
Improving Human resource Performance in light of Social Auditing Application
– A Case Study of Sigus Cement Company, a Branch of the Algerian Industrial Cement
Group (GICA) -

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Abstract:

This study aimed to investigate the extent to which social auditing contributes to improve human resource performance. The study relied on both the descriptive analytical approach to address the theoretical frameworks, and the case study method for the Sigus Cement Company.

The study concluded that social auditing greatly contributes to improve human resource performance by auditing human resource management processes, which enables them to discover social risks and resolve them as soon as possible, thereby increasing employee satisfaction.

Keywords: Social auditing; Human resource performance; Social indicators.

Jel Classification Codes: M42, M12.

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1. Introduction :

In the current global competitive environment, companies are giving increasing attention to improve their performance across all fronts. They are no longer confined to maximize financial performance alone, but have extended to encompass social, environmental, and organizational aspects as well. As a result of the rapid transformations witnessed by these institutions and the surrounding circumstances and their growing interest in internal and external stakeholders, a radical shift has occurred in management practices. Social auditing has emerged, bestowing a distinct character and advantage upon organizations, thereby becoming a crucial tool for social leadership and human resource development, considered the most important competitive advantage that must be invested in, as well as an essential prerequisite for enhancing the performance of these organizations.

1.1. Research Problem:

Based on the foregoing, the research problem can be formulated as follows:

To what extent does social auditing contribute to improving human resource performance in the company under study?

1.2. Hypotheses:

In order to better guide our research work, we have put forward two main hypotheses:

- The social auditing process is implemented at the level of the company under study.
- Social auditing improves human resource performance through auditing of human resource functions.

1.3. research aims:

This study seeks to achieve the following objectives:

- Attempt to deepen the understanding of the topic of social auditing;
- Explain the justifications and motivations that led to the interest in social auditing;
- The relationship between social auditing and human resources and how it improves their performance;
- Know the added value for companies when social auditing is effectively implemented.

1.4. The approach followed:

To answer the research problem and validate its hypotheses, the descriptive-analytical approach was adopted to address the theoretical frameworks covered. The same approach was used in the applied aspect, relying on the case study method of the SIGUS Cement Company, a branch of the Algerian Industrial Cement Group (GICA). Additionally, the interview method was employed, conducted with the head of the Human Resources department, the head of the Payroll department, and the head of the Training department. To reach generalizable results, the inductive approach was utilized.

2. Theoretical literature for study:

2.1. Social Auditing

The concepts of social auditing have diversified due to the features and characteristics it carries, all of which fall into one framework, where each one defines it according to the field to which it belongs.

One of the most comprehensive definitions is by **Vatier**, the founding father of social auditing and the president of the International Institute of Social Audit (IAS), who believes that social auditing is a tool for leadership and management as well as a method of observation, similar to financial and accounting auditing. It tends to assess a company's ability to control the social problems imposed by the external environment and manage these problems by using individuals for the companies' good governance (Zohra, 2016, p. 84).

Perti and Igalens, who considered social auditing as a form of observation that tends to verify principles, policies, processes, and outcomes in the companies relationships with stakeholders by ensuring (Jacques Igalens, 2016, p. 16):

- That they have done what they say they have done;
- That they use their resources in the best way;
- That they maintain their independence and heritage;
- That they are able to do what they say they want to do;
- That they respect the rules of trade;
- That they know how to assess the risks they face.

The French Institute of Audit and Internal Control (IFACI) defines social auditing as follows: "An independent and objective activity that provides an organization or company with assurance about the degree of control over its operations, offers advice to improve and contribute to creating added value. It helps the organization achieve its objectives by evaluating, through a systematic and methodical approach, its processes and making proposals to strengthen their effectiveness (Benmoussa Samir, 2019, p. 05)."

