Impacts Of Strategic Audit To Improve Hr Strategies: Moderating Role Of Organizational Adaptation. An Empirical Study

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Abstract

Purpose - This paper examines the effect of strategic auditing of various aspects to enhance human resources strategies with its aspects such as human resources planning, recruitment and appointment, training and development, incentives and rewards, performance evaluation, as well as identifying the moderating role of organizational adaptation in the relationship between strategic auditing and human resources management strategies in Jordanian Commercial Banks.

Design/methodology/approach – The target population was high-level and middle-level managers who were all selected on purpose. Data was collected through a large-scale survey questionnaire by 249 employees in the capital city of Jordan (Amman). The study framework was tested using a hypothesis-testing deductive approach. A number of statistical techniques were used in primary data analysis such as means and standard deviations. Furthermore, multiple regression analysis and Pearson correlation coefficient were used to identify the impacts of the main dimensions and hierarchical regression was used to identify the impacts of the moderating variable on enhancing HR strategies. Survey responses were analyzed by using SPSS

Findings – The results show that there is a statistically substantial impact at the level of significance (α≤0.05) for strategic auditing with its many factors in enhancing human resources methods in Jordanian Commercial Banks (H1). The study also suggests that there is a statistically substantial impact at (α≤0.05) of the moderating role of organizational adaptation on the impact of strategic auditing with its combined dimensions in improving human resources strategies for commercial banks in Jordan (H2).

Originality/value – This study is one of few studies in strategic auditing research conducted on the Jordanian Commercial Banking sector; therefore, it will be of high value for top
managers, policymakers, and academics in a decision-making process. Also this study provides an explanation of the dynamics of organizational adaptation on HR practices in the Jordanian banks.

**Keywords:** Strategic auditing, Human resources strategies, Organizational adaptation, Jordanian Commercial Banks.

1. **Introduction**

In the aftermath of the wave of restructuring that reached its peak in the eighties of the last century, the audit process of organization received unprecedented great public attention, which resulted in a modern management concept called a strategic audit. This idea was launched by the scientist Donaldson, where the target was to aid boards of directors in business organizations in diagnosing both efficiency and effectiveness of the methods. Most business organizations focused on typical forms of auditing, i.e., operational auditing where the precision of strategic goals was left behind with no continuous management (Donaldson, 1995). Accordingly, from this standpoint, the success or failure of organizations depends on the extent of their ability to achieve their mission, goal, and objectives. In general, the point of organizations after implementing their strategies lies in the possibility of carrying out the strategic audit process. The strategies of business organizations should be designed to reach their particular goals, plans, and policies (Al-Shabani and Al-Jumailly, 2012). An organization that has efficient human resources has the ability to adapt to external variables, as well as work environment variables based on the data of the strategic audit that provides knowledge of the organization's environment, will be effective in implementing appropriate policies, strategies, and plans (Radwan, 2013).

Strategic auditing is the right approach for achieving goals so that business organizations can accomplish human resources strategies effectively and plan to attain distinction and success at competitive level (Al-Nadi, 2019). However, The report of the Association of Banks outlined a comparison between the rates of work turnover from 2010 to 2018, which ranged between 10.06% to 13.48%. (Association of Banks in Jordan, 2018). This comparison was the gap which encouraged researchers to study the impact of strategic auditing as one of the types of internal auditing in improving human resources strategies goals in Jordanian Commercial Banks. This work aims to identify the effect of strategic audit to develop human resources strategies with the moderating role of organizational adaptation in Jordanian Commercial Banks. In addition, the point of the application of strategic audit to improve human resources strategies in Jordanian Commercial Banks will be examined.

