

## STUDY REGARDING THE HUMAN RESOURCES INTERNAL AUDIT IN ROMANIAN TEXTILES INDUSTRY

Liviu ILIEȘ <sup>1</sup>  
Horațiu Cătălin SĂLĂGEAN <sup>2</sup>  
Dan LUNGESCU <sup>3</sup>  
Bogdan BĂLC <sup>4</sup>

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### ABSTRACT

*This study attempts to identify ways to develop a model of analysis and internal audit of human resources in order to identify best practices and measures to improve human resource management, aiming their implementation in the Romanian textiles industry companies. The study aimed at highlighting the most appropriate ways in which the company management can improve the effectiveness and efficiency of using human resources, taking into account the characteristics and peculiarities of planning, organization and operational human resources activities and processes. In this respect, we characterize the Romanian textile industry, thus the present study took into consideration the analysis of the following variables: "strategic human resource management", "quality management", "human resource planning and "human resources motivation". For this purpose, the study is based on a representative sample of 22 companies from Romanian textile industry in which has been distributed 200 questionnaires. In the second part of the study we realized an experimental research based on a model of human resource internal audit which aims to identify good practice and complex issues faced by the Romanian textiles companies.*

**KEYWORDS:** *human resources, human resource management, human resources internal audit, Romanian textiles industry.*

**JEL CLASSIFICATION:** *J21, J24, L10.*

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### 1. INTRODUCTION

Today companies are going through a process characterized by profound change, sometimes dramatically, fact which determines economic organizations to focus on the change, flexibility, customer-focused strategies and constant innovation in order to ensure market competitiveness. What is happening in the world of organizations is a true paradigm shift due to important changes in attitude to work, values and behavior of individuals and groups that make up the organization. Today successful organizations that have achieved high performance, emphasize the human resource development through the development and implementation of strategies, policies and practices of recruitment, selection, motivation and involvement in work, and packages of training and development programs for their employees. As a long term strategy, best practices and ways to improve the human resource management helps employees seen as internal customers, to acquire knowledge, skills, resources, encourages creativity to become more efficient, to improve performance and to be enthusiastic.

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<sup>1</sup> Babes-Bolyai University, Cluj-Napoca, Romania, liviu.ilies@econ.ubbcluj.ro

<sup>2</sup> Babes-Bolyai University, Cluj-Napoca, Romania, horatiu.salagean@econ.ubbcluj.ro

<sup>3</sup> Babes-Bolyai University, Cluj-Napoca, Romania, dan.lungescu@econ.ubbcluj.ro

<sup>4</sup> Babes-Bolyai University, Cluj-Napoca, Romania, boby\_balc@yahoo.com

An effective manager must develop skills in human resources and focus on employees (subordinates) seen as internal customers and on external customers. A good manager knows how to collect and retain the best talent, given that its success depends on the success of the team. Both challenges, present and those of the future, causes organizations to seek ways to increase current levels of performance and productivity.

Organizations, especially in the economic environment are facing the need for extensive changes at the level of individuals (members) and the organization. To meet these challenges, they need to ensure competitiveness in an increasingly dynamic market. Learning must include the whole range of behaviors that rely on professional and personal skills, the behavioral aspects including: values, attitudes, motivation, thoughts, beliefs, etc. Human resource management is now an important support, even critical, to the success of organizational change and learning initiatives.

Textile-clothing sector (T/C) is an important part of European industry. PHARE studies mentioned for 2013, that the T/C sector had a turnover of over 250 billion euros with over 2 million employees. Dominated by SMEs, the textile-clothing industry was considered diverse and heterogeneous, which carry a variety of products, from synthetic fibers produced by advanced technology to wool fabrics, from cotton sheets to wire, from serial products to fashion fascinating creations.

The outcomes of textile industry can be highlighted through various ways: by developing technologies and diversifying product categories, by wage levels of employees and their professional satisfaction, by the importance of published studies, by the number of patents registered and implemented, by the turnover of producers sales volume and the volume of imports and exports.

## 2. LITERATURE REVIEW

Comparing the official figures provided by the Romanian National Institute of Statistics since 1990, is seen as the textile industry has changed its progress gradually from a good initial trend corresponding to the first decade to downward in last decade. Downward trend began with alternating true, since the end of 1998, when the textile industry still represent a significant percentage of 3.1% of total nationally manufacturing.