Through the previous definitions, it can be said that social audit is a regular and comprehensive process as it focuses on the social and human aspect that reflects the performance of organizations. It is a means that relies on observation, examination, and evaluation of the company's performance in a way that serves the community according to agreed-upon standards. According to the study by (Mouna EL MOUSADIK, 2017, p. 125) the main objective of social auditing is to improve the efficiency of the organization through human resource management, in addition to other objectives such as:

- ❖ Draw up an assessment of a given social situation;
- ❖ Establish a diagnosis of the causes and consequences of the identified problems;

- ❖ Evaluate the effectiveness and risks in the field of HR, provide decision-making assistance on specific points, or for larger-scale operations such as mergers or acquisitions;
- ❖ Assess the risks arising from a given situation and thus be a forecasting instrument.

According to (igalens, 2008, pp. 53-61), they highlighted the tools that the auditor relies on during the execution of the social auditing mission; There are tools that the auditor uses before starting the mission, such as: knowledge acquisition questionnaires, internal control questionnaires, Sampling plans and Surveying techniques, And there are tools that the auditor uses during the execution of the mission, such as: Interviews, Observation As well as the representation of document flows.

2.2 The Performance of the HR Function

Due to the evolving conditions surrounding the company and the changes occurring at its level, as well as its association with many parties, economic performance has become insufficient to evaluate the performance of companies. Therefore, its concept has expanded to include several dimensions, including the social dimension and the environmental dimension, and there are other dimensions that we did not mention. Thus, the view has shifted from the shareholder to the stakeholder. The first view is a traditional view that is concerned with partners and focuses on financial performance aimed at achieving a greater share for shareholders, while the second view is concerned with stakeholders (slimani malika, 2018, p. 253).

According to the International Organization for Standardization (ISO), performance encompasses both efficiency and effectiveness through achieving objectives and optimal and reasonable use of resources (mouhamed ben ahmed asmaa, 2020, p. 129), Author (nadia, 2012, p. 91) defined performance as the way an organization uses its resources to achieve its desired goals.

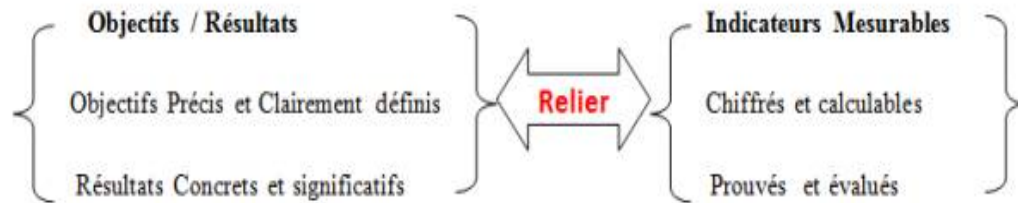
In the same context, author (elldin, 2019, p. 54) defined the process of improving performance as using all available resources to enhance outputs and achieve integration between the right technologies that employs capital in the optimal way.

These definitions highlight that organizational performance involves efficiently and effectively utilizing available resources (financial, human, technological, etc.) to accomplish intended goals and objectives. Improving performance requires optimal deployment and integration of all relevant resources and capabilities.

On their side, (BABA Ali, 2022, p. 738) sees social performance as integrated into a hybrid environment, taking into account both internal factors to the organization (compensation, working hours, staff representation, internal communication, training, etc.) as well as external factors, which include elements concerning society and the natural environment.

Moreover, According to (BAKHOUCHE Nadia, 2020, p. 178) study, the objective of social performance is to conduct comparisons between the results obtained and the means used to achieve them, and it can be measured as follows:

Fig.1. Measuring the social performance of the company



Source:BAKHOUCHE Nadia and Latifa FAHSSIS, Social audit for the renewal of the HR management: What are the links with CSR?, p178.

The indicators of social management will be addressed based on different areas of human resource management and their challenges (BABA Ali, 2022, pp. 738-739):

1. **Economic and Financial Indicators:** These include productivity ratios and HR expenditure ratios.
2. **Structural Indicators:** Examples include the management-to-employee ratio.
3. **Recruitment Management Indicators:** These cover metrics such as time-to-hire, recruitment quality, and average recruitment cost.
4. **Training Management Indicators:** These involve the ratio of trained employees and the coverage rate of strategic competencies.
5. **Compensation Management Indicators:** This category includes average and median compensation ratios, as well as promotion ratios.
6. **Turnover Indicators:** These encompass resignation rates and length of service.
7. **Absenteeism Indicators:** Measuring absence rates and duration.
8. **Conflict Indicators:** Such as strike rates.
9. **Employee Satisfaction Indicators:** Including work environment and management-to-employee ratio.