Two origins specify the significance of this study as outlined in the following:

1. **Theoretical significance:**

The implication of this work is emphasized by academic enrichment, where theoretical literature and prior studies were followed closely in comparison to the critical variables outlined in this study. This procedure considers both dependent and independent variables ensuring a unified intangible framework contains data regarding properties, correlation,
representations, and study strategies. Moreover, it is necessary to gain an advantage from this study's findings as it considers strategic audit, which permits banks to exist and participate in the competitive market. This work is performed so that the effect of strategic audit on human resources strategies is studied and examined particularly at Jordan commercial banks.

2. **Practical significance:**
This type of significance is originally derived from the findings of this study for commercial banks found in Jordan to help them for developing and implementing successful HR strategies.

2. **Hypotheses of the study**
According to the main problem that this study focuses on, the upcoming hypotheses (HO.1 and HO.2) are generated:

1. **HO.1:** There is no statistically substantial impact at a significant level of ($\alpha \leq 0.05$) for strategic auditing related to checking policy and procedures, human resources, technology, and quality. This is to enhance the methods used for human resources, including planning, recruitment, appointment, training and development, incentives and rewards, performance evaluation in Jordanian Commercial Banks.

2. **HO.2:** There is no statistically major impact at a significant level of ($\alpha \leq 0.05$) of the moderating role of organizational adaptation on the impact of strategic auditing by its dimensions in improving human resources strategies in Jordanian Commercial Banks.

3. **Theoretical model**
Figure 1 depicts the model developed in this study that characterizes the strategic auditing (independent variables) and human resources strategies with their dimensions (dependent variables). Also, the dimensions of the organizational adaptation are figured out.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
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<tbody>
<tr>
<td>Strategic auditing</td>
<td>Human resources strategies</td>
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</table>
3.1 Strategic Auditing

Whether an organization will succeed or fail depends on the organization's ability to reach its targets and missions. This would require the organization to set out a detailed strategy where a consistent follow-up of the procedure exists. It is the ability to conduct strategic audits by analyzing the performance of all functions and activities of different levels in the organization (Thompson, 2001).

A strategic audit is defined as a diagnostic tool used to recognize any issues the organization encounters in many fields where suitable solutions would be generated and shedding light on the organization's strengths and weaknesses (Wheelen and Hunger, 2012). On the other hand, it is specified as a mechanism that discovers the original causes of problems and provides accurate solutions via preventative measurements, ensuring no harm occurs to the individuals or the organization (Chang, 2010). According to other studies (Al-Sarayreh, et. al., 2019), it is a way to determine the organization's capabilities in creating a competitive advantage by choosing a strategic alternative in order to achieve organizational objectives. The following sections present the descriptions of the related dimensions of strategic audit.

3.1.1 Quality Auditing

Quality audit is defined as a system of the independent and authorized process used to gain audit evidence and analyze it to determine audit criteria fulfillment (ISO19011, 2002). Quality audit is confined to determining the extent of corresponding actual activities with pre-set plans.
and examining the efficacy of activities in achieving the goals of the organization (Woodhouse, 2003).

For such concepts, the auditing aims to ensure that the organization's activities comply with the predetermined methods (Saputra, 2015). Moreover, the efficiency of operations in achieving the targeted results most economically should be dictated. Additionally, ascertain the quality system efficacy in the organization, which leads to an assessment of the current program for quality and reveals aspects and areas that require either improvement or development (Pronovost, 2000).

### 3.1.2 Technology Auditing

It refers to gathering and evaluating evidence to determine whether the IT systems protect the assets of the organization and keep both data and information safe. Thus, the organization can achieve its goals efficiently and effectively. Moreover, technology audit is an integral part of the IT governance process where the governance tool is used to evaluate and secure information technology implemented in the organization (Sentf et al., 2012). In addition, the audit intends to evaluate controls and reliability of the organization's technological infrastructure and ensure the availability of accountability for technological resources so no losses occur (Goldberg, D., 2011).

### 3.1.3 Human Resources Auditing

A human resources audit is considered a method to evaluate human resources functions and a way to measure the efficiency of the human element in an organization to ensure the pre-set human resources management policies and plans are all taken into account by senior management. (Goyal, 2005).

