can affect the outcome of the study.

## 1.5 Disposition

This paper is structured chronologically with a background presentation of audits and its development through time. It is followed by a problem statement, accompanied by the purpose of the study and the developed research questions. The second chapter consists of previous research thematically divided into five selected sections to give a broader view of research covering the chosen fields: HR Audits, Internal Audits, Quality Management Systems, International Organisation of Standardization and Competence Development. Further, the theoretical framework of new institutionalism and concept of decoupling and loose coupling are presented and later used when analysing the collected data material. The fourth chapter consists of the methodological foundation and presents the method used to collect data. In the fifth chapter, the empirical findings and results are presented, divided into themes and subthemes. In addition, the case company is presented. Lastly, the empirical findings are discussed in the sixth chapter. The findings are connected to the previous research and theoretical framework in order to draw conclusions in the final chapter. After presenting conclusions, the paper ends with contributions of the study and recommendations for future research.



*Figure 1. Disposition of the thesis*

## 2. Previous research

The concept of inspection and test is over a thousand years old, as is the concept of measurement (Juran & Godfrey, 1998). In the society of today, the term quality control often refers to compliance and the goal to comply with international standards such as ISO 9000. Controlling quality is a necessity to stay competitive on the market and to minimize cost associated with poor quality. Designing an effective quality control system for HR can be difficult since it may intrude on the employee morale. It is therefore important that a managers focal point is controlling key work performance and having strategic control inquiry (Turmidzi et al., 2019). One way of achieving quality control is through auditing. An audit can be explained as the process through which an organisation gains the assurance that exposed risks are intelligible and properly managed in a dynamic changing environment (Sawyer et al., 1973).

In research, the word *audit* is mostly associated with financial auditing in organisations. Hence, previous studies of internal audits are predominantly financial. Therefore, when it comes to studies of HR audits, the number is limited. The existing studies about HR audit are typically quantitative and aim to measure the value and efficiency of HR in terms of performance outcome of the company (Power, 1997; Nutley, 2000; Shaban, 2012; Woodrow & Guest, 2014; Carcello et al., 2020; Szarková, 2020). It is argued that HR processes are difficult and complex to measure in terms of quality (Ulrich, 1997; Cannings & Hills, 2012). Business goals need to be turned into measurable HR practices which in turn need to be conceptualized and operationalized. Correspondingly, internal control, quality systems and internal HR audits serve an important role in establishing effective quality HR practices and more specifically, competence development.

In the following sections of this chapter, previous studies are presented within the chosen field of research using relevant articles to provide an understanding of the current studies. Previous research within the field of HR is presented, both in sense of its value and what the practical contributions are. It is followed by a section of Internal Audits to explore the function and its existence. Thereafter, previous research of Quality Management Systems is presented to understand the surrounding environment of audits and its effects. It is followed by a section of previous research of the quality system International Organisation of Standardization to understand the effects of its implementation and its relationship to HR. The final section of the selected previous research field is Competence Development, which focuses on its role in

organisations and its outcome. The chapter ends with a summary of main findings in the selected themes of previous studies.

## **2.1 HR Audits**

The use of HR audits has expanded which have broadened the HR areas of auditing (Olalla & Castillo, 2002). Previous studies have shown that HR audits can be beneficial for the HR department when implementing HR practices and for the organisational outcome (Shaban, 2012; Saleem & Akbar, 2015; Maslova et al., 2017). The HR function and the quality control on HR activities using audits have previously been studied and evaluated. Audits can be used as a measure to evaluate the personnel activities, climate and compliance of an organisation's policies. HR audits help in reducing HR costs by implementing more effective personnel procedures since critical problems can be found (Shaban, 2012; Kuklin et al., 2015; Maslova et al., 2017). To implement effective personnel procedures there is a framework presented by two HR researchers, Ulrich and Grochowski (2018), who found nine dimensions of an effective HR department. Moreover, to establish the effectiveness of these HR dimensions, a practical framework of auditing is proposed. Consequently, the research and proposed framework support the need of audits in order to establish effective HR processes. The different dimensions of an effective HR department were; HR reputation, HR context/deliverable, HR strategy, HR design, HR and organisation capability, HR analytics, HR professionals, HR practices and HR work style (Ulrich & Grochowski, 2018).

HR audits can assist in identifying needs of improvements and ensure compliance with regulations when reviewing current HR policies and procedures (Yadav & Dabhade, 2013). The use of HR audits leads to an increased efficiency of the HR function and creates possibilities of alignment between HR practices and the organisational strategy as well as it identifies areas of improvement (Shammy, 2012; Buller & McEvoy, 2012; Yadav & Dabhade, 2013). Although existing approaches to HR audits do not meet the current rhetoric HR practices, the aim of HR nowadays serves a wider definition of successful HR (Cannings & Hills, 2012). Traditional approaches to HR audits are considered too narrowed and limited in scope to cope with the contribution of organisational performance. Previous studies show that providers of HR audit services carried out an internally oriented activity with focus on best practices and compliance. It was carried out in isolation from the organisation and reports were conducted from these audits, but not action plans. Hence, it seems that the current HR audit

approach does not conform to the rhetoric side of HR contribution to the performance of the organisation (Hercus & Oades, 1983; Rothwell & Kazanas, 1994; McConnell, 2011; Uen et al., 2012; Cannings & Hills, 2012).

Audits in the field of HR can be both external and internal, in this research we will focus on the internal audit function because of two major factors. Firstly because the viewpoint of external audits has dominated the audit quality research and secondly, the internal audit function provides an independent assurance of the organisation's risk management which emphasises the importance for establishing effective control processes (Roussy & Perron, 2018).

## **2.2 Internal Audits**

In the beginning of 2004, an explosion of internal audit literature began to stream (Roussy & Perron, 2018). It was a result of the enactment of the Sarbanes-Oxley Act (SOX) in the United States in 2002 as well as the Canadian equivalent Bill 198. The two new laws forced companies to implement and monitor internal controls and reporting over financial operations as well as providing documentation which showed the effectiveness of the internal controls (Tackett et al., 2004). The purpose of the laws was to protect investors from fraudulent accounting in financial practices at public traded companies. Previous financial and accounting scandals of the 2000s had damaged the credibility of the accounting profession, which led to the establishment of the SOX law (Tackett et al., 2004). Roussy and Perron (2018) stated that despite the explosion of internal audit research from 2004 and onwards, the knowledge of the Internal Audit Function (IAF) has remained fragmentary. The attention has mainly been put on external auditors and their view instead of internal audit practices. The different stages of the IAF are poorly managed and need to be better understood (Roussy & Perron, 2018).

However, previous research of IAF implies that organisations benefit from high quality audits in their internal control and financial reporting (Lin et al., 2011; Ege, 2015; Jiang et al., 2018). In a study investigating whether internal auditing brings value to an organisation by reducing risks, results showed audited units were distinguished as less prominent of risks when using internal audits in relation to unaudited units (Carcello et al., 2020). Organisations operating in a competitive setting are also more likely to benefit from the IAF and assurance services it brings. Examples of benefits are improved internal controls, increased audit efficiency and reduced costs (Jiang et al., 2018). Previous research therefore imply that organisations need to

manage risks in order to be successful, and internal auditing is one way of doing so (Abbott et al., 2010; Burton, 2012; Boyle et al., 2015; Carcello et al., 2020).

Findings of Abidin (2017) emphasised that an implementation of a systematic and well organised internal audit approach contributed with more effective performance of internal audit activities. An IAF which lacks independence may be less effective because of the uncertainty to be reported to the appropriate channel and the party responsible for the deviation to be corrected (Abbott et al., 2016). In the study by Abbott et al., (2016) internal audits were also put in relation to effectiveness and evaluation where a misalignment between the evaluation and the roles in the IAF was found. It may be due to the change of the role of IAF, partly because of the economic crisis in 2008 and due to reforms of regulations in the UK and US. It was found that the perception of roles in line with the performance evaluation of the internal audits was not coherent and had changed. The perception of role and evaluation of internal audits effectiveness were in conflict, which created difficulties in meeting stakeholder demands and expectations (Soh & Martinov-Bennie, 2011; Jiang et al., 2020).

### **2.3 Quality Management Systems (QMS)**

A quality management system (QMS) can be defined as *“the organizational structure, responsibilities, processes, procedures and resources required to maintain high quality products and/or services”* (Lam, 2011, p.277). In terms of HR, quality systems are a key player in establishing successful quality processes and practices. A job description for each position in the organisation, including details of responsibilities and competence requirements helps the organisation to be aware of what training, competence development or assessment are needed. By mapping the competence among the employees, gaps could be found between the acquired and required competences in the organisation (Lam, 2011; Bohlouli et al., 2017). In order to assess a quality system, it needs to be regularly controlled by internal audit teams as well as external auditors to keep records and maintain best practice in the company (Lam, 2011).

A company that applies a quality system, such as ISO 9000, will have increased benefits of improved efficiency profitability, customer satisfaction and relationships in the company (Bernardo et al., 2015). Previous research also showed an integrated management system to decrease risks of duplication (Simon et al., 2014). A weak quality system could be faced with challenges of low participation in departments regarding quality and environment issues. When having all departments present and promoting their involvement in the process, companies

could increase the process alignment and could better achieve their business goals (Simon et al., 2011; Pereira-Moliner, 2012; Bernardo et al., 2015; Siva et al., 2016).

As described from previous research, the positive effects of quality systems used in organisations are numerous since they help ensure and maintain quality standards. To ensure the quality of these systems, standards must be regulated and put into words and regulations. The ISO 9000 family is a widely used quality management standard for companies and organisations internationally (Juran & Godfrey, 1998).

### ***2.3.1 International Organisation of Standardization (ISO)***

The international standards are a prominent approach to specify the requirements of a QMS. By implementing ISO 9000 certifications in organisations, a positive effect of both profits and labour productivity have been proved, which can lead to improved organisational performance (Corbett et al., 2005; Terlaak & King, 2006; Din et al., 2011; Huo et al., 2014; Bernardo et al., 2015; Javorcik & Sawada, 2018). To have ISO certifications as a legitimizing role in companies is one approach to improve organisational performance (Du et al., 2010). The international certification standards have a positive effect on how to transfer the best management practices and the quality management practices should therefore be of greater impact in organisations (Javorcik & Sawada, 2018).

To follow the ISO 9000 standards and requirements, auditors should period-wise review the system. The ISO 9000 standards have great impact in the manufacturing industry where suppliers and providers interact. Maintaining certificates from ISO could improve the company status and increase customer satisfaction, profitability and turn its status into a preferred supplier (Corbett et al., 2005; Terlaak & King, 2006; Din et al., 2011; Huo et al., 2014; Javorcik & Sawada, 2018).

The relationship between HR and ISO certification have been investigated through the impact on the QMS in order to maintain quality improvements (Hassan, 2010; Zografaki., 2017; Su et al., 2020). Multiple case studies present a result where a limited participation and downgrading view of HR within an organisation would negatively impact the quality processes and possibility of obtaining certifications in the long run. Having a broader focus and including the HR department in the frontline of the strategic work, help organisations to obtain quality using the ISO 9001 certification as a goal to quality improvements. Previous research also shows that

ISO 9001 plays a major role in a firm's competitive advantage since the use of standards improves the effectiveness of a company's processes (Su et al., 2020). The better implemented standards in the supply chain network, the more efficient processes are generated (Hassan, 2010; Zografaki et al., 2017; Su et al., 2020). However, when comparing cross-sectional and longitudinal studies, Astrini (2021) found mixed results on positive effects of ISO 9001 and performance, and underlined that no convergence between ISO 9001 and performance was found in previous studies. There was a difference between implementation by having a daily routine in line with ISO 9001, and the certification. The implementation meant to maintain the requirements while the certification meant that the company hurried to fulfil the ISO 9001 requirements at the last minute, before the external auditors with the certification came.