According to the study by (DERRAZ, 2018, pp. 8-9), understanding the essence of HR function performance involves two key steps. First, it is necessary to describe the roles of professionals within this function. Second, we need to specify the different types of performance. The assessment of HR function performance can be categorized as follows:

❖ **Administrative Performance of the HR Function:** This pertains to specific administrative activities, including maintaining employee files, adhering to legal regulations, managing collective bargaining agreements, and handling payroll.

❖ **Operational Performance of the HR Function:** This relates to operational management activities, such as people management, skills development, workforce planning, recruitment, training, compensation, performance appraisal, workplace health and safety, and addressing interpersonal and collective conflicts.

❖ **Strategic Performance of the HR Function:** This encompasses activities outlined by the two authors, including analyzing the company's HR environment, formulating HRM strategy, implementing it, and evaluating its outcomes.

3. The contribution of social auditing to improve human resources performance

3.1 The relationship between Social Audit and Human Resources Management

The study by (Yasmina, 2020, p. 46) highlights the relationship between social auditing and human resource management. It suggests that social auditing, par excellence, corresponds to the traditional audit that has long served as a model for social audit teachings, according to Igalens and others. Berlin, on the other hand, remarks on the differences in scope and objectives between social audit and HR function audit.

Based on her observations, the scope of social audit extends to all company relationships. Its objective is to ensure the compliance, effectiveness, and relevance of social data in relation to the company's strategy. In contrast, the audit of the human resources function focuses solely on that function and primarily examines its operations. She adds that the goal of this operational function lies in analyzing and optimizing the HR service.

Therefore, conducting an audit of human resources is akin to conduct a functional audit, similar to those performed for logistics, finance, or accounting functions.

According to **Friedman's theory**, social auditing focuses on two approaches (HASNA, 2019, p. 443):

- **Cost-Driven Approach:** This approach emphasizes controlling human resource costs within the organization, particularly wages and salaries. By monitoring and managing these costs, companies aim to enhance their competitive position through cost efficiency.
- **Competitive Advantage Approach:** In contrast, this approach centers on diversification by investing in human resources. By developing skills that enable adaptation to diversification strategies, companies can increase the contribution of their human capital to overall success.

Accordingly, social auditing serves as a critical tool for evaluating, harnessing, preserving, and evolving human capital over time. It contributes to competitiveness, growth, increased returns, change support, and sustainable business practices. As a fundamental requirement and key success factor, social auditing has evolved into a vital tool for organizational leadership.

3.2 social Audit and Human resources performance

According to a study by (Sara CHEDRI MAAMAR, 2017, p. 179), Human Resources (HR) performance involves highlighting the degree of satisfaction among an organization's human resources. This satisfaction is crucial and serves as a preventive measure against inherent risks within the company.

To achieve this, companies must seriously invest in their human resources. HR performance is primarily linked to managers' ability to measure and give meaning to human activity. According to **Maire** performance is "the result of a balanced combination of skills, goal determination, and, most importantly, motivation."

Social auditing serves as a preventive measure against various disruptions and disturbances in both human and organizational functioning within the company. Consequently, social auditing can be a management practice aimed at enhancing performance.

It's essential to emphasize that stakeholders and managers must make efforts toward preventing human-related risks by leveraging their managerial and communication abilities. The capacity to communicate and engage with people significantly influences performance.

Indeed, social auditing contributes to improve the work environment and internal relationships, leading to an increased employee satisfaction and motivation for better performance. Social auditing helps identify areas for improvement and development within human resource management, such as recruitment processes, training, and performance management. Additionally, it ensures the company's compliance with laws and regulations related to human resources, thereby reducing legal risks. Overall, social auditing enhances transparency within the organization and fosters greater accountability in HR management.

4. A Case Study

4.1 research methodology

This study was conducted at the level of **the Cement Company "Sigus" a subsidiary of the Algerian Cement Industrial Complex (GICA)**. We conducted a qualitative comparative study by interviewing the heads of the Employee Services Department, the Payroll Department, and the Training Department. The comparative study utilized data provided to us during the period from 2020 to 2022. We calculated social indicators and analyzed their evolution over the three-year period.