By using the human resources audit, organizations aim to discover and pinpoint the strengths and come up with improvement plans for human resources functions. This procedure should consider all administrative levels in an organization, where the key is emphasizing anything related to human resources management (Dasa, 2011).

The prominence of human resources auditing is viewed as an approach to a comprehensive quality system that assists in restructuring human resources, strategies, and practices in the organization (Tapomoy, 2006).

Researchers believe that auditing human resources are valuable when mergers or acquisitions occur between organizations because it helps select the most suitable way for any organization's strategies.

### 3.1.4 Policy and Procedures Auditing

The human element has a significant impact on achieving the organization's goals and objectives through its direct role in improving operations, raising the level of performance, and achieving institutional excellence (Aswathappa, 2005). The organization takes advantage of the human element by applying excellent policies and practices for recruitment and appointment processes. This raises the level of performance and productivity besides having an equitable wage and compensation system that motivates individuals to work for the organization (Kravcakov, 2013). Auditing the policies and procedures has two elements, first
ensure that the human resources department formulates policies for human resources practices in the organization (Pickett, 2010). The second, audit human resources management functions, which convert human resources strategies into practice in order to achieve the strategic goals of the organization (John, 2007).

3.2 Human Resources Strategies
The emergence of the SHRM concept was in the late 1980s when the scientist Michael Armstrong started coming up with great work and studies regarding the method of SHRM to manage people. He was mainly focusing on the long-term objectives of the organization where little attention was paid to internal human resources matters where the main issue was to solve problems that impact the long-term management of people (Malik, 2009).

Strategic HRM is a process of formulating and implementing human resources management policies and practices that refines the competencies of the individuals and shape their behaviors so that the organization can achieve its strategic goals (Dessler, G. 2008). The following sections present the descriptions of the dimensions of human resources strategies.

3.2.1 Human Resources Planning Strategy
The planning process gives a general vision of the requirements for human resources. From this point of view, human resources planning is defined as determining the needs of human resources in terms of quantity, quality, and time to achieve organizational goals and meet objectives (Contiu, 2010).

Managers need to be a part of the human resources planning procedure because they are the first line of contact with the individuals (Jha and Manjari, 2017).

3.2.2 Recruitment and Appointment Strategy
The strategy of recruitment and appointment is one of the essential strategies because it is linked to performance and assets. It is acknowledged that the final performance of the organization relies on the individuals who have been selected at this stage. In terms of quality performance, it relies on the quality of the individual established by the employment policies and practices. In addition, they are considered a qualitative addition to the organization's assets in a way that guarantees the organization's survival (Zirra et al., 2017; Al-Sarayreh et al., 2019).

3.2.3 Training and Development Strategy
Training and development are used as strategic tools that respond to environmental changes, which result in more knowledge and information being gained. This would be translated into an organizational resources through individuals. Both are primarily aimed at making changes in the behavior of employees, for the purpose of improving the skills and capabilities necessary to achieve organizational goals (Rathod and Dwivedi, 2017). Considering the variance between training and development, the first one is limited to a specific period or a current job, while the second focuses on the long-term and the development of individuals for potential future jobs (Neelam et al., 2014).

3.2.4 Incentives and Rewards Strategy
In a competitive environment of globalization, success requires and efficient organizational human resources in business organizations. A motivating workforce should be applied to achieve the highest performance for the organization (Ngwa et al., 2019). The organization is expected to have a strategic approach via incentives and rewards system to motivate its individuals, raise their level of performance and reduce their resistance to gain overall better organizational results (Armstrong and Brown, 2009).

3.2.5 Performance Evaluation Strategy
Performance appraisal is an essential function of human resources management, because it represents a strategic role in linking individuals, jobs, organizations, and the surrounding environment (Marler and Parry, 2015). The performance appraisal demonstrates the process of making a judgment on the performance and behaviour of individuals by issuing decisions related to the retention, promotion, or transfer of individuals to another job (Walsh, 2003). In order to ensure the judgment is being made correctly, managers must overcome the obstacle of communication. In the worst-case scenario where no contact is made with the employees regarding their performance evaluation, it will be more challenging to improve their performance in the future (Kumar et al., 2017).