Almost constant share of textile sector in Romanian exports shows that this sector exports grew at a rate similar to the overall growth of total exports. For the period 2008-2012, it can be observed an asymmetric oscillatory dynamics of exports in this sector, but positive, alternating increases of 36% in 2009 with increases of 1.3% in 2010, 4.3% in 2011, 5.7% in 2012 and 92,1% in April 2014 compared to April 2013. The most distinctive particularity of the textile industry is the fact that over 90% of employees are female. This percentage represented in 2013 almost a quarter of the active workforce, although wages were located in the same reference year, the lowest in the Romanian industry (Industry Statistical Bulletin, 2014).

Some studies have noted the following trends made on the distribution of jobs in the textile industry in Europe, namely:

- women are favorite engaged in providing skilled and unskilled labors;
- the management in the non-productive return predominantly to men;
- driving from the production sectors, where the predominant workforce is provided by women (from 70% to 90%, mainly in the garment and knitwear) who possess appropriate qualifications.

Romania continues to be present among the top ten suppliers of clothing in the EU. All over the world there are clothing label "made in Romania". Exports is not always own brand of Romanian factories but often, the products made in lohn system, materials, models and brands of foreign business partners. This feature is not only specific to Romania. In countries where labor is cheap, as

is the case of our country, the states of Europe Southeastern or the Asian (China, Vietnam, India, Taiwan, South Korea, Bangladesh), the Lohn system is preponderantly practiced.

In fact Lohn system is the commercial, production and transit activity of a manufacturer, as a performer, who undertakes to produce a product with term remuneration and on the basis of the technical documentation provided by the client. Being both an economic and social phenomenon, Lohn system sparked the interest of specialists, whose views were crystallized as the positions for and against the practice of this system.

A pro factor, and perhaps the most important from the social point of view in Romania today is the maintenance of labor employment in this sector, with higher quality labor (know-how), the contribution due to external partners providing specialized information and approximation manufacturers requirements and global market developments in the fashion branch. This allowed some producers to find over the years their markets, which seemed inaccessible to the start of production activities to develop their own fashion collections and to impose an international brand in the fashion world, the crucial requirement and absolutely necessary for the nationally and internationally recognition (Horx, 2011).

That side of the coin, working under the Lohn system has little value added, average gross salary of a Romanian working in the textile industry being about 300-350 euro, so almost twice lower than in Hungary and Poland, which thus leading to the migration of staff to better paid works, especially outside Romania.

In this context, as results from studies in the field, the focus for achieving business excellence should be on human resources, respectively, on the holistic understanding of the aspects that characterize, such as assumption of responsibility, decision and action autonomy of each employee, labor productivity growth by adapting appropriate motivational systems and performance, achieving a balance between the competing work teams and cooperation.

### **3. CASE STUDY ON HUMAN RESOURCES MANAGEMENT IN ROMANIAN TEXTILES INDUSTRY**

#### **3.1. Methodology**

The study aims to elaborate a model for analysis and identification of best practices in human resource management in order to improve it in the textile industry enterprises. For this purpose we have identified a sample of 22 companies in the textile industry and among them we included in the study a total of 220 people, including 62 managers and 158 workers in the human resources department, in the production function and other auxiliary activities and serving. Of the 220 questionnaires we received 172, of which 158 were validated which were the basis for the analysis. Through human resource audit model we intend to realize an analysis of the activities and processes within the HR function and to identify best practices and ways to improve human resources management based on information supplied by the companies respectively by managers and human resources specialists and by workers from production and functional activities. The aim is to emphasize both best practices in human resources and facing the complex issues of companies from Romanian textile industry regarding planning, organization, command and control activities and processes in human resources domain.

#### **3.2. Characterization of the Romanian textile industry**

For human resources management analysis we used a questionnaire that in the first part contains the factors who determine the overall performance of the human resource management, taking into account the strategic dimension, and the second factors considered by us representative for performance evaluation processes and activities of human resources, which focus more on the operationalization.