The ISO 9001 has a legitimizing role in companies and also includes standards within several HR areas, such as competence development (Du et al., 2010). The following section will present previous studies of competence development as it is the focused audit area of the study.

## **2.4 Competence development**

The concept of competence development within organisations have had a more significant importance in organisations and increased over the past two decades which implies a rise of employee participation in formal and internal training and learning (Salas et al., 2012; Tynjälä, 2013; Noe et al., 2014). The understanding of positive effects of learning in organisations is an effect of the economic crisis in 2008 and the globalisation (Bohlinger et al., 2015; Jönsson & Schölin, 2016). During the economic crisis automotive industries were negatively affected and many companies experienced declines in production and workers, which led to an increased demand for competence development (Pavlínek, 2015). A globalised world transforms the social, economic and political spheres, which affects workplaces and demands requirements of specialization and flexibility (Qu et al., 2014; Bohlinger et al., 2015). Previous studies have shown competence development to be a critical part of organisations in order to stay flexible, respond to changing demands and stay competitive in the labour market (Chadwick & Dabu, 2009; Campion et al., 2011).

Assessing the outcomes of competence development activities are complex and can be difficult, but are important aspects since employee participation generates both economic and competitive advantages in organisations (Wright et al., 1994; Agha et al., 2012; Sekerin et al., 2018; Wallo et al., 2020). The domain is usually controlled by the Human Resource

Development (HRD), who has the responsibility of assessing and implementing training and competence development in organisations. The HRD practice is often neglected in the domain of competence development due to factors which are not well understood in organisations (Wallo, 2020). It can also be difficult to measure training and competence development in terms of outcomes and quality. Thus, previous studies have shown a gap between theory and practice when it comes to competence development (Campion et al., 2011; De Vos et al., 2015; Wallo et al., 2020). Furthermore, Wallo et al., (2020) stated that the complexity of assessing competence development in organisations requires high-level knowledge and skills, which HRD professionals seem to be lacking.

Previous research have shown that competence, motivation and independence have a significant positive effect on audit quality (Usman et al., 2014; Octavia & Widodo, 2015; Andolo & Pseudo, 2021). In order to establish quality in the domain of competence development in organisations and achieve desired outcomes, important factors are working systems and processes for assessment. HRD professionals need top management to adapt a result-based philosophy in order for the processes to be implemented effectively (Wallo et al., 2020). HR systems and practices tend to be disjointed by existing cross-purposes, different languages to identify problems or because of an existence in isolation at workplaces. By implementing a competency model where competencies can help promote organisational goals and shed light to the existing relationships of different HR activities, this will create an alignment of the HR systems and bring benefits to HRD professionals (Rodriguez et al., 2002; Zaugg & Thom, 2002; Champion et al., 2011; Sengupta et al., 2013). In addition, studies show that the quality of the HR activities and organisational commitment increase when the HR function consistently implements what was intended and jointly agreed upon by the employees. In turn, it leads to increased employee satisfaction and positive organisational performance. However, a gap is common between what is intended and implemented in HR practices. (Khilji & Wang, 2006; Delmotte et al., 2012; Zare et al., 2018)

## **2.5 Summary**

To summarise the previous studies above, having HR audits could benefit the HR department and overall organisation when HR practices are implemented. Since there is a misalignment between practice and theory when it comes to competence development in organisations with a gap between what is intended and what is implemented, using audits as a quality control on

the HR activities helps evaluate the quality of the processes. There are distinct positive effects of auditing HR practices such as identifications of improvements, ensuring compliance, cost reductions, increased motivation of employees performing HR related tasks and an increased efficiency of the HR function. By implementing internal audits, organisational risks are less prominent. A well organised internal audit approach will generate high quality audits which will contribute with a more effective internal control and activities. HR audits can also help identify needs of improvements and ensure compliance with regulations by reviewing current HR procedures. Moreover, international certification standards add regulations into HR processes and these standards and regulations have a positive effect of transferring best quality management practices into the organisation. HR professionals and managers therefore play an important role in ensuring the quality of systems and processes as well as it has a significant role in developing competence development within organisations. Quality systems help HR ensure the quality of the established processes and practices. Hence, the interest of this study is to investigate experiences and perceptions of managers taking part in HR audits, which is rather unexplored in previous research.

### **3. Theoretical Framework**

The presented studies in the previous chapter viewed a misalignment between theory and practice and a pressure to comply with standards and structures. One way to illustrate this situation is with new institutional theory, and more specifically, the idea of decoupling and loose coupling. In this chapter we will present the new institutional theory, decoupling and loose coupling but also show how these perspectives are used in the HR audits field of today. Classical papers of new institutional theory in relation to nuanced perspectives are presented. The chapter ends with an explanation of the applicability of the theoretical framework in the study.

#### **3.1 New Institutionalism**

New institutionalism is the development of the former institutionalism, which focuses on the sociological view of how organisations interact with the surrounding (Meyer & Rowan, 1997; Eriksson-Zetterquist, 2009). The focus of new institutionalism is on legitimacy and organisational structures and processes that are common for entire industries. New institutionalism explores interorganisational relations and fields, it emphasises how organisations are affected by its surroundings and how it in relation affects the surroundings by formal and informal behaviours (DiMaggio & Powell, 1983). With the new perspective of institutionalism, the decisions of organisations are made in the surroundings of the organisation while the organisation will claim and act like it is decided upon their own preferences (Eriksson-Zetterquist, 2009).

What later became the introduction to new institutionalism were the work of Meyer and Rowan (1977) and the work of DiMaggio and Powell (1983). Meyer and Rowan (1977) emphasised how new institutionalism is a social process where the people build a social reality based on their perception where they in different contexts create a common ground and interpretation for what actions and behaviours are considered acceptable. It affects the formal organisational structures which rise from pressure and rules in the institutional environment, also called rationalized myths. The idea is that institutional products, techniques, policies and programs function as powerful myths. Organisations adopt myths as means of legitimacy and gaining resources, stability and increasing their survival prospects. In order to maintain conformity with rational institutional myths, organizations build gaps in their formal structure and the actual performance, making symbolic changes in their structure which are not reflected in practice.

This makes the structures and activities loosely coupled or decoupled from each other. In a loose coupled state, the coupled events are still responsive and also keep their own identity, while a decoupled state of activities are expressed in gaps between the formal and informal structure (Weick, 1976; Meyer & Rowan, 1977). The two coupled states will be further discussed in the sections below.

It is argued that new institutionalism often emphasises too much on legitimacy, since the theory states it is important for organisations to conform to internal and external pressures to survive and to stay competitive (Du et al., 2010). However, new institutionalism also emphasises that the survival of organisations can be improved by cognitive legitimacy of customers, stakeholders, government, legitimizing strategies and methods (DiMaggio & Powell, 1983; Scott, 1995).

When using new institutional theory as a perspective for analysing and explaining HRM, professor Boselie et al., (2003) suggested institutional mechanisms, described by DiMaggio and Powell (1983) as coercive, normative and mimetic, which seemed to decrease the impact of HR practices or systems on the performance of an organisation. Coercive isomorphism occurs from political influence and the problem of legitimacy. It is an external pressure from dependent organisations and expectations from society (DiMaggio & Powell, 1983). Since some organisational practices have to comply with local laws and regulations, organisations might be forced to resemble these local practices which results in coercive isomorphism (Rosenweig & Nohria, 1994). A mimetic isomorphism is a standard response to uncertainties in the surroundings, where the organisation seeks to fit in by imitating competitors. Normative isomorphism occurs through professionalization, where professionals have to compromise with other professionals, non-professionals or regulators. The professionals experience pressures and expectations of performance of a particular task due to their professional and educational backgrounds (DiMaggio & Powell, 1983). The three mechanisms are presented in the figure below together with their impact on strategic HRM (DiMaggio & Powell, 1991).

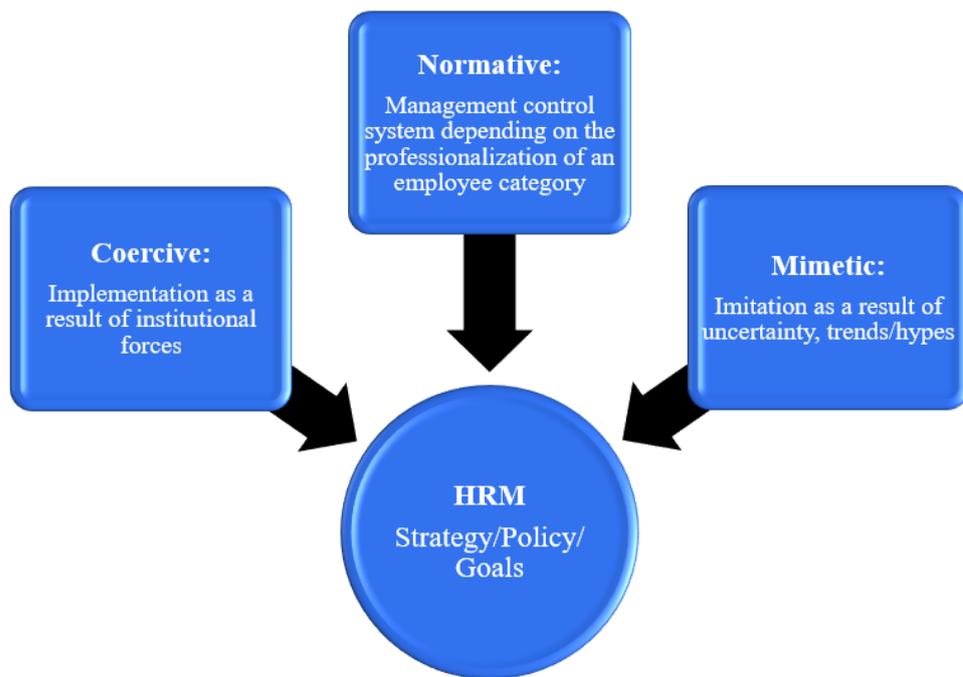


Figure 2. HRM and New Institutionalism with inspiration from Boselie et al., (2003, p. 1413)

New institutional theory of today has developed to be applied at a multilevel and provides the possibility to explore the wider context of an organisation and influences between the social environment and the individual within an organisation (Lewis et al., 2019). It allows multiple lenses, a top-bottom as well as a bottom-up perspective of organisations, which increases the emphasis of HRM research and practise (Ulrich et al., 2017; Lewis, 2019).

### **3.1.1 Loose Coupling**

The concept of loose coupling and decoupling is related to each other. The phenomenon of loose coupling originates from both Weick (1976) and March and Olsen (1984). Weick (1976) was inspired by Glassman (1973) and when defining the meaning and intention of loose coupling, it is described that the formal structure is something which changes, for instance legislation and trends. The informal structure can for example be the organisational structure within a company to define roles and responsibilities. Loose coupling represents the connection between the two systems, which means the organisation is relatively independent from the formal structures and are keeping its own identity rather than being fully independent, which is the decoupled state (Eriksson-Zetterquist, 2009). Weick (1976) refers to Glassman (1973) and stated that being loosely coupled as an organisation increases the chance to survive when

adapting to small changes and uncertainties in the external environment while still maintaining their own identity (Weick, 1976).