3.3 Organizational Adaptation
Adaptation is, perhaps, one of the most notions that come from the natural incorporation of organizational theory and strategic management, which contributes to achieving the individuals’ integration and intimacy. This ensures that both beliefs and values of the organization are presented where they are joined together for central issues of organizational change, accomplishment, and existence (Sarta et al., 2017; Uhl-Bien & Arena, 2018). A significant aim of the notion is the need for organizations to change organizational adaptability, which has defined as a learning process for necessary behaviors and attitudes to perform the job role that required from the individuals within the organization (Morrison, 2002). Furthermore, flexible and adaptive can outmaneuver their competitors by capturing new opportunites. It is a combination of various factors that require the organization to deal quickly with its rapidly changing environment to improve and achieve its competitive advantage by formulating a strategy more appropriate or flexible for the organization to deal with its external environment (Tejeiro, 2016). On the other hand, it is written as different paths where firms act to environmental alterations via either practical or responsive behaviors (Chew, 2010).

There are four dimensions for organizational adaptation, as shown in Figure 1. These are as follows (Pulakos et al., 2006; Gajda, 2015; Liu et al., 2019; Baumann et al., 2019).

1. Adapt to job goals and values: It refers to the individual's ability to achieve compatibility with the accepted beliefs and trends that guide behavior within the bank towards achieving career goals.

2. Adaptation to job policies refers to the individual's ability to achieve compatibility with the principles that guide work and behaviors within the bank.
3. Adaptation to ways of performing work: It indicates the ability to adopt steps and skills that meet the completion of work within the bank.

4. Adaptation with the colleagues: It refers to the ability to create a process of social interaction with the individuals within the bank

3.4 Organizational Adaptation Stages
Organizational adaptation is a significant element for organizations because it enables them to determine success or failure, which leads to reducing the dependence on other firms in their work environment. To achieve that, individuals play a significant role by exhibiting control over the features of their environment and may assist an organization in the adaptation process. The adaptation process includes three different stages, as reviewed by (Barge and Schlueter, 2004) and (Allen 2006). These stages are stated below:

-Pre-appointment the individual in the organization stage
At this stage, the individual begins to learn the necessary skills which qualify them for joining the organization where they focus on expectations and beliefs regarding the future of organizational life.

-Post-appointment, the individual in the organization stage
The organization prepares and encourages positive changes for the new individual for this current stage via rewards, remuneration, development, training, and performance evaluation.

- Transformation and stability stage
At this final stage, individuals are getting acquainted with the organization's values, goals, and beliefs. They can quickly adapt to both problems and changes inside and outside the organization.

5. Methodology
There are a few points that typical descriptive studies are based on. These include examining thoughts, beliefs, demographic information, circumstances, and methods. This work has selected survey research for the research design. The first step would be gathering data from various members of the population. This enables the assessment of this data where the population's current status is in comparison to certain variables. Valuable data required for the study can be obtained from the survey research of knowledge. It contains an accurate design plan where each element of the research process is implemented accurately. A survey tool was designed by multiple researchers that can be utilized in any research sample. It is necessary to this survey tool intent is to gather data regarding opinions and beliefs about the strategic audit on job performance in Jordanian Commercial Banks in Jordan.

6. Results and discussion

6.1 Results of the primary hypothesis test (HO.1)
This part of the study aims to test the first central hypothesis, which states: HO.1: No statistically substantial impact at a significant level of (α ≤0.05) for strategic auditing related to the checking of policy and procedures, human resources, technology, and quality. This is
to enhance the methods used for human resources including planning, recruitment, and appointment, training and development, incentives and rewards, performance evaluation in Jordanian Commercial Banks. Furthermore, to prove the validity of this hypothesis, multiple linear regression tests were used that show the answer to the third sub-question in the study problem. The results are provided in Tables 1 and 2.