4.2 presentation of the host company

- **The Industrial Group of Algerian Cements "Group GICA"** was established by decision of the Extraordinary General Assembly, following the legal transformation of the former "Industrie des Ciments" Holdings Company on 26 November 2009. Group GICA is a joint-stock company with a capital of 25.358.000.000 Algerian dinars.

The Group consists of (23) specialized subsidiaries, including (14) cement plants, (3) aggregate and ready-mix concrete companies, one (01) distribution company, two (02) industrial maintenance companies, one (01)

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technical assistance center, one (01) training and development center, and one (01) security company(GICA, 2024), Group GICA, with 12.000 employees, attributes its success to collective commitment, individual responsibility, and fostering a sense of belonging to a leading public group in its market. With a portfolio of 23 subsidiaries and multidisciplinary teams, Group GICA prioritizes succession planning and continuous training for its employees. This approach aligns with the country’s economic development goals and supports the aspirations and expectations of each collaborator.

- **The Cement Company of Sigus**, a subsidiary of the Industrial Group of Algerian Cements (GICA), aims to further strengthen its position as an essential player in the manufacturing, packaging, and marketing of cement. The company is currently strategically adapting to an ever-evolving external context. With determination, it is committed to continuous improvement by implementing an ISO 9001:2015 Quality Management System.

4.3 The interview results :

As a result of the interview conducted with the heads of the Employee Services Department, the Payroll Department, and the Training Department, the following conclusions were drawn:

- ✓ The procedures within the Human Resources Department include work procedures, recruitment, workforce turnover, training, and salaries.
- ✓ These procedures are determined based on the labor law enacted on April 10, 2021.
- ✓ Employee compensation is established through negotiations with labor unions.
- ✓ The head of the Employee Services Department creates a dashboard and a social budget every three months.
- ✓ The Human Resources Department undergoes internal audits every six months, and if necessary, external audits are also planned.
- ✓ Separate social auditing reports are prepared distinct from internal and external audit reports.

4.4 Calculating social indicators:

As a result of the commitment we made to the company, we will mention the results directly without disclosing company data.

Table N°1:the social indicators for Sigus company

the social indicators		The content of theINDICATORS	RESULTS		
			2020	2021	2022
indicators of workforce characteristics	average age	$\frac{\text{Total age of employees}}{\text{Number of employees}}$			39.77
	rate of veillissement	$\frac{\text{Number of employees reaching contractual age}}{\text{Number of employees}}$			0.002