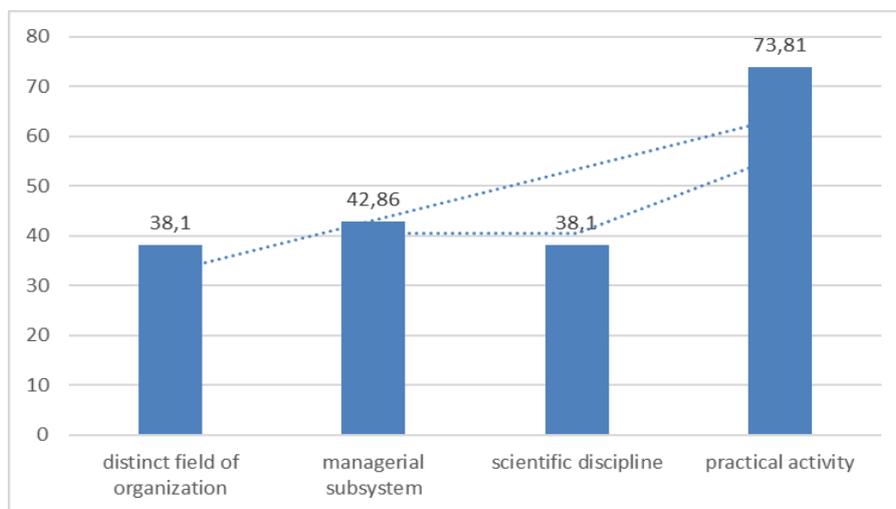
In this study we present the four most important category of factors considered in our research:

- strategic management of human resources;
- quality management;
- recruitment and selection;
- motivation;

In the following we will briefly present each of the items:

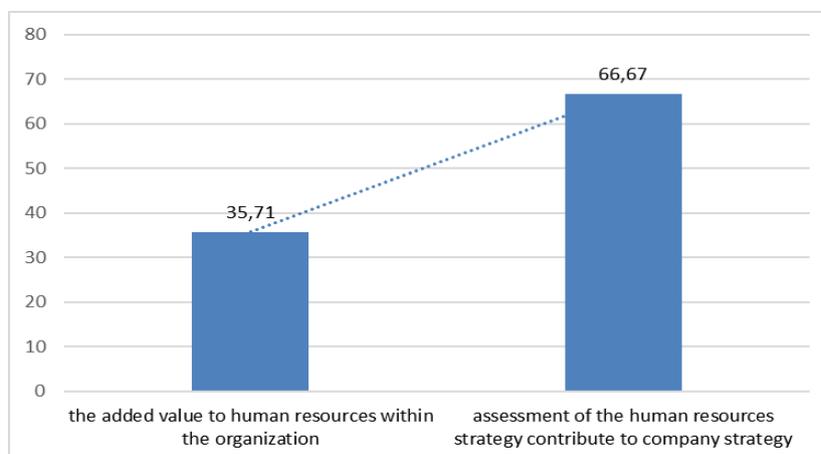
*A. Strategic management of human resources:*

As it results from data obtained from processing the questionnaires (figure 1), human resource management is viewed by respondents primarily as a practical activity (73.81%), managerial subsystem (42.86%), scientific discipline (38.10%) and distinct field of organization (38.10%). These data confirmed that more and more objects play a role in achieving overall success.