**Table 1.** Results of testing the impact of strategic auditing in its various dimensions in improving human resources strategies based on HO.1

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Model summary</th>
<th>Analysis of variance</th>
<th>Coefficient table</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R²</td>
<td>F Calculated</td>
</tr>
<tr>
<td>Human resources strategies</td>
<td>0.743</td>
<td>0.552</td>
<td>66.021</td>
</tr>
<tr>
<td>Policy and procedure auditing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard error</td>
<td>0.040</td>
<td>0.120</td>
<td>2.257</td>
</tr>
<tr>
<td>β</td>
<td>0.290</td>
<td>5.040</td>
<td>0.00</td>
</tr>
<tr>
<td>Technology auditing</td>
<td>0.042</td>
<td>0.229</td>
<td>3.958</td>
</tr>
<tr>
<td>Quality auditing</td>
<td>0.043</td>
<td>0.303</td>
<td>5.280</td>
</tr>
</tbody>
</table>

Table 1 demonstrates that the correlation coefficient (R) value is (74.3%). Thus it can be said that there is a strong relationship between strategic auditing and human resources strategies. The value of the coefficient of determination (R² = 0.552) suggests that strategic auditing in Jordanian Commercial Banks has explained (55.2%) the variation in human resources strategies.

Table 1 also confirms a clear positive, statistically significant effect of strategic auditing on the dependent variable of human resources strategies, via (F. Sig=0.00), which is less than (0.05). Moreover, this can be approved via (F cal = 66.021), more significant than its tabular value (2.37). Therefore, the alternative hypothesis is accepted (HO.1), which says: There is a statistically substantial impact at the level of significance (α≤0.05) for strategic auditing with its many factors in enhancing human resources methods in Jordanian Commercial Banks.

**6.2 Result of the primary hypothesis test (HO.2)**
This part of the study aims to conduct a trial on the second hypothesis, which states: HO.2: There is no statistically major impact at a significant level of ($\alpha \leq 0.05$) of the moderating role of organizational adaptation on the impact of strategic auditing by its dimensions in improving human resources strategies in Jordanian Commercial Banks.

To analyze this hypothesis, the hierarchical regression test was used. The results are provided in Table 2.

Table 2. Results of testing the impact of strategic auditing in its various dimensions in improving human resources strategies based on HO.2

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T</td>
<td>Beta ($\beta$)</td>
<td>(Sig)</td>
<td>T</td>
</tr>
<tr>
<td>Human resources strategies Strategic auditing</td>
<td>16.078</td>
<td>0.737</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>$\times$ strategic auditing organizational adaptation</td>
<td>2.421</td>
<td>0.242</td>
<td>0.016</td>
<td>5.482</td>
</tr>
<tr>
<td>Value ($R^2$)</td>
<td>0.737</td>
<td></td>
<td>0.774</td>
<td></td>
</tr>
<tr>
<td>Value $\Delta(R^2)$</td>
<td></td>
<td></td>
<td>0.044</td>
<td></td>
</tr>
<tr>
<td>Value $(R^2)$</td>
<td>0.544</td>
<td></td>
<td>0.599</td>
<td></td>
</tr>
<tr>
<td>Value $\Delta(R^2)$</td>
<td></td>
<td></td>
<td>0.055</td>
<td></td>
</tr>
<tr>
<td>Calculated F value</td>
<td>258.488</td>
<td></td>
<td>161.577</td>
<td></td>
</tr>
<tr>
<td>F level of significance</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

The first model, in which the impact of strategic auditing with its dimensions in improving human resources strategies was studied. It has been proven that there is a significant effect of strategic auditing in improving human resources strategies through the calculated and equal F value (258.488), which is a significant value at the level ($\alpha \leq 0.05$). This result is supported by the value of ($\beta = 0.737$), and the value of T equal (16.078), which is a significant value at the level ($\alpha \leq 0.05$). It appears from the first model that the strategic audit indicated (54.4%) of the change in improving human resources strategies, based on the value of ($R^2$).