Accordingly, DiMaggio and Powell (1991) propose that organisational control efforts which decouple structure from activity and activity from structure are devoted to ritual conformity. The more energy put on establishing the formal institutionalized environment and public image and status, the less energy is put on practical internal activities and relationships. A suggested stable solution is to maintain the organisation in a loosely coupled state as Weick (1976) proposes, which implies building gaps between the formal structures and actual activities (Meyer & Rowan, 1977; DiMaggio & Powell, 1991). Moreover, loosely coupled organisations tend to have a formal structure since they generally are loosely linked between activities and rules (Weick, 1976). A loosely coupled organisation has less pressure to respond to changes in the environment since the activities are not interrelated. Consequently, a loosely coupled organisation may also adjust and modify to changes more quickly without affecting the entire system, which could also be of economic benefit (Weick, 1976).

### ***3.1.2 Decoupling***

Decoupling enables organisations to maintain their own structure while organisations within the same industry tend to have a similar structure but differ when it comes to actual practice (Meyer & Rowan, 1977). When organisations adapt their formal structure to the pressures and rules in the institutional environment it makes them become more similar, which could affect the practical work and structure. However, the rationalized formal structures help coordinate and control activities to work as effectively as possible by conformity and being deeply integrated in the institutionalized structures and rules. The conformity of organisations is controlled through inspection, formal quality check-ups, evaluation and aligned goals by institutions (Meyer & Rowan, 1977). Although, when the adoption and conformity to the institutional environment and pressures are conflicting with the organisation's internal needs, organisations tend to argue and claim the adoption when they actually have not adapted. It means the organisations has adapted to the pressures from the institutions during inspection but have not implemented the practices (DiMaggio & Powell, 1991). Similarly, Boxenbaum and Jonsson (2017) stated that decoupling occurs when organisations superficially obey to the institutional pressures and adapt to the new structures. However, they do not have to actually implement the practices related to those structures. In other words, the organisation has decoupled to not conform in order to maintain their organisational efficiency. The advantages

of decoupling are therefore the avoidance of disputes of conflicts as well as the avoidance of integration (DiMaggio & Powell, 1991). The organisation maintains the legitimated formal structure while the activities can perform differently.

From a lens of a phenomenological perspective of decoupling, Brandl et al., (2019) emphasises how individual actors give meaning to decoupling processes by solving tensions between convictions and the relevance imposed by an organisation. It is argued that the individual action and structure needs to be considered when studying decoupling processes, since it is a social phenomenon which does not exist independent of individual actors (Brandl et al., 2019). The individual actor in organisations function as an expert and the actions of the individual may unintentionally support or conceal decoupling processes. It is therefore important to also have a phenomenological lens when studying empirical research on decoupling, as decoupling is based on the relationship between institutionalized rules and individual actions (Tolbert & Zucker, 1996; Brandl et al., 2019).

Decoupling can be seen as a strategic response to external pressures, such as the pressure of International Accountability Standards (IAS) (Jamali, 2010). For survival, the majority of organisations respond by making changes in their formal structures to show a ceremonial conformity where what is done and what is claimed is inconsistent (Jamali, 2010). The new institutional theory gives an understanding of environmental pressures and influences on organisations and its employees. The study of Paauwe and Boselie (2003) showed HR practices to often be designed from a strategic level and then adapted in the rest of the company, but there is often a gap between what is intended and implemented, according to Paauwe and Boselie (2003).

### **3.2 Applicability to Study**

The case study investigates the internal HR audit function of an HR process and how it is conducted and perceived by managers in a case company. The individual lens of new institutional theory and its influences on the employees is therefore an important perspective to apply in this case study, as well as it is important for HRM research to further investigate. We will study the managers' experience of the follow-up function of competence development in their teams through the lens of decoupling and loose coupling, since the individual action plays a major role in the internal audit process. Moreover, the existence of internal audits in organisations have arisen from a demand of external audits, which organisations are forced to

comply with in order to keep certifications which allows the organisation to stay in business. Hence, it is a question of institutional structures and pressures which organisations need to adhere to. These certifications and standards can be seen as a response to institutional pressure. The new institutional theory therefore helps bring an understanding of determinants and shaping of HRM practices and the relationship between an organisation and its environment.

## **4. Methodology**

This chapter presents the chosen methodology for the case study. It starts with a discussion of the research strategy and research design. It is followed by a description of the research method, the collection of data, and continues with a description of the method for data analysis. The chapter ends with a discussion of the research quality.

### **4.1 Research Strategy**

The choice of a qualitative research method is based on this study's research focus. A qualitative method allows participants to express feelings and thoughts with their own words which gives an understanding of the participants individual feelings (Bryman et al., 2019). Creswell (2016) also emphasises that qualitative methods can be used to understand the context in which participants address a problem or an issue (Creswell, 2016).

Semi-structured interviews were a chosen approach to have a complex and detailed understanding. Interviews were held with 13 managers. When investigating experiences and feelings, interviews are most appropriate (Ritchie et al., 2014; Creswell, 2016; Bryman et al., 2019). The methodological approach for this research is abductive, which means going back and forth between the collected empirical data and the theoretical framework (Bryman et al., 2019).

### **4.2 Research Design**

In order to answer the exploratory research questions, a case study has been chosen as research design for this study. The focus of the research is on internal processes which can differ in different companies. The choice of exploratory research questions allows multiple answers and does not have any pre-set answers to evaluate (Bryman et al., 2019). Moreover, the study aims to explore experiences and perceptions of processes rather than measure frequencies or incidences. The design of a case study will generate an understanding which is of importance for certain research tasks in the social sciences (Flyvbjerg, 2006). The proximity to reality in a case study enables researchers to generate extensive learning processes which will contribute to an advanced understanding (Flyvbjerg, 2006). Hence, the approach is of advantage when there is a clear distinguishable case and boundaries that delimits a phenomenon (Creswell, 2016).

## **4.3 Research Method**

The empirical findings of this research are based on data in the form of collected empirical data through interviews and original documents from the studied organisation. Data has also been collected for the literature review and theory of this research, based on key criteria with trustworthiness and relevance in focus.

### ***4.3.1 Data Collection***

The data for this research has been carefully chosen. It has been collected from internet sources, books, scientific articles and company reports. In the search of previous studies, key words which have been used are; HR audit, internal audit, internal control, ISO, QMS and competence development to gather better insight of what previously have been studied within the field of HR audits to strengthen the theoretical part of the study as well as the empirical part. Peer reviewed articles have been an inclusion criteria for the relevance of sources and publications. Particular journals such as *Auditing: A Journal of Practice & Theory*, *International Journal of Business and Management* and *International Journal of Human Resource Management* have been reviewed to gain a solid understanding of previous relevant research and trends of today. Lastly, internal organisational documents from the studied organisation have also been collected for this research, such as ISO standards, organisational schedules, processes, analyses and documents of previous audited areas.

### ***4.3.2 Empirical Data Collection***

Interviews were conducted for the collection of empirical data for this research in order to gather experiences and perceptions of managers in the case company. Before interviewing, an interview guide was constructed to ensure the interview would cover the selected focus area (Appendix 1). Since the research aims to explore experiences, the choice of semi-structured interviews was clear, as it can give detailed answers with more depth which is supported by Bryman et al., (2019). Voluntarily interviews were held using video-calls due to the Covid-19 pandemic situation where employees are working from home. The interviews were recorded and transcribed in line with consent from the participants.

#### 4.3.2.1 Sampling

When sampling it is of importance to select participants for the study with experiences within the research area in order to increase the quality of the sample and their experiences, according to Creswell (2016). Therefore three main criteria were made for the sample of this case study; (1) managers in a managerial position, (2) managers working with mixed facilities, managers working in factory A, managers in factory B and managers at the headquarter, (3) exclude managers of the HR department.

Based on the criteria's above, a list of potential participants was given by a contact person in the company. The list included managers with knowledge and experience within the studied area. Therefore, the participants were chosen using purposive sampling which is a non-probability type of sampling. It is a strategic way of choosing participants which have relevant expertise which match the research questions and purpose. The sampling method is commonly used in qualitative research since it is possible to obtain detailed information about the studied research area (Bryman et al., 2019). The three facilities are based in Sweden and the managers were from different departments in the company and the 13 participants were divided between the three facilities to a possible extent. The table below gives an overview of the distribution of participants among the three facilities, working in factory A, B or the headquarter (Table 1).

<b>Facilities</b>	<b>Roles</b>	<b>Quantity of participants</b>
Headquarter	Managers	6
Factory A	Managers	4
Factory B	Managers	3

*Table 1. Distribution of participation in the research*

#### 4.3.2.2 Interview Guide

Before the interviews were conducted, an interview guide was constructed with prepared questions in selected themes. The interview guide served as a support during the interviews to cover all themes. Although, the sequences of the questions could vary during the interviews which allowed the interviewer to follow-up with new questions (Bryman et al., 2019). By using semi-structured interviews, we focused on open-ended questions in order to find experiences and perceptions which the interviewee highlighted and therefore also reduced the risk of controlling answers of the interviewee. The prepared questions were inspired by Kvale's (1996)

nine different kinds of questions; introducing questions and follow-up questions. The interview guide (see appendix 1) included introducing questions about their current role and responsibilities to make the participants more comfortable with talking. A set of questions were divided into themes based on previous research, the research question and purpose of the study; HR follow-ups, internal audits, competence development. The order of the themed questions did not serve a certain purpose since the intention was for the interviewer to be flexible and allow follow-up questions.

#### **4.3.2.3 Pilot Interview**

To establish a well-developed interview guide, two pilot interviews were done for the possibility to refine the questions. Conducting pilot interviews allows for developing and clarifying terms which are used to avoid misunderstandings, which is the purpose of conducting pilot interviews, according to Yin (2014). A change that was done in the interview guide after the two pilot interviews was the term HR audit. When using *HR* and *audit* together, confusion arose among the managers. The first response was that they did not have any experiences in the field. However, when the term was explained and concretized with examples, the responses were noticeably different and the managers could share related experiences. It came to our understanding that the term was not commonly spread in the company between managers, but rather between HR professionals. The practice of the term was still done by managers but not with the term HR audits. Hence, the term HR audits were switched to *HR follow-ups* in the interview guide. The two pilot interviews are therefore not included in the empirical data collection and analysis.

#### **4.3.2.4 Interview Process**

For our study we conducted semi-structured interviews with 13 managers who volunteered to participate after contacting them through email. The interviews were conducted in Mars and April 2021 through video-calls and lasted approximately for 30-45 minutes. Twelve of the interviews were done in Swedish and one in English. All interviews were recorded with consent from the participants to transcribe and analyse the collected material. The interviews conducted in Swedish were transcribed and then translated into English. The interview guide was used during the interviews and follow-up questions were asked frequently to reach depth of the answers. Also silence was used as a strategy for allowing the participants to think and reflect more of their answers, which is a method advocated by Bryman et al., (2019).

## **4.4 Data Analysis**

For the analysis of the collected empirical data, a thematic analysis has been done in accordance with Braun and Clarke's (2006) six-phase approach. The method identifies and organises patterns of meaning across the dataset. It is a flexible method which allows the researcher to find important themes in relation to the research question and not particularly identifies the most common answers, but rather the most relevant ones (Braun & Clarke, 2006). Thematic analysis is one of the most common approaches which are used when analysing qualitative data material (Bryman et al., 2019).

The thematic analysis process started off with re-listening and reading the transcripts to get familiar with the collected data. Conventions in the transcript were written with inspiration from Gubrium and Holstein (2001), which implies writing as a conversation between respondent and interviewer. Since 12 out of 13 interviews were conducted in Swedish, the transcription was translated into English. After translating the transcription, the language and translation was controlled by being close to the original version. The data was thereafter systematically analysed and coded by following the sixth phase approach (Braun & Clarke, 2006). The collected data was broken down into parts and a search for recurrences started to find similarities and differences between the codes. As an example, we found HR follow ups to be a recurring part as well as the varied commitment of the managers. Patterns and relationships were found and explored. Codes shifted into themes that expressed important and relevant parts of the data in relation to the research questions, which Braun and Clarke (2006) also argued is important. The codes were clustered under four broader themes and then the sub-themes were identified. The developed themes were reviewed against the entire data material and refined in order to represent the dataset. In this phase, some themes and sub-themes did not turn out to be relevant and some were too similar to another. As an example the theme 'neglected and downgraded task' was from the start two separated themes which turned into one. All the final themes and subthemes found in the process can be reviewed in appendix 2. Example of how a theme emerged is presented in appendix 3.