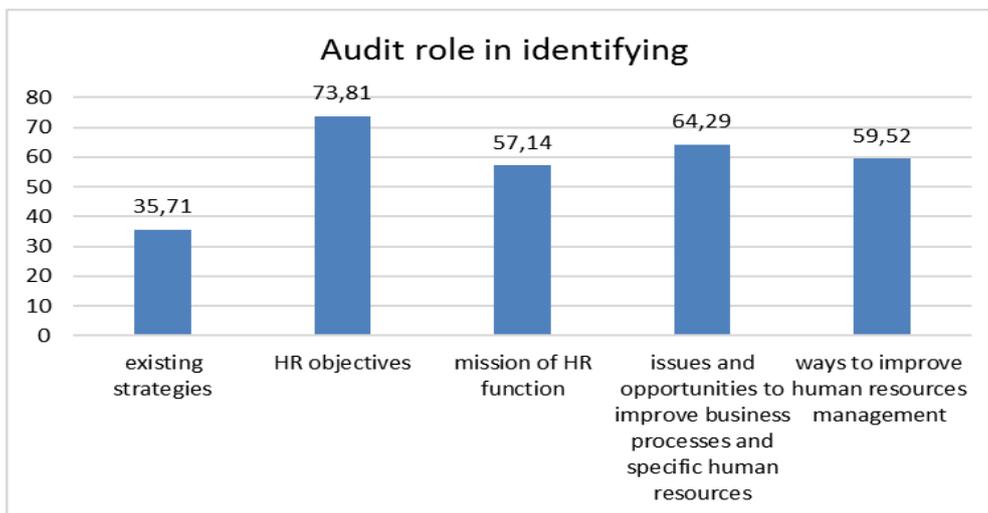
**Figure 1. Human resource management in the enterprise**

The reduced level of strategic dimension in observed companies, is explained by the fact that only 35.71% of interviewed managers stated that policy analysis is concerned, most (66.67%) seek only to assess how HR strategy contribute to overall organizational strategy, considering that if the organization achieves its objectives, the human resources strategy is correct, which is an inappropriate point of view since the strategy aims the long and medium term goals, not just those short term.



**Figure 2. Strategic Analysis**

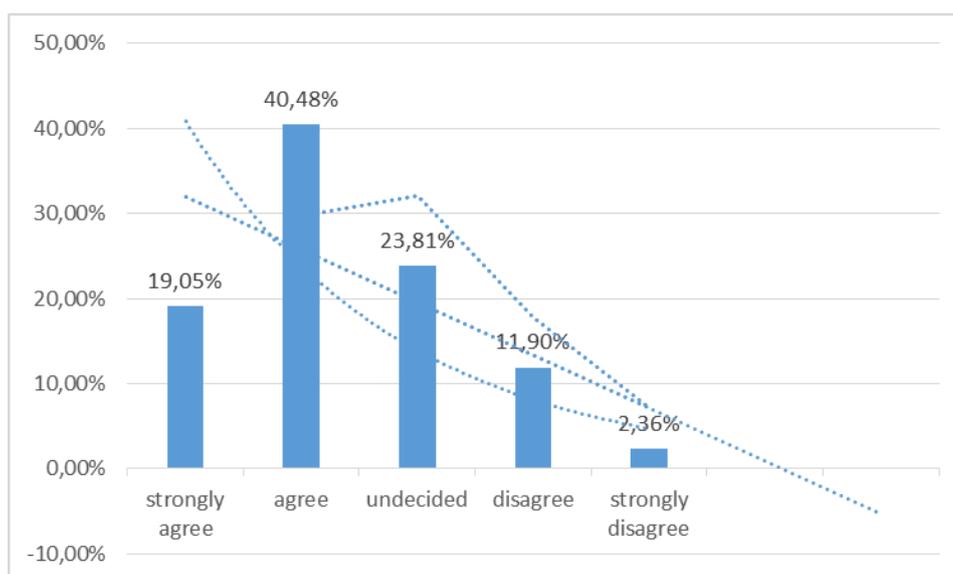
In Figures 3 respondents express statement to the need of periodically audit on the human resources management, as follows: 35.71% to identify existing strategies, 73.81% for the determination of HR objectives, 57.14 % for identifying mission in human resources, 64.29% identify problems and opportunities for improvement, 59.52% identify ways to improve the management and 44.58% for identification of weaknesses in operational HR activities. We cannot conceive develop and implement an effective and efficient HR strategy without an internal audit of human resource management.



**Figures 3. The importance of HR audit**

*B. Quality management:*

In experimental research, we followed the quality both in the company and the HR function, in terms of effectiveness and efficiency of quality management. Although 90.48% of managers and professional staff surveyed responded that the company in which they work has implemented a quality management system (19.05% strongly agree, agree 40.48%, 23.81% undecided, disagree 11.90% and 2.36% strongly disagree), only 59.53% express agreement and states that the quality manual has procedures which are specific to human resources processes, activities and procedures referring to the implementation of recruitment, selection, motivation and training programs.