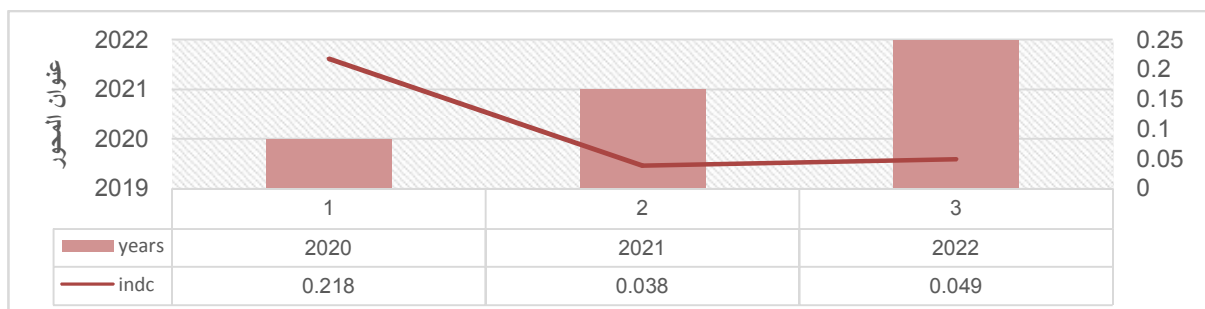
	staffing levels	$\frac{\text{Number of constituent employees}}{\text{Number of employees}}$			85%
workforce movement indicators	Duration of vertical movement	$\frac{\text{Number of promotions}}{\text{Number of employees}}$	0.123	0.060	0.054
	hiring rate	$\frac{\text{Number of new employees}}{\text{Number of employees}}$	0.218	0.038	0.049
	staff turnover	$\frac{\text{Number of voluntary departures}}{\text{Number of employees}}$	0.007	0.017	0.006
	rate of service for new recruits	$\frac{\text{Number remaining at the end of the month}}{\text{Number of new employees}}$			100%
work contract indicators	fixed-term employment rate	$\frac{\text{Number of fixed – term contracts}}{\text{Number of employees}}$			100%
	hourly flexibility rate	$\frac{\text{Total contractual working hours}}{\text{Number of employees}}$	4.653	4.674	4.531
absenteeism indicators	absenteeism rate	$\frac{\text{Number of hours of absence during the period}}{\text{Number of theoretical hours during the period}}$	0.484	0.663	0.615
	frequency of absences	$\frac{\text{Number of absences}}{\text{Number of employees}}$	1.451	1.871	1.762
occupational health and safety indicators	workplace accident rate	$\frac{\text{Number of incidents} * 100000}{\text{Number of working hours}}$	528.846	336.538	480.77
	by employees who work at night	$\frac{\text{Number of workers working nights}}{\text{Number of employees}}$	0.541	0.456	0.445
Training indicators	percentage of payroll devoted to training	$\frac{\text{Total Investment Amount in Training}}{\text{Total training salaries}}$			40000-120000 DA
	access to training	$\frac{\text{Number of constituent employees}}{\text{Number of employees}}$			85%

Source: Prepared by researchers based on company data.

The above table represents the social indicators for Sigus Company that we calculated. The purpose is to compare the key indicators during the period from 2020 to 2022, as shown in the following data:

a) hiring rate:

Fig.3. hiring rate

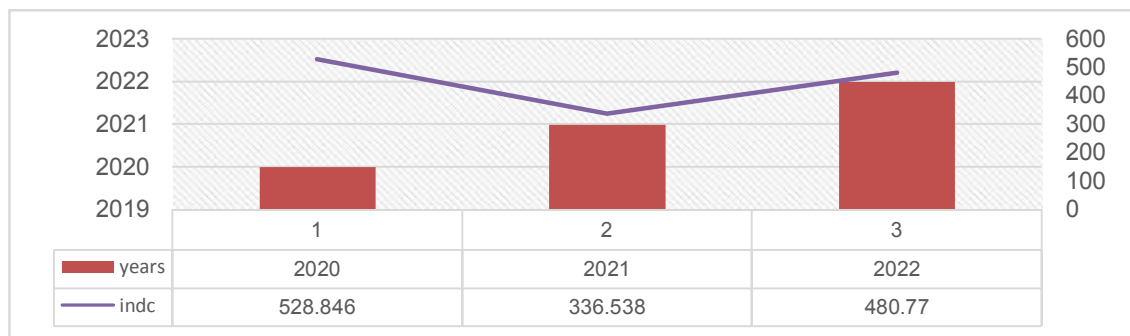


Source: Prepared by researchers based on company data

The figure illustrates the evolution of the employment rate during the period from 2020 to 2022. The employment rate was estimated at 0.218 in 2020, while it was estimated at 0.049 in 2022. This can be attributed to the auditor’s recommendations, which emphasize improving efficiency and productivity, leading to a reduced need for additional labor.

b) staff turnover:

Fig.4. b)staff turnover

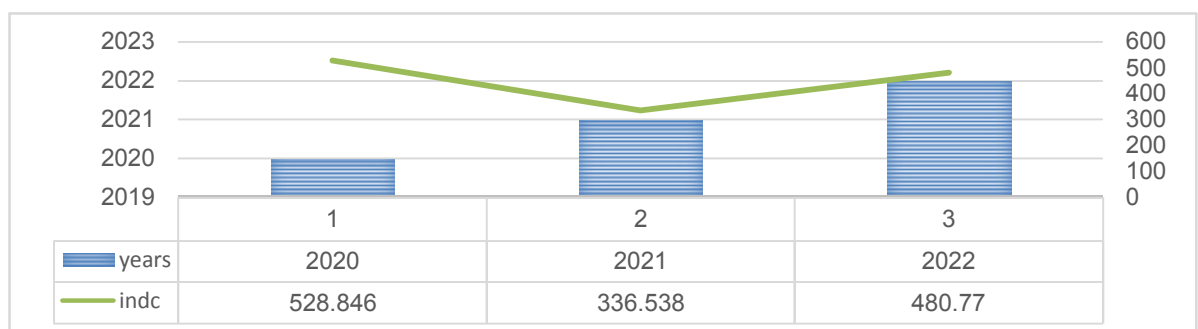


Source: Prepared by researchers based on company data

The figure below represents the evolution of employee turnover rate during the period from 2020 to 2022. The highest rate was recorded in 2021, estimated at 0.017, while in 2020, it was 0.007. However, there was a decline in 2022. The increase in the rate in 2021 to 0.017 can be attributed to the global pandemic experienced in previous years. The rise in the number of voluntary departures is directly related to employees’ fear of the virus, nothing else.

c) workplace accident rate:

Fig.5.workplace accident rate



Source: Prepared by researchers based on company data.

The figure above represents the evolution of workplace accident rates within the organization under study during the period from 2020 to 2022. Over the three years, there was a decline in the accident rate. The highest rate was recorded in 2020, reaching 528.846, while it decreased to 480.77 in 2022. This reduction can be attributed to safety recommendations and an increased focus on training. Notably, the training rate in 2022 was 85%, indicating the company’s commitment to its human resources.

5. CONCLUSION

This study addressed the concept of social auditing, which emerged as a result of developments in the field of accounting. Social auditing is considered a tool for the regular examination of an organization's social and environmental policies and contributions. It aims to improve the performance of the organization. It consists of several dimensions, with its basis being economic, social, and environmental performance. Due to the prestigious status that the social aspect has enjoyed among managers, a conviction was formed that the human element plays a major role in increasing production, as it has become a fundamental pillar for the success of organizations.

The study also discussed the tools dedicated to social auditing that assist the auditor in performing their work in an organized manner, such as the social budget and the dashboard. Given the effective role that social auditing plays in improving the performance of human resources, a summary of its components, namely efficiency and effectiveness, was presented, in addition to addressing the relationship between social auditing and human resources, mentioning the most important social indicators.

Finally, a field study was conducted at the Sigus Cement Company, where social indicators were calculated based on the data provided during the period from 2020 to 2022.

5.1. Study results:

Through this study, we have arrived at several results, which we can summarize as follows:

- ✓ Social auditing is an effective tool for evaluating and improving organizations' performance in social and environmental areas, in addition to traditional economic performance.
- ✓ Social auditing significantly contributes to improve working conditions and the human resources environment by ensuring compliance with labor regulations and occupational safety laws.
- ✓ Social auditing promotes equality and fairness in recruitment, promotion, and compensation policies, creating an inclusive and attractive work environment for employees.
- ✓ Social auditing encourages improved communication and participation between management and employees, which increases job satisfaction, a sense of belonging, and commitment to the organization.
- ✓ Social auditing assists in establishing fair and objective performance evaluation systems and identifying employees' training and professional development needs, which improves their productivity and competencies.
- ✓ Overall, social auditing contributes to create a positive and motivate work environment for human resources, which positively reflects on their performance, productivity, and loyalty to the organization.

5.2. Study Recommendations:

In light of the results obtained by the study, we propose a set of recommendations that contribute to highlight the importance of implementing social auditing in organizations, as follows:

- Enhancing the role and status of social auditing as an effective tool for improving human resource performance.
- Obligating organizations to apply the standards and principles of social auditing due to its positive impacts on the organization itself, its stakeholders, and the surrounding environment.
- Opening the field for research and study on social auditing by organizing study days, seminars, and scientific conferences to delve into this field and keep up with recent developments.
- The necessity for organizations to adhere to applicable social laws, regulations, and legislation to avoid any risks or negative consequences.
- Working on training and qualifying auditors, providing them with the necessary skills and competencies to carry out social auditing processes professionally, given the current scarcity of this type of auditing.

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