## **4.5 Research Quality**

The research quality of qualitative research can be described by terms of trustworthiness, credibility and transferability (Stenbacka, 2001; Golafshani, 2003; Flyvbjerg, 2006). Different sources of data, such as interviews and internal documents of processes and regulations which

have been used, made it possible to reflect the reality of the participants' interpretations and perceptions. Participants did not have the chance to review the questions in advance, which increases the credibility of the collected answers. The form of video-calls during interviews at a home environment instead of having the interviews in an office environment also increases the credibility of the answers. Since no co-workers or surroundings could have an impact on the participants. Video-call interviews are also more flexible than face-to-face interviews since last-minute changes can take place. However, when conducting interviews with video-calls there is a risk of losing connection which could break the flow of speech (Bryman et al., 2019). Nevertheless, we did not encounter problems with connections nor experienced it as a challenge.

Furthermore, the form of interviews has an issue of what a statement really means (Eriksson-Zetterquist & Ahrne, 2011). Statements of people might not match their actions. Correspondingly, the statement is dependent on the action. The research could be supplemented with other methods as well, such as observations. Nevertheless, we consider interviews to be an appropriate method which provides wide material for this research, supported by our structured data analysis which minimizes the risk of misinterpretations. Moreover, the sample was selected by voluntary participation and criteria which were made to conduct the case study in the selected field, which strengthens the quality and trustworthiness of the study (Creswell, 2016). The choice of an abductive theory allowed more appropriate research questions to take form, since it facilitates to go back and forth between the empirical data and the theoretical framework. Accordingly, research questions were modified to address the field of research suitably, which also enhances the credibility and trustworthiness of the study.

From the common expression of 'one cannot generalize a single case study', Flyvbjerg (2006, p.8) clearly stated that because knowledge cannot be formally generalized, it does not mean it "*cannot enter into the collective process of knowledge accumulation in a given field or in a society*". Hence, results and knowledge of the study may be able to be transferred into organisations sharing a similar environment with consideration of differences in regulations.

#### ***4.5.1 Ethical Considerations***

Ethical considerations are important to consider when conducting qualitative research (Yin, 2014; Creswell, 2016). When contacting potential participants by email, an information letter of the research topic was attached (see appendix 4). The letter informed participants about the

purpose of the research, how the data material will be collected and used. It also informed of the voluntariness of participation and of the possibility to withdraw the participation at any time during the study. Participants were informed that they did not have to answer questions they did not feel comfortable answering. Moreover, the selected method of using video-calls decreased the managers' probability of being influenced or disturbed by colleagues and facilitated the flexibility of scheduled interviews.

In addition, anonymity and confidentiality was obtained and informed repeatedly to ensure the participants felt unhindered to express their thoughts. Both the organisation and the participants are anonymous, we ensure no participants will be identified when using quotes in the results. We asked for consent before recording and the participants were informed of the purpose and the use of the material. We also clarified that the data will only be used for educational purposes, which is an essential ethical consideration according to Yin (2014).

## 5. Results

### 5.1 Understanding the Case Company

The selected company of the research is a multinational company operating in the automotive industry as a supplier to multiple MNCs. It has over 40.000 employees and one of its two headquarters is located in Sweden together with two factories. In figure 3 and 4, the organisational chart gives an overview of how the headquarter and the factories, also called plants, are structured when it comes to managers.

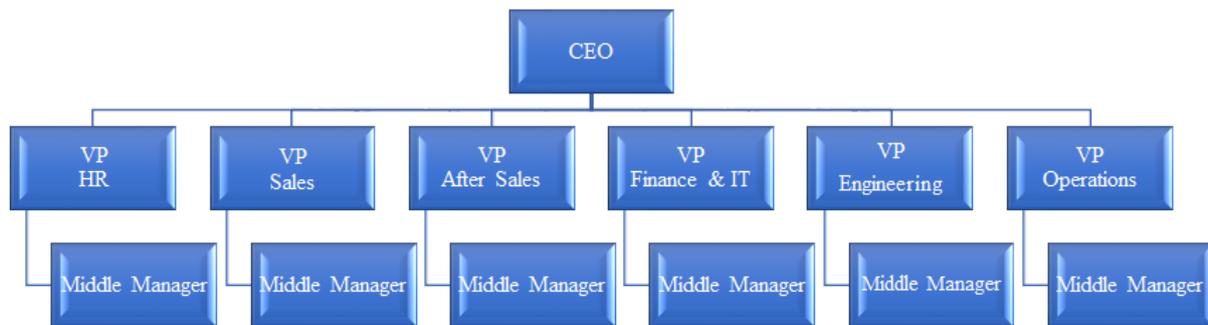


Figure 3. Organisation chart of the headquarter in Sweden

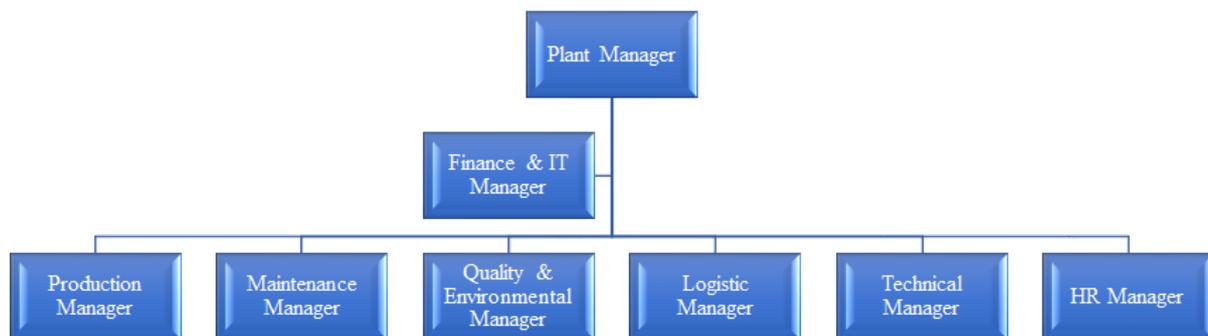


Figure 4. Organisation chart of a factory (plant) in Sweden

The company was established at the end of the twentieth century and has a history of spreading across the globe. It has a hierarchical structure with different levels of authority and decisions approved from above. Hence, the Chief Executive Officer (CEO) has the highest executive position followed by the vice presidents in each department of the organisation. Furthermore, the business model of the company supports active work in the environment, social conditions, human rights and ethical conditions. Regarding sustainability, today and in the past few years, the company has been working towards becoming more sustainable by actively working with policies, standards, education and regular follow-ups. Thus, the company has a concern for sustainability and creating value for its stakeholders. The quality systems of the company are

implemented and monitored through third-party certifications, such as standards from the International Organisation of Standardization (ISO) and the International Standard for Automotive Quality Management Systems (IATF). The customers require a certification of certain standards to ensure the case company comply with the standards before initiating business collaboration.

### ***5.1.1 Internal Audits***

In the case company, internal system audits are conducted in the headquarter using a three year plan, annual plan and process audit in the factories. Product audits and quality audits are used to measure the quality of the products they offer. The company has internal auditors chosen both in the headquarter and in the factories who are taught the standards and requirements, routines and schedule meetings with managers to observe and give feedback. The internal auditors go through the process presented in figure 5 below, which is the process of how the internal auditors and managers are supposed to work in order to ensure the managers' and employees actually do what they write in the documents about the process. In case the internal auditor suspects or notices a difference between what is written and what is actually done, a deviation is made. The company has internal audits controlled by internal auditors to decrease the risk of a deviation from the external auditors since the external are stricter. Today the company uses different systems and standards as tools to keep track of the processes and ensure which areas deviates and send reminders to concerned managers.

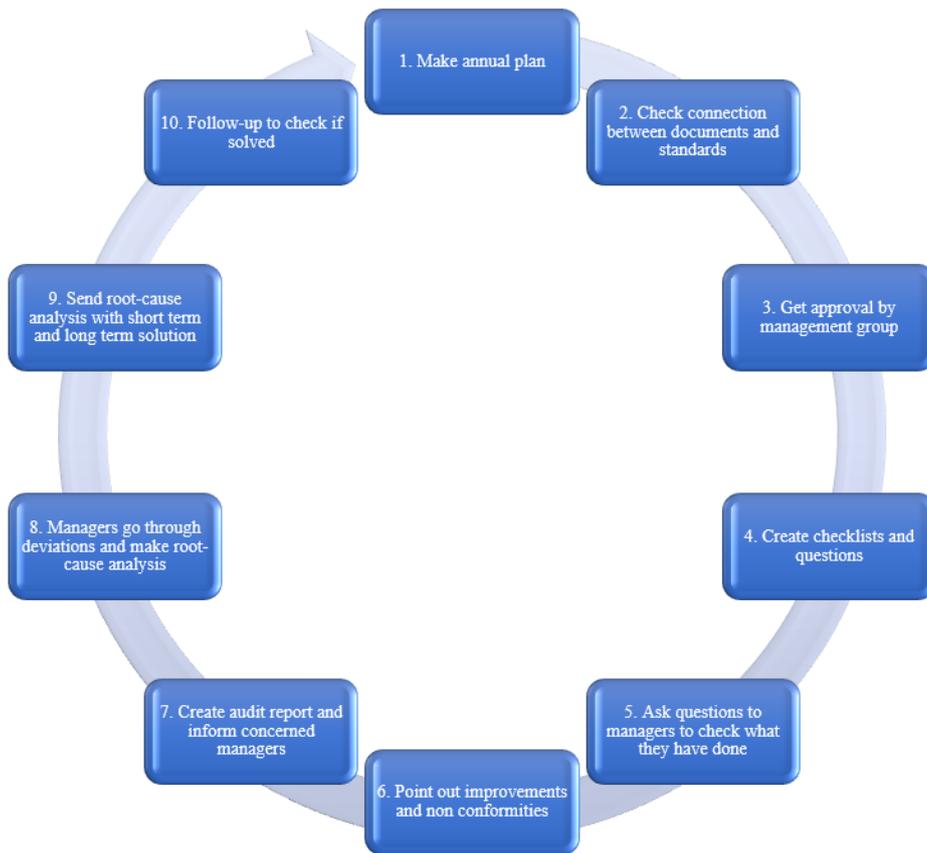


Figure 5. Internal audit process in the company

## 5.2 Empirical Results

This chapter presents the empirical findings from interviews made with managers in the case company. A thematic analysis has been done and the structure of the chapter therefore follows a thematic order based on the research questions using themes and subthemes. Four main themes were found to be prominent which are structured as follows: *Experiences of internal HR audits*, *Managers Commitment*, *Tools and Processes* and *Identified Challenges*.

### 5.2.1 Experiences of Internal HR Audits

The managers had different understandings and experiences with internal HR audits, which produced mixed perceptions, mainly because of inexperience and varying responsibilities and roles of the managers. Nevertheless, all managers had experiences of follow-ups on competence development although they had not reflected it as a HR related task. The experiences will be presented in the following sections.