**Figure 4. Implementation of quality management system**

Best score it registers for: recruitment and selection procedures (4.32), training and performance evaluation (3.73) respectively strategies and human resources policies (6.6).

Based on the requirements of ensuring continuous quality improvement we support the need for training, using specialized personnel (external consulting) both for managers and other employees. From interviews conducted, it appears that many employees do not know the quality policy, which means a reduced concern for monitoring processes and achieve a general audit of the human resources quality.

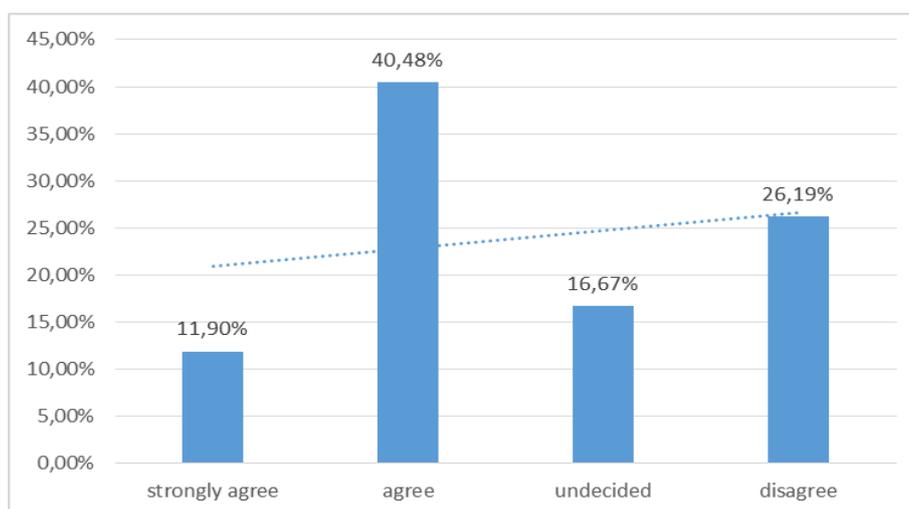
It takes more effort to understand the importance of quality assurance at the level of company's management and the development of internal quality audit programs and self assessment. As stated at organizational and human resources level in the interview conducted, 68.75% of the company's managers have not made any quality self assessment at organizational and human resources level over the past three years.

To improve the quality of human resources domain, interviewed managers believe that the company must be concerned with:

- defining the role of employees in the continuous quality improvement;
- involvement of top management in support quality management system;
- improving the processes of human resources management;
- training and education of personnel in quality management;
- improving personnel who is responsible for the quality management system;
- regular completion of internal audits in quality management.

### C. Recruitment and selection

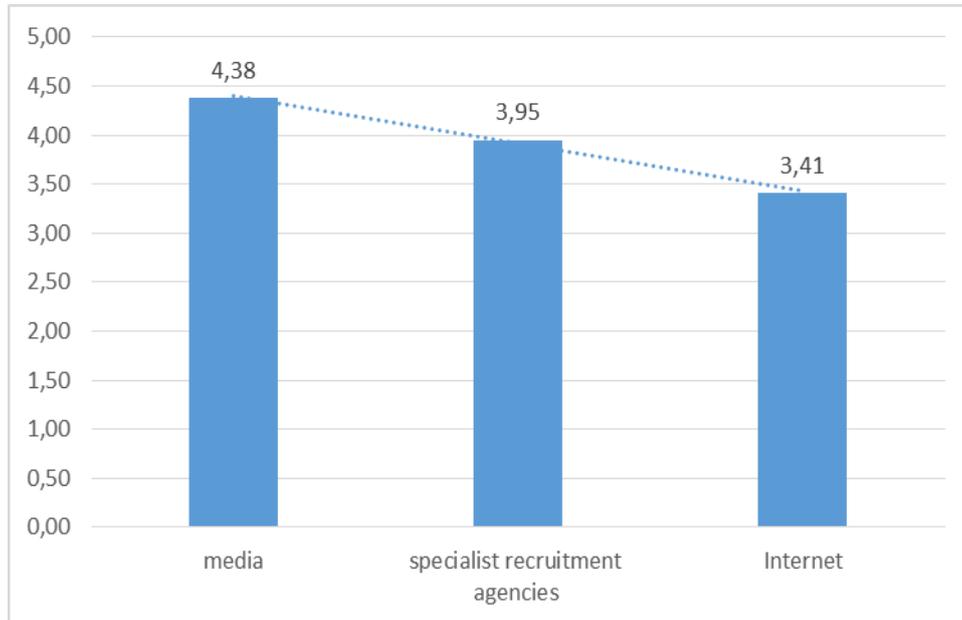
Regarding recruitment, we must underline that in the opinion of survey participants, it seeks to ensure the real needs of the company. The respondents appreciate the recruitment policy, according to the real needs of the company, as follows: 11.90% strongly agree, 40.48% agree, undecided 16.67 and disagree 26.19% (4.76% did not respond).