In the second model, the interaction formula has been added between strategic auditing and organizational adaptation. It was found that there is a significant effect of the interaction formula between them by F-value of the reaction formula reached (161.577), the value of ($\beta = 0.549$), and the T-value amounted to (5.482), which is significant at the level ($\alpha \leq 0.05$). Also, the interpretation coefficient ($R^2$) increased by 5.5%.
Therefore, the second central hypothesis is accepted, as it was proven that there is a statistically substantial impact at ($\alpha \leq 0.05$) of the moderating role of organizational adaptation on the impact of strategic auditing with its combined dimensions in improving human resources strategies for commercial banks in Jordan.

7. Research implications and limitations:

7.1 Research implications

This research has several important practical and theoretical implications. Firstly, adopting strategic auditing practices is a potentially helpful approach in improving HR practices. (Kooli and Abadi, 2020; Danku, et al., 2016) E.g., those presented in the strategic auditing construct shown in Figure 1. The findings of this research thus demonstrate and highlight the importance of strategic auditing practices to the banks.

Secondly, various researchers have identified several practices for auditing HR strategies that organizations can adopt (Knezovic, 2018; Contiu, 2010). For instance, many organizations still consider HR strategies auditing as simply being related to HR management (Widyaningisih, 2019). The findings of this study demonstrate that organizations should not only focus on traditional HR activities such as recruitment and appointment and incentives and rewards as activities separate about organizational strategy.

7.2 Research limitations

Despite the practical and theoretical contributions of this study, it has some minor limitations. First, due to time and place constraints, some dimensions were not taken into consideration, like process auditing, files, and documents auditing, which may be implemented in future studies. Second, this study relies on a questionnaire survey for the data collection method. During the initial meeting, the researcher provided surveys to middle-level and high-level managers. Two weeks later, the researcher collected the completed surveys and analyzed them for this study. It is worth noting that these surveys provided the researcher with the necessary data to conduct a successful research. The researcher was planning to have more meetings with the managers to obtain potential additional information, which may not be covered in the survey; however, the COVID-19 pandemic eliminated such meetings. Therefore, the researcher recommends that future research should be based on additional sources of data such as triangulation methodology (survey and interviews) to further enhance the research findings.

8. Conclusion

This study has investigated the relationship between strategic auditing and HR strategies in Jordanian Commercial Banks, as well as identifying the moderating role of organizational adaptation in the relationship between strategic auditing and HR resources management strategies in Jordanian Commercial Banks. As we noticed from the analysis, the study showed a moderate degree of the relative importance of the incentives and rewards system (Ngwa et al., 2019; Kumar et al., 2017). It is recommended to strengthen both incentives and rewards
systems so that it is straightforward, easy to apply, and based on clear reports to evaluate the performance.

The results of the hypotheses showed that the dimension audit of policies and procedures had achieved non-significant value in the dimensions of human resources strategies. Therefore, it is suggested to adopt and update all efficient policies and procedures in these banks, which will positively impact work performance and employee motivation (John, 2007).

Additionally, this study presents the crucial role and mediating impact of organizational adaptation as means for encouraging individuals to represent these banks in the best possible picture (Cegarra-Navarro, et al., 2016). These individuals should be aware of their responsibilities and duties in order to perform any required tasks of them efficiently (Daft, 2007).

Finally, commercial bank managers should gain advantages by considering the research findings of strategic audit procedures and applications such as establishing a private department for monitoring the bank's strategies and the performance of organizational units (Fuertes, et al., 2020). In turn, this will aid these managers in setting out plans for a more successful future for Jordanian Commercial Banks.

References