### 5.2.1.1 HR Audits as Follow-ups

The results of the managers' experiences showed a difference in the understanding of HR audits. Most of the managers did not know what the term 'HR audit' meant and only a few had heard it before. A manager who had not heard of HR audits before expressed:

*HR audits? I have absolutely no idea. - Manager 11.*

However, the managers take part in these audits regularly and do follow-ups on competence development in their teams by using tools and processes. It is therefore important to notice that even though the term is not well known between the managers in the organisation, they are actively taking part in internal processes of HR and especially competence development which are audited in the company. The internal work on these processes of the managers reflects the outcome of the internal audits, which means well-functioning processes will generate minor or no deviations rather than major deviations.

It was found that each of the managers are working with internal processes of assuring the competence development of their team. Not all managers had been a part of an internal audit, but all managers were doing follow-ups similar to internal audits to avoid deviations. The experiences varied as several managers did not know that internal HR audits existed. Managers who had experience of HR audits explained the process as faintly visible, but rather important. It was clear that the managers who were involved in the quality processes of the company had more experiences of HR audits and could explain the processes more in detail.

Manager 1 knew more about the internal audit process in the company and had conducted internal HR audits. The manager explained that the standards are gone through a three-year cycle, where all documents linked to each standard are reviewed in order to make a yearly plan. The process was further explained by manager 1 as follows.

*(...) so this plan is created, once approved by the management team, you have your internal auditors at the headquarter and in the factory. The auditors calls for meetings with affected managers, so they get what they think and get to know what to look for. Then the audit is carried out, by talking to them and ask them all the follow-up questions, then there will be a report, if something is found that they need to improve. Of course also positive feedback is given, and then so-called "observations" are done where they spot "yes here we meet the standard, but we could get better". This is later reported back to those who have been involved (...). - Manager 1*

The quote of manager 1 stated when there is an audit, the affected managers are called to a meeting with the internal auditor and have contact throughout the process. Afterwards, the audited area, reports and documents are sent back to those involved. The concerned managers who collect the reports and feedback have two weeks to submit a root-cause analysis and correct faults. The managers are given two months to solve things before the internal auditor does a follow-up and investigates whether the issue is corrected or not (see figure 5).

Manager 6 expressed the perception of the work of the internal auditors in the company as not commonly focused on HR activities and as rare to have audits focusing on HR, which is stated in the following quote.

*(...) there is a group of trained internal auditors who will do a number of audits on each department and I don't think their HR focus is very big, and let me be honest, internal audits are mostly where we need the most support, so they may have asked a single question about audits in HR related but not much more, but the explanation is simple, they prioritize what we are the worst at. - Manager 6*

The quote above emphasises the issue of HR audits as deprioritized. It also reflects a negative perception of internal audits since focus of the internal auditors mostly is on the negative work of the managers. Several managers expressed similar perceptions while they also expressed the complexity of auditing HR processes. Yet, the interviewed managers also put emphasis on the importance of following up on goals and meeting standards for HR processes as well as other areas, which creates a need for auditing. Manager 3 further clarified the understanding of the internal HR audits existence, but underlines that no actions have been seen.

*I have not seen anything happen but I understand that at least on the quality side we identify things that can expose us to some kind of risk or we do a risk assessment, so depending on how we classify it, internal audits should either be done at that point every year, every three years approximately. - Manager 3*

One of the managers had an experience of having deviations in the HR processes before, which have been discovered by being audited. Because of the previous deviation, the managers' own internal follow-up of these processes was more significant in the daily work of the manager than for the other managers. The processes were followed up more frequently than for other managers in the company.

### 5.2.1.2 Competence Development in Practice

The majority of the managers had similar views and opinions regarding the responsibility as a manager to create possibilities of developments for their team members. The main idea of competence development within the team of the managers is to ensure the employees have the right competencies of their role description to fulfil the work they are meant to perform. It is exemplified in the following quote.

*IATF is based on ISO 9000 so the competence part is included in the IATF where we need to ensure we have the right competencies in our employees and in our business, to be able to perform their job but also see if there is a gap in the competencies of each department. - Manager 9*

Several of the managers underlined the importance of having a system which works and felt responsible for ensuring everyone in the team has the required competencies, as stated in the following quote.

*I must make sure the system works, that we have competence matrixes up to date and that they are used. And that we have the right training for what the customer requires and what our certificates requires. - Manager 10*

A recurring perception of the competence development in the company by the managers is that the process is missing and is in need of improvements, as exemplified in the following quote.

*I miss a lot of this, with talent and skills development. I do not feel it exists. - Manager 13*

Likewise, manager 3 expressed the lack of competence development in the organisation as an effect of short-term thinking and argued that it is a question of priorities, as stated in the following quote.

*Competence development is a long-term thing and we get very easily caught up in the needs that the factory has right now. So those are the priorities. And then it's simply that you don't prioritize it... other things are perceived as more important. - Manager 3*

The most common practice of working with competence development between the managers was the use of a competence matrix. It was found that the competence matrix is a tool used to map existing competencies in the company where each manager is supposed to have a matrix for their department and team. By using the competence matrix, managers can find possible gaps which needs to be filled in the team. The usage of the matrix differed between the managers as well as the perceptions of its existence, as stated by Manager 2 in the following quote.

*I think every manager has got the competence matrix solved out for what he or she wants it to look like. - Manager 2*

The competence matrix appeared to be conducted differently and no joint process existed for how to use the competence matrix. Therefore several managers decided to work with it individually and used their own experiences, as expressed by manager 4 in the quote below.

*(...) I had my own view of it because I have been dealing with it a lot in my past, even if it was not an established process I had my own evaluation made, and my own skills established for the positions for in my group. - Manager 4*

A large part of the managers also compared the competence development of the company with previous employment and stated that the company can be better in skills and development areas. However, the involvement of creating functioning processes and implementing tools to increase the possibilities of competence development of the team separated the managers from each other. For several of the managers, the responsibility of securing the competence development of their team is rather absent and again the perception is that it is a task for HR and therefore also a neglected task of the managers. Several of the managers also underlined that the company may have intentions and goals to improve ways of working by planning on projects, but the perceived view is a gap to reality and intentions may be far from implementation.

The lack of support was also clearly illustrated in the perspective of the managers' perceived own competence development. Manager 1 stated that the process had to be taken into one's own actions and expressed the competence acquired had been *"run by myself and not much support from HR"*. Accordingly, the perception of manager 7 and 9 was that one has to be quite active to have the opportunity of further education and development.

### ***5.2.2 Managers Commitment***

The managers' commitment varied when it comes to working with competence development and follow-ups. Managers which described the process of competence development in their team as well functioning had established their own processes and therefore felt committed to fulfil and follow-up on these as intended. These managers had clear statements of how they work with competence development in the team and stated a clear understanding of why they follow-up on these actions. The perception was that you need to secure your words with actions according to the task, timing and responsibility.

### 5.2.2.1 Neglected and Downgraded Task

When managers described their follow-up processes and the prioritization of HR audits related tasks, it emerged that audit work was not prioritized since they were not chosen by the managers. The tasks were not found interesting and rather downgraded as manager 9 expressed in the following quote.

*(...) certain tasks haven't always been chosen, sometimes it becomes obvious, especially in the audit work that we don't find those tasks as interesting as others, or that it's downgraded or that there will be other things that become more prioritized. - Manager 9*

A manager emphasised the importance of finding the tasks interesting in order to feel motivated to conduct them. By perceiving the task to not be worth prioritizing and spending time on, means not prioritizing development and improvements in terms of quality. Likewise, several managers experience they need to prioritize 'putting out existing fires' in order to continue with other tasks, such as internal audits. Manager 2 stated:

*People don't prioritize, because I think it's a stressful organization, that's how it usually is in the automotive industry, it has to deal with firefighting and quickly make sure it works. - Manager 2*

The managers' experience stress and pressure from the customers which they supply their products to and therefore have fewer employees with high workload to save money as expressed in the quote above. Moreover, managers experienced a lack of clear ambition defined to help them see the value of conducting the audits and actively work with it. Managers wanted an explanation to the reason behind conducting the audit related tasks to support the ambitions as pointed out in the quote below.

*To define precisely what the ambition is and make sure it is an activity that can be sufficient during the year to support the ambitions. - Manager 4*

In addition, most managers put emphasis on the value of conducting the audits, what meaning and value it has and why they exist. One manager stated that there is a reason for doing it, but not always an understanding. The managers are asked to do the task without understanding the underlying reason, which is emphasised by Manager 9 in the following quote.

*For me, it's a lot about the fact that as an organisation you need to see the value of us doing it. Understand the value or why we do these parts. - Manager 9*

Furthermore, when it comes to managers' auditing and following up on competence development, the perception of most managers was that it is not going well. The managers also

experienced it as a great amount of work which they currently perceive to be a neglected part, which appeared in the following quote.

*We have not been very good with following up on competence development, I must say, it's a very big job to do. It's a very neglected part and it takes energy to get in phase again... - Manager 7*

A few managers described the HR department to communicate when information is needed and to remind managers of unfinished tasks. However, findings showed a lack of commitment to conduct the task regardless of the communication from HR, as expressed in the quote below.

*I think HR is really trying to print out information via email and remind us to do things, then it's up to the organisation to actually do what they say and I think that's where we are a bit lacking. - Manager 5*

Manager 5 expressed a need for the HR department to take greater responsibility and considered the system not to be working. The perception of better systems and methods of working affects the managers' commitment, since they believe there are better ways and systems of working in the organisation.

### **5.2.2.2 Intended but not Implemented**

The managers were asked about what they perceive as most important to perform their follow-ups within competence development, they underlined that it is important to actually do the task. Moreover, it was perceived as important for the managers to actually use the competence development matrix and not just have it as a paper product in order to perform their follow-ups. Manager 12 emphasised the use of the matrix as important to be used by every manager and not keep it in the drawer and actually do it.

*(...) I can imagine it is a way forward, maybe that everyone uses them, and that the mapping not only stays in the drawer but is actually picked up and used and that there is time to do something about it. - Manager 12*

A few managers experienced the company to have an idea and plan for competence development but that it is not implemented in the daily activities yet, which is expressed by manager 5 in the quote below.

*The idea and the plan exists but we have not been able to implement it. It is what I can put my finger on, but it has been on the wallpaper. - Manager 5*

Furthermore, what appeared to be important for the managers was to have a system and way of working every day and that it is actually used rather than having it to get a certificate, which is illustrated by manager 1 in the quote below.

*You should have a system that you use every day, not a system you use to have a certificate on the wall - Manager 1*

In addition, a second manager expressed that the system existed since it was a customer request and therefore needed to follow it up rather than having the system built based on the company's own needs, which is described in the quote by manager 10 below.

*We do not really have a good system. It becomes more of what the customer asks for and then we make sure to follow it up. - Manager 10*

Manager 10, as well as most other managers experienced a lack of implementation of the intended audits and were not convinced of an actual implementation. Numerous managers emphasised that the internal audits are done to have a certificate and satisfy the customers' requirements, rather than for the interest of quality.

### **5.2.3 Tools and Processes**

The collected data proved tools and processes to be important components crucial to the perception of how the internal audit process functions in the company by the managers. The data explores both existing tools and problems with the quality management systems and will be further examined in the following sections.

#### **5.2.3.1 Existing Tools and Systems for Quality Management**

Two existing systems used by the managers in the company were found in the collected data. One was a platform for the employees to post skills, goals and activities to build a base for development talks with the manager. The platform is called *People Driving Performance (PDP)*. The HR department also has an "annual clock" which reminds the managers to go through new goals with the employees in the team. The second system is a tool for inserting the processes and documents to be controlled and approved after editing, it is a quality management system named *Omnia*.

The experiences of the existing tools by the managers when working on internal audits and competence development resulted in varied opinions of the system called PDP. Manager 1 did not feel any benefit or usage of the system as expressed in the quote below.