**Figure 5. Recruitment policy, according to the real needs of the company**

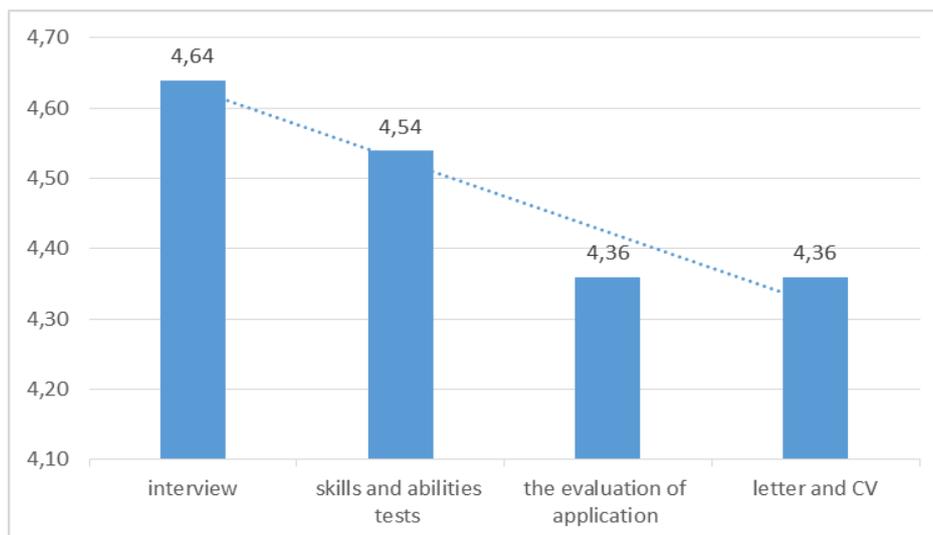
Although firms face a relatively high fluctuation of staff, they collaborate only slightly with companies specialized in recruiting. For example, the question of outsourcing HR recorded a score of 3.14, which corresponds to an average of 62.80% but the effective collaboration, as shown in the interview is very low. Regarding the methods that Romanian textiles companies use to recruit personnel, the most common is announced in the media with a score of 4.38 (Figure 6), followed by working with specialist recruitment agencies and in last place is the Internet. The fact that

companies largely avoid recruitment agencies is because companies are trying to exploit the internal sources for promoting and informing their employees based on staffing needs.



**Figure 6. The methods that companies use to recruit personnel**

Regarding the selection, it is based on well-defined procedures that take into account the education, skills and abilities of those who want to engage. As observed, the best score we recorded for the interview (4.64) followed by skills and abilities tests (4.54) and the evaluation of their application together with letter and CV (4.36). This fact in the opinion of the respondents, who participated in the interview, is because companies seek qualified personnel to reduce employee training costs. Currently this process is simplified for companies that have accessed European funds respectively for 41.66% of the investigated companies.