*So, based on the PDP tool, I got nothing from it. - Manager 1*

When it comes to the annual clock and reminder by the HR department in the beginning of the year, few managers as a contrast, seemed satisfied with the tool for setting new goals in case

they forget to do so with the employees in their team as expressed by manager 6 in the following quote.

*(...) there is an annual clock that sends clear signals from our HR department if it happens that I forgot it myself. - Manager 6*

Another experience the managers had with the current systems was the feeling of increased administrative tasks when using digital tools. It seems to be harder to use digital tools since they miss using paper and pen to follow-up and would want the digital tool to be easier to use.

*It's more and more administration you are expected to do, even if it is digital, it is not all... sometimes you miss filling some simple follow-up forms with paper and pen, because they are simpler, but if they are simple and digital, it will be even better. - Manager 10*

A manager perceived the systems PDP and Omnia to be tools which managers rarely use and that it does affect the quality of how the tasks are conducted since it is experienced as cluttered, as indicated by manager 6 in the quote below.

*(...) my perception is, there are too few people that use the systems. So it usually gets a little sloppy. The consequences will be that it will be worse on external audits. - Manager 6*

To conclude, there existed several digital tools and systems in the company for setting and following up on goals annually with reminders. There was satisfaction with the annual clock reminders among the managers and the PDP system allowed the managers to put in their own goals and team members' goals and follow-up on these if not experienced as appreciated or beneficial. In the system Omnia, where processes and documents are controlled, was not popular among the managers. In consequence, the empirical data also highlighted desired tools of the managers in order to resolve the problems with the system.

### **5.2.3.2 Problems with the Quality Management Systems**

After asking the managers about their experience of the current tools, we wanted to get an understanding of what they desired and what improvements they wanted regarding the tools. Hence, we asked a follow-up question on what managers needed and wanted to change, which resulted in several different ideas from the managers.

A desired system of the managers was to have everything they need in one place and Omnia was the system which was recommended. A better aligned system would create more order and structure than having documents in different places. In contrast, a manager seemed to be rather

resistant to digitalization since the manager experienced having everything digitized did not result in a beneficial way of working. The experience was that the manager would still use paper and pen for documentation and not make use of the digital tools existing in the company.

*But sometimes when you digitalize things, you want to include so much that it does not turn out well. Then it happens that you have a piece of paper on the side, and then loose a large part of the profit from digitalizing. - Manager 10*

Having simplicity, clarity and structured systems was a recurrent experienced need of implementation by the majority of the managers. This was reasoned since the managers experienced conducting audit related tasks at the last minute rather than having it as a continuing activity. The experienced lack of structure in the systems also generated a need for clearer distribution of responsibilities of the HR department, managers and the quality department. The following quote is one example of the lack of structure.

*Having the same standard, that we follow and audit, that's how it works, not that we do it just before we have an external audit. That we have it as an ongoing activity with clearer distribution, what do the managers do, what HR do, what does quality do. So it's clear in the system. Who owns it, who reports in it, who owns the standard, who updates the standard, who audits the system and who takes care of deviations. - Manager 10*

Several managers mentioned opportunities for development, especially when it came to working with the systems, tools and processes. The PDP tool were newer and used for documentation of goals and follow-ups within competence development. However, the manager experienced the tool to not be used properly, as indicated by manager 6 in the quote below.

*We have the tools in place but we may not be using it properly yet - Manager 6*

The managers suggested having a common process where everyone in all facilities will be involved in setting the processes and routines. There is a lack of collaboration between the facilities, where managers in the factories do not feel included when decisions are taken in the headquarter. It was requested by all the managers to take part in developing a common template which should be used by all managers, as stated by manager 2 in the quote below.

*(...) it should be a common process where they set the rules of the game. All plants should be involved when the headquarter develops these rules on how to work in processes and routines. I do not know if it works so well there. - Manager 2*

Most of the managers also perceived the company to lack a common template and in addition, suggested that it should be common but still flexible and tailored after each departments needs

and requirements. The managers also put emphasis on the role of HR and knowledge when it comes to internal audits in order to create routines which are easy to understand for the managers to be able to follow the processes. Several managers suggested it should be easier to work in Omnia to better understand how follow-ups are done and raise awareness of the meaning and value of internal audits. They believed it would help the auditors to find improvements instead of risking deviations on external audits.

To summarize, the managers had many suggestions and desires of a future system. A few suggested having all documentation in one place. Another recurring desire by many managers was to have a simpler system to more easily find processes and procedures with a clear structure. In addition, the managers asked for a common template of how the process works that is available for every manager to use and still have the flexibility to tailor the template depending on the department.

#### ***5.2.4 Identified Challenges***

By analysing the empirical material, we were able to identify two main challenges the managers face when conducting audit related tasks. The first one was a lack of support from the HR department when conducting internal HR audits. The second challenge was an adaptation to external changes which affects the managers' priorities.

##### **5.2.4.1 Lack of Support**

The managers experienced a lack of support to be able to perform the task with quality. Several managers experienced a large responsibility which they felt required to have more maturity and self-insight than they had. They felt insecure of their ability to live up to the expectations of assessing how frequently they wanted to be audited, as indicated in the quote below.

*It was very much up to us managers to assess how often we want the important parts of our business to be audited and it requires a fairly large maturity and self-insight by us and I'm not sure we can live up to that. - Manager 3*

One manager experienced a lack of support from HR when working with competence development of the team and experienced to be the driving force alone, as indicated by the following quote by manager 13.

*I work a lot with competence development to identify them with employees and see what the company needs, so I work a lot with it, but...you can say that it's basically me who has run it myself and not so much support from HR or I have not had any support from HR. - Manager 13*

Moreover, one of the managers had a meeting with HR to follow-up the competencies in the team, although it was not experienced as enough. Regarding internal HR audits, the managers expected the HR department to explain more and create systems that fulfill the managers' needs. Hence, manager 10 perceived HR as a support function as stated in the quote below.

*When it comes to internal HR audits, you have a lot you can help centrally from HR, to explain this and make good systems based on what users want and not based on what HR wants. You see yourself more as a support organisation, so I would like that.*  
- Manager 10

Nevertheless, a few of the managers stated that assuring competencies and competency development in their teams worked great. These managers also stated they did it in their own way, with suitable processes for their specific team and did not ask for support from HR. One manager explained the reason to be that in their team they had a smaller team with less people than in the other teams of the managers. The manager believed the small team was a factor for the perceived success, since it was easier to follow up at all times.

In addition, an experience which emerged from a manager was the lack of support in terms of expectations set on managers and what methods to use. The expectation puts the managers in a situation where they need to invent and manage it individually since nothing is offered as illustrated in the quote by manager 3 below.

*(...) there is no clear process... or some kind of expectation, methods or such so nothing is offered, no support from anywhere... instead we need to invent it ourselves.* -  
Manager 3

Manager 3 expressed dissatisfaction towards the support from HR and therefore stated that own inventions and actions had to be taken, which also increases the managers' responsibility for assuring quality in the tasks. The lack of support was perceived by most managers and consequently they expected more from the HR function. The managers did not feel confident enough to conduct the internal audit tasks independently and argued that it required a large amount of responsibility.

#### **5.2.4.2 Adaptation to External Changes**

The managers experienced it to be a challenge to adapt to changes in the external environment. As a supplier to multinational companies there are customer demands and legal requirements which need to be met in order to keep the business rolling. Manager 6 expressed changes to be unexpected which one may not be prepared for, such as new legislation that needs to be adapted.

*I think it's basically about putting out the biggest fire when you have a lot to do. I think it's more about that than having the time and preparing and sometimes you may not know about a change that is coming, it may also be that you are not prepared for a change of rules or that they come up with newer legislation. - Manager 6*

The managers' experience of the customer demands and uncertainties forces the company to adapt frequently. According to manager 5, they use brainstorming as a method for finding ways to adapt to the external changes in order to understand how the company will be financially affected, as illustrated in the quote below.

*We have to adapt to reality a little bit. Sometimes it is that 'yes now you should learn this'. Now our customer demands something, it happens quite often and then 'aha okay what we do then?' Then it will be like brainstorming, what we invent, what can we do systematically, what does it cost and then you have to adapt to reality. - Manager 5*

When it comes to working with competence development, a manager experienced it as non-existing which was due to the external environment and changes in terms of pandemic situation. The pandemic has affected managers' work with competence development negatively and was blamed for making it difficult to implement work with skills development, as illustrated in the quote below.

*We have a competence matrix... but have not had any skills development at all. It's easy to blame different things, but now I'm mainly going to blame this whole Corona situation that made it a bit difficult to implement skills development... since then, this year we have not worked at all with any skills development and we have no plan for it either. - Manager 3*

To sum up, legal requirements and new legislation, the pandemic situation, customer demands and requirements are all examples of uncertainties which challenge the company and forces adaptation to keep customers and comply with new legislations. An emerging consequence of the pandemic situation was that competence development and implementation of skills development was put aside as illustrated in the quote by manager 3 above.

## **6. Discussion**

Based on the new institutional theory perspective, this chapter will analyse the empirical findings in relation to previous literature in order to answer the main research question: ‘How do managers experience the function of internal audits on competence development?’ The analysis will begin with presenting the managers’ experience of internal HR audits within competence development and further examine the commitment of the managers. Thereafter, the impact of tools and processes are explored and followed by a discussion of the identified challenges.

### **6.1 Experiences with Internal HR Audits**

The managers’ experiences with internal HR audits can be put in relation to a new institutional perspective and previous research within the topic, in order to understand the underlying reasons behind the managers’ experiences. The two sub-themes presented below are: *HR audit as follow-up* and *Competence development in practice*.

#### ***6.1.1 HR Audit as Follow-up***

The emerging result of mixed perceptions among the managers regarding HR audits are reflected in the literature of Power (1997), who stated that audits are mostly associated with financial auditing and not as commonly associated with HR. The managers do take part in the HR audit processes within competence development since it is part of their routines, but without reflecting on it as related to HR. In addition, when replacing the word HR audit with HR follow-up, the managers had more experiences to share. The change of wording and the managers’ unfamiliarity was the starting point in our findings of the audit process to be loosely coupled in the organisation, where the informal structure is relatively independent from the formal structure (Weick, 1976). From viewing internal documents of the case company and by taking part of the managers own experiences with internal HR audits it was understood that the actual performance differed from the internal documents as described in figure 5. When the managers do not follow the process as intended, it creates an increased risk of having deviations in the processes, which is not desirable for the company in the aspect of higher costs as the study of Shaban (2012) emphasises. A deviation could also lead to loss of certificates.

Nevertheless, the managers stated the importance of actually following up the process in collaboration with the internal auditors, since the internal auditors control and edit the

documents which the managers use to conduct HR audit tasks. The internal auditors ensure that the managers documents reflect what they do in practice in order to avoid misalignments. Managers showed an understanding that without following the process of auditing and conducting the tasks with quality, the company will not take part of the benefits of having HR audits. For example, finding critical problems to reduce unnecessary costs, which also previous studies of Shaban (2012), Kuklin et al., (2015) and Maslova et al., (2017) emphasised to be an important factor for conducting internal audits.

### ***6.1.2 Competence Development in Practice***

There was no single way of working with competence development in the organisation. Although, almost every manager described a competence matrix which could be used, but stated that there was no common way of using it among the managers. The competence development activities in the organisation can therefore be assumed to have decoupled from each other. The managers did not have a common routine for working with competence development and instead worked with it individually. Hence, the outcome of their work with competence development and the matrix had different levels of quality, which also is an indication of a decoupled process.

Nevertheless, previous studies of competence development highlight the difficulty of measuring the quality of competence development activities and training, which could also be a reason for the different levels of quality. With a new institutional perspective, De Vos et al., (2015) argued that there is a gap between theory and practice when it comes to competence development, and it can be applied to the case company as well. The formal structure of the organisation had an established process for following up on competence development, while the informal structure where the managers operate and perform daily activities were not coordinated accordingly. Hence, it revealed a decoupled state where the managers are independent from the formal structure and a gap between the informal and formal structures existed.

The empirical findings illustrated a system with a lack of common processes aligned to the formal structure, which did not benefit the competence development of the organisation. It can also be explained by the new institutional theory which emphasises how the interorganisational relation between the organisational structure, formal and informal rules and norms determine the behaviour and actions of the individuals, in this case the managers (DiMaggio & Powell,

1983). The managers' attitudes to follow-up on competence development and to conduct internal HR audits are negatively affected by the system, since it does not work. Most of the managers stated the process of competence development to be missing and in need of improvements. A dissatisfaction of how the competence development was managed in the case company was found. The perception was that it is only short-term thinking and not given enough focus. A collective formal structure of follow-up processes on competence development had not been established or communicated to the managers, while the managers felt responsible for the required training and a demand from customers and certificates which manager 10 stated.

Hence, the formal structure influences the informal behaviour, attitude and the managers commitment towards the task of internal HR audits, which indicates that the managers intentionally or unintentionally support decoupling when not adapting to the formal structures. About half of the managers perceived the coupled state as a positive since it made it possible to create their own procedures, while the other half experienced it as a negative which resulted in a lack of motivation. From a new institutional perspective, when the individual actions decouple from the formal structures with institutional rules, the individual responds by making changes by not conforming to the formal structures. When managers perform tasks and activities different from the formal structures, they maintain their organisational efficiency as described by DiMaggio and Powell (1991). The decoupled activities may therefore also serve a positive outcome for the case company.

### ***6.1.3 Managers Commitment***

The managers' commitment to internal HR audits can be put into relation with a new institutional perspective and previous research within the area in order to understand the underlying reasons of the managers' experiences. The sub-themes presented below are: *Neglected and Downgraded Task* and *Intended but not Implemented*.

#### **6.1.3.1 Neglected and Downgraded Task**

Managers expressed that the process of internal HR audits were not clearly communicated in the case company, which has affected the commitment of the managers. Without a clear understanding of why these internal HR audits are important for the organisation and employees, the task is neglected by the managers. The formal structure affects the behaviour of the informal structure, since the decision of conducting internal HR audits comes from external

pressures rather than on the organisations or individual preferences, which is also emphasised by Meyer and Rowan (1977).

The empirical data did not show a clear definition or understanding of the internal HR audits, which implies that the managers viewed the task as downgraded. In previous literature, Abidin (2017) also emphasised that the IAF must be aligned with perceptions of definitions and roles in order to create a risk-based culture which meets expectations. It can be applied to the absent understanding by the managers. Manager 2 expressed that people should be more interested and prioritizes to become better. However, Manager 4 stated that what is needed is to define exactly what the ambition is and to ensure it becomes an activity that can be sufficient in order to fulfil its purpose. The findings are supported by the study by Su et al., (2020) which also showed a downgraded view of internal HR audits and their importance. Currently, the ambition of conducting quality assured internal HR audits in the case company did not exist, which may be a contributing factor to why the managers did not prioritize the task.

Findings of the empirical data underlines that commitment is an important factor of establishing well-functioning follow-up processes, which is reflected in the actions of the managers. Managers in the company prioritize putting out fires, as expressed by manager 2. Tasks which are difficult or not understood by the managers are therefore not prioritized. It can also be assumed that it is difficult for the managers to feel devoted when they do not have the understanding of the purpose. Furthermore, the managers of the case company were not satisfied with the provided systems to follow-up on competence development processes. It can be assumed to affect the commitment negatively, since previous studies show that the quality of the HR activities and organisational commitment increases when employees have the chance to agree on how to work with HR processes (Khilji & Wang, 2006; Delmotte et al., 2012; Zare et al., 2018). Hence, it can also be considered to what extent the individual actions of the managers are affected by the neglected and negative perception of the loosely coupled system, as the individual action may unintentionally support or conceal decoupling processes as stated by Tolbert and Zucker (1996). The varied commitment is a reason for why managers have created their own processes when it comes to competence development.

### **6.1.3.2 Intended but not Implemented**

The empirical data presents a misalignment between the intended structure and existing structure of internal HR audits. Since the managers experienced a gap between the intended

activities (formal structures) and what is implemented (informal structures), it can be considered to be in a decoupled state. By decoupling, the organisation is experiencing the adoption to the formal structures as conflicting with the internal needs, as described by DiMaggio and Powell (1991). By not conforming to the formal structures, the organisation maintains its legitimate formal structure while performing activities differently which could lead to organisational efficiency. Similarly, previous studies also found a gap in what is intended and what is implemented when it comes to HR practices (Khilji & Wang, 2006; Delmotte et al., 2012; Zare et al., 2018).

The findings point to a misalignment of the process in the case company. It can be assumed that the intention of the internal HR audits is not to function as a powerful myth to gain legitimacy. The intention is instead to facilitate and favour the external HR audits which in turn provide the case company with legitimacy since it is required by the certifications and generates even greater legitimacy. The managers experienced that they work with audits at the last minute before an external audits, which can be explained to be an external pressure from the surrounding environment of the organisation. Consequently, instead of implementing the requirements and establishing a daily routine of performing the internal audit tasks, managers haste to fulfil the requirements solely to have a certificate. Similar findings were found by the study of Astrini (2021), that organisations implement quality management systems to have a legitimizing effect, but the active work of fulfilling the requirements comes second. It can therefore be stated that decoupling internal HR audits in practice leads to increased survival prospects, which seems to be the goal of the case company.

#### ***6.1.4 Tools and Processes***

The managers' experience of the existing tools and processes to conduct the internal HR audits can also be put in relation to a new institutional perspective and previous research within quality management systems. The relationship can help to understand the underlying reasons for the managers' experiences and desires. The sub-themes presented below are: *Existing Tools and Processes for Quality Management* and *Problems with the Quality Management Systems*.

##### **6.1.4.1 Existing Tools and Processes for Quality Management**

The managers described two digital systems that existed in the company for setting goals and conducting follow-ups. However, the managers experienced the systems as not beneficial for their practises, both the system where the managers set the goals (PDP) and in Omnia which

control documents and processes. Some of the managers were resistant to the digital systems and instead preferred using paper and pen for documentation. The managers' statements proved a resistance to change and conformity to surroundings and new institutional structures. It put pressure on organisations to adapt to digital advancements in order to survive by having systems to use and store documents and processes (DiMaggio & Powell, 1983). A digitalisation of tools and ways of working also implies a greater possibility of control and leads to more transparency, where the managers' actions can be reviewed to a larger extent.

The system of Omnia represents the QMS in the company. Internal documents showed that it is controlled by internal auditors to keep records and stay aligned with the company's best practice. A few managers experienced the systems as impractical and that the work put in was done carelessly or sloppy, as one manager expressed. It could either mean that the system is weak or the managers are too lazy and resistant to digitalization, since the managers rarely use the digital tools offered by the company. Nevertheless, a resistance to digital tools increases the possibility of a decoupled organisation and processes which is indicated in the literature of Weick (1976) and Meyer and Rowan (1977).

#### **6.1.4.2 Problems with the Quality Management Systems**

After reviewing the existing tools and systems for conducting internal HR audits in the company, problems arose together with desired changes and suggestions of the managers. The systems turned out to exist but were not used by the managers. Reason for not using the systems was the perception of complexity, lack of structure, clarity and difficulty of navigating, but also unclear distribution of responsibilities between HR, the managers and the quality department.

One manager stated an attempt to work cross-borders between the departments, which was experienced as difficult. A division of the company appeared, not only between the facilities but also between departments in the same facility. The division affected the ability to collaborate and work cross-border since managers in the manufactures conduct the task in one way and a manager in the headquarter conducts follow-ups in a different way. Hence, it is a loose coupled process as previously described by Weick (1976) and DiMaggio and Powell (1977), where the factories are loosely coupled from the headquarter.

Furthermore, the results showed that the managers did not have an integrated management system. If the company had an integrated management system which all managers actually

used, the commitment to quality would be higher and there would be improved efficiency and profitability with customer satisfaction, which the study of Bernardo et al., (2015) emphasised. However, a loose coupled system does not need to be the definition of an unintegrated quality management system, but in this case company it seems to be another reason for why activities have decoupled from the formal structure.

### ***6.1.5 Identified Challenges***

Challenges of the managers to conduct internal HR audits were identified and put in relation to a new institutional perspective and previous research in order to understand the underlying reasons of the managers' experiences. The sub-themes presented in the sections below are: *Lack of Support and Adaptation to External Changes*.

#### **6.1.5.1 Lack of Support**

The managers experienced a lack of support when facing problems with tools and processes and blamed HR for not being supportive enough. When working with competence development and using a competence matrix, managers lacked instructions and procedures for how to use it. The managers experienced the task of assessing competence development in their teams to be rather complex and therefore also a task which requires more knowledge and a larger support from HR, who are expected to have the skills and knowledge. Although, in contrast to the study of Wallo et al., (2020), the managers in the case company did not perceive the HR department as lacking in knowledge, but rather lacking in the support function. The perception of the managers could influence the managers ability to perform the HR related tasks and informal behaviours which are expected from the formal structure in the organisation.

In the findings, it emerged possible reasons for the lack of support the managers experience from HR when working with competence development. One of the reasons why HR is blamed by the managers is because they are not feeling mature enough to live up to the responsibility which requires a greater self-insight. A second reason is the perceived large responsibility and expectations that the managers do not feel confident to live up to together with not having the process required in order to make an assessment of competence development activities. In addition, well working systems are required to establish quality within competence development. Nevertheless, there are important benefits of working and assessing competence development that the managers were aware of, such as the competitive advantage which Chadwick and Dabu (2009) and Campion et al., (2011) also emphasised in previous studies.

### **6.1.5.2 Adaptation to External Changes**

The managers experienced the external changes such as new legislation, customer demands and uncertainties as challenging for both them and the organisation. Since the managers felt forced to constantly adapt to customers' changed demands and uncertainties it affected their work with competence development. Short-term tasks were prioritized when changing needs and pressure appeared in the surrounding environment. In a new institutional perspective, the internal and external pressure of organisations forces the organisation to conform in order to survive and stay competitive in the labour market (Du et al., 2010). Similarly, the case company needed to conform to exposed demands which are found to be a challenge of the managers. For the case company, adapting to the pressures and demands from the customer is crucial since it is a question of legitimacy and getting the business to roll where they do not want to risk losing the customer which stands for a part of their turnover. It is also emphasised by DiMaggio and Powell (1991) that the more energy which is put on establishing a formal environment and status, the less energy is put on actual internal activities, which may explain the state of the case organisation.

The managers expressed the importance of having a system which they use properly instead of acquiring it only for certificates. The company implements systems because it is a requirement from the customers and makes the organisation live up to their standards. It creates a loosely coupled organisation and a gap in the formal and informal structure. When organizations are loosely coupled, they would mostly survive the uncertainties and changes in the external environment since they still maintain their own identity and uniqueness, as acknowledged by Weick (1976). By being loosely coupled as an organisation the managers would adapt to the customers' demands but not fully implement the formal structures set by them.

The responses to the external pressures and changing demands by the managers were found to be stressful, but can be explained by the institutional mechanism as proposed by DiMaggio and Powell (1983). As an example, a new legislation was mentioned by a few managers as something they felt forced to prioritize and adapt to which could be a result of institutional pressures with coercive isomorphism as a response. The new legislation would be described by Rozenweig and Nohria (1994) to be a political pressure which forces the organisation to comply with the new legislation.

## **7. Conclusion**

Based on the findings and established theory of this study, the following section will present the conclusions and focus on answering the main research question and the three sub questions. The chapter is followed by contributions, implications of the study and ends with a discussion of suggested future research.

### **7.1 Answering the Research Question**

The main research question is the following:

*How do managers experience the function of internal (HR) audits on competence development?*

In order to answer the research question, three sub questions has been formulated:

1. How are internal HR audits done in practice in the company?
2. How do managers at the case company work with competence development?
3. What challenges are the managers facing in the internal HR audit process?

The three sub-questions and the main research question will be answered in the sections below.

#### ***7.1.1 How are internal HR audits done in practice in the company?***

The concept of internal HR audits in the company is not widely known by all managers, as indicated by the found experiences of the empirical data. The term was unfamiliar and had not been communicated by the HR department, while the term ‘follow-up processes’ were known by all managers in the case study. A process for conducting internal HR audits in the company exists and a few of the managers were familiar with it, but most managers did not know it as a common process. It was found that there is a process of how to conduct internal HR audits in the case company (figure 5). The managers worked with some parts of the process unaware that the activities were a part of the formal internal audit process. In line with a new institutional perspective, the process is therefore loosely coupled and each manager performs the task of following up on competence development individually. With the new institutional perspective, a common process of internal HR audits are implemented in the formal structure, but not reflected in the informal structure since the managers stated that they perform the task differently. A gap was found in what is intended and what is actively done by the managers in the internal audit process.

### ***7.1.2 How do managers at the case company work with competence development?***

The managers perceived the work of competence development in the organisation as in need of improvements. Each of the interviewed managers were responsible for the competence development of their team and experienced that it implies a great responsibility, which they could not incorporate by the use of existing tools and processes provided by the organisation of today. It was found that also a common way of working with competence development in the teams was lacking. The managers had a common denominator in their way of working, a competency matrix to map the competencies in the team. However, the matrix did not have one way of functioning and it was used differently by the managers. It can therefore be concluded that the process of competence development in the company is loosely coupled to the formal structure and therefore performed differently depending on the individual actions.

### ***7.1.3 What challenges are the managers facing in the internal HR audit process?***

The managers in the case company were faced with three main challenges in the internal HR audit process. The first challenge was the lack of support from the HR department. Managers experienced the follow-up processes on competence development to be a great responsibility and that they did not receive enough support for the amount of responsibility. It includes the support of having a functioning system provided by HR with a clear structure to guide and follow.

A second challenge was the adaptation to external changes since managers face a changing customer demand and uncertainties in the global market which affects their work by constantly having to prioritize their work. Through the lens of new institutional theory, the organisation is using coercive isomorphism as a response to the external pressures from the surrounding environment. The managers expressed that the external pressure affected the work with competence development and made it become deprioritized in the demands of customer requirements and new legislation.

### ***7.1.4 How do managers experience the function of internal (HR) audits on competence development?***

Before answering the main research question of how managers experience the function of internal audits on competence development with the help of the three sub-questions, it should

be noted that the study is subjective of the individual managers' experiences and it is in the context of the particular case company. It means the perceptions and experiences are individual and vary. The case company plays a major role in the study, since the organisational structure, values, norms and external surroundings affects the experiences of the managers.

In the context of the case company, managers experienced the function and process of internal HR audits as complex and in need of improvements. The managers experienced confusion, since a clear and common visible structure was missing. Consequently, the process has become loosely coupled from its documented process. The coupled state is experienced as positive by half of the managers, while the other half experienced it as negative. It is therefore difficult to draw conclusions of whether the loosely coupled state is improving the efficiency of the internal HR audits or reducing its potential. Nevertheless, there is a misalignment between what is intended and what is implemented and it can be assumed that the loosely coupled state is not a conscious decision of the organisation.

In addition, managers experienced pressures from external actors and rules which has led to priorities of short term tasks due to deadlines and a stressful environment. As a result of the faced challenges of the managers to conduct follow-up processes on competence development, the common experience is that the task is difficult and requires a greater support from HR.

## **7.2 Contributions**

The academic contribution of this study addresses researchers but also professionals and organisations involved and active in the internal HR audit process. By taking part of our study, the reader will get a common understanding of internal HR audits as well as perceptions and experiences of managers. This study will strengthen the academic research of HR audits particularly in qualitative research, which is a rather unexplored area in the HR field.

In terms of practical contribution, this study provides the case company with an increased understanding of gaps regarding quality and internal HR audits in the organisation. Critical aspects of their internal auditing within HR processes and in particular the area of competence development are documented and can hopefully guide them in a direction which will help the managers to conduct better quality assured HR audits. Hopefully, other companies and HRM practitioners within and outside the automotive industry will also find this study useful for establishing quality functioning internal HR audits.

### **7.3 Future Research**

For future research, we have several suggestions. When sampling, we chose managers from all departments besides HR, therefore a suggestion is to focus on the HR managers' experiences of the HR audit function. Our case study was conducted in collaboration with a supplier in the automotive industry and a suggestion would be to conduct the study in another industry to get a new perspective. The last suggestion is to combine methods. Since we only used interviews as a method, a combination of interviews and observations could bring better understanding of the practice of HR audits, when comparing what is said with what is done.

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# Appendix

## Appendix 1 - Interview guide

### Background

1. Do you feel comfortable having the interview in English, otherwise we could switch to Swedish?
2. How long have you worked in the company?
3. What is your role in the company, main tasks?
  - any HR related tasks?

### HR audits

4. If I say HR audits - what comes to your mind? Do you know the meaning of it?

*With HR audits we mean following up on HR processes such as competence development, onboarding and offboarding, training etc. rather than financial audits. In this study we focus on internal audits on competence development.*

5. What is your experience with HR audits/follow ups?
  - Do you conduct them/have you been a part of one?
  - What tools do you use?
  - Have you had any deviations/avvikelser..?

### Internal Audits

6. How is the process of the internal audits done in the company, can you tell us your part of it: step by step in short?
7. How do you experience the internal follow-ups (HR audits) effectiveness?
  - Is there anything you would like to change, add or remove? Why?
8. What would help include the follow-up (audit) process into your general work routine?
9. What do you think would improve the quality of the HR follow-ups?

## **Competence development**

*We will solely focus on competence development focusing on ensuring that the team has the competence required to conduct the tasks and responsibilities often described in the job description.*

10. How do you work with competence development in your team?
11. What is your experience of competence development follow ups in the company?
12. How are the follow ups of competence development communicated to you?
  - From HR?

## **Concluding questions**

13. What do you perceive as most important for you to perform your follow-ups within competence development?
14. Something else you would like to add in this interview?

*Thank you for participating!*

## Appendix 2 - Overview of coding

Themes	Sub-themes	Codes
<b>Experiences with HR audits</b>	HR audits as follow-ups	Mixed perceptions, Unfamiliar, tasks, systems, deviations, check-ups
	Competence development in practice	Competence matrix, responsibility, commitment, filling gaps
<b>Managers commitment</b>	Neglected and downgraded task	Low priority, stressful, miss deadline, high workload
	Intended but not implemented	Misalignment, kept in drawer
<b>Tools and processes</b>	Existing Tools and Processes for Quality Management	PDP, Omnia, securing competence, structure for document a process
	Problems with the quality management system	Useless, want simplicity, no common template exist
<b>Identified challenges</b>	Lack of support	Responsibility, maturity, expectations
	Adaption to external changes	Regulations, uncertainties, customer demands

### Appendix 3 - Sample from the thematic analysis

<p><b>Neglected and downgraded task</b></p>	<p><i>"It can be a bit slow that certain tasks have not always been chosen, it becomes a bit clear sometimes, especially in the audit work that we do not find those tasks as interesting as other then, or that it is downgraded or that there will be other things that become more prioritized." - Manager 9</i></p>	<p><b>Not a chosen task</b></p> <p><b>Not interesting task</b></p> <p><b>Downgraded task</b></p> <p><b>Other things prioritized</b></p>
	<p><i>"People should be interested and understand and now it feels like quality and quality follow-up, it's something you do not have time for and something you do not prioritize. Then you do not prioritize that you should get better, that's what it's about." - Manager 2</i></p>	<p><b>Should be interested</b></p> <p><b>Have no time</b></p> <p><b>Do not prioritize</b></p>
	<p><i>"People don't prioritize because I think it's a stressful organization, that's how it usually is in the automotive industry that has to deal with firefighting and quickly make sure it works." - Manager 2</i></p>	<p><b>Do not prioritize</b></p> <p><b>Stressful organization</b></p> <p><b>Deal with firefighting</b></p>
	<p><i>"Basically, it's a stressful organization you want to slim down, slimmed down to the point of having too few people, it's price pressure from the customer, it's all about money." - Manager 3</i></p>	<p><b>Stressful organization</b></p> <p><b>Too few people</b></p> <p><b>Pressure from customer</b></p>
	<p><i>"It is to define precisely what is the ambition and make sure it is an activity that can be let's say sufficient during the year to support the ambitions." - Manager 4</i></p>	<p><b>Define ambition</b></p> <p><b>Make sure it is a sufficient activity</b></p> <p><b>Support the ambitions</b></p>
	<p><i>"For me, it's a lot about the fact that as an organization you need to see the value of us doing it. Understand the value or why we do these parts." - Manager 9</i></p>	<p><b>See value of doing it</b></p> <p><b>Understand value</b></p>
	<p><i>"We have not been very good with that (competence development), I must say, it is a very big job to do. It is very neglected just that part with us and it takes a little retake to get one in phase again..." - Manager 9</i></p>	<p><b>Very big job to do</b></p> <p><b>Neglected part</b></p> <p><b>Get in phase again</b></p>
	<p><i>"I think HR is really trying to print out information via email and remind us to do things eh, then it's up to the organization to actually do what they say and there I think we are a bit lacking." - Manager 1</i></p>	<p><b>HR print out information</b></p> <p><b>Up to organization to actually do what say</b></p>

## **Appendix 4 - Information letter**

### **Information to participants about the student Master project “Managers experiences of internal HR audits”**

The purpose of the study is to investigate internal quality processes of HR audits that are conducted in a company. This is studied by looking at one particular HR audit area, competence development. We will focus on the managers' perspective and therefore reach out to you to understand the managers' experiences of the internal HR audit function.

The study is a student project that will result in a Master thesis within the Master Program Strategic Human Resource Management and Labour Relations at the University of Gothenburg. The study is conducted by the students Ornina Zaytoun and Jessica Edén, and the responsible supervisor from the university is Ulla Eriksson-Zetterqvist at the Department of Business Economics. The project adheres to the ethical principles of the Swedish Research Council for research in the humanities and social science research.

### **Data Collection**

The data collection consists of qualitative interviews that are conducted virtually using video calls as a method and the interviews will be *recorded* with the permission from you as a participant. The interviews will last for approximately 30-45 min.

### **Voluntary participation and non-disclosure**

Participation is voluntary and anonymous. All participants involved in the project are covered by professional secrecy. Personal names are not registered or will be exchanged for fake names or numbers when the interviews are transcribed they will later be encoded. This also applies to organisation etc. Participation takes place on the research participants' terms. The participant can choose to cancel the participation at any time.

### **Handling of collected material**

Material such as recordings and notes are kept locked away and are only available to authorized researchers. Interviews and notes will be written and transcribed to the computer. The transcribed documents are named and sorted. In the final thesis, shorter anonymous extracts from interviews may be cited. The collected material and interview transcriptions will not be used for any purpose other than scientific research and for teaching purposes under the conditions described here. The results will be presented in a scientific report.

### **Results and publication**

The results of the study will be published in the form of a Master thesis that is to be completed in the beginning of June. Participants are also welcome to attend the presentation of the project when finished.