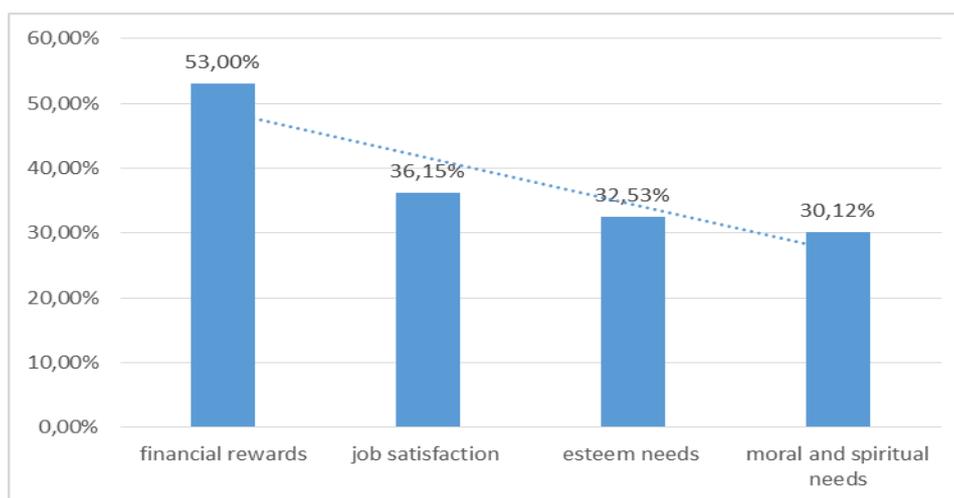


**Figure 7. Selection methods**

Regarding the question on the activities that compose the human resources function, selection is supported by 85.71% of respondents, while recruitment is only supported by 47.62% of the responses.

#### D. Motivation

A special importance in ensuring organizational and functional performance in human resources has motivational system design and its operational modalities. Based on these findings, both the survey and interviews conducted with managers and specialists, highlight the following considerations: the most popular form of motivation, according to the respondents, as total agreement and agreement relates to stimulation of employees based on the benefits that each individual will achieve (53.0%), job satisfaction (36.15%), satisfaction of esteem needs (32.53%) and satisfaction of moral and spiritual needs (30.12%).



**Figure 8. The most popular form of motivation**

From the viewpoint of the type of rewards, the most popular are performance based on financial rewards (12.05% strongly agree, 44.58% agree). Also the interviews reveal that employees greatly appreciate working conditions and increasing external customer satisfaction.

Motivation plays an important role in human resource management. Motivation recorded a score of 4.04, as the significance between variables that determine the efficiency and effectiveness of HR function.

Working conditions as one of the internal dimensions of social responsibility with the responsible recruitment practices, health and safety at work, if handled carefully can be motivating factors. Application of integrated training solutions that aimed to increase labor productivity, reducing personnel fluctuation, increasing customer satisfaction has positive effects under employee motivation and retention.

All survey reveals that companies who demonstrate accuracy to employees (remuneration system and effective rewards, known and accepted performance evaluation criteria), have the ability to motivate employees (average score 4.10), have systems reward superior performance, (3.75) have effective strategies, policies and human resources practices (3.07). If we consider that a major problem facing human resource management is to attract and motivate new employees not only financially but also as non-financial rewards, company management must keep up with the fast rhythm of the changes that occur in motivational factors.

Although the companies investigated, as well as the vast majority of the textile industry have employee evaluation systems (managers and workers), however, managers complain that they have problems in their operationalization, since their implementation generates relatively high resentment and resistance of people against efforts to ensure transparency. Some people interviewed, both managers and their subordinates, says that persons who are trying to prevent the transparency of the motivation and reward system, either have a relatively high degree of incompetence or lack of performance.

### 3.3. Developing a model of internal human resources audit

In this research we aimed to develop an internal human resources audit with responding to the need for assessing the effectiveness and efficiency of operational processes and specific activities to human resources and organizational performance within the HR function. The fact that we tried to develop a model of internal human resources audit is arguments by the fact that more and more experts believe that organizational and financial assessments oriented on performance measures has proved insufficient.

The audit was conducted in a Romanian textiles industry company, namely SC TRIMAR SA, and has proposed specific analysis of human resource management activities by identifying problems (weaknesses) and developing proposals for improvement. Best practices identified by the audit model can be used as performance standards, they ensure the effectiveness of the design and implementation of HR strategies and policies.

The internal audit of human resources at SC TRIMAR SA was performed by analyzing:

- *Human resources insurance analysis;*
- *Human resources evolution;*
- *Human resources stability;*
- *Evolution analysis of labor productivity;*

#### A. Human resources insurance analysis

Insurance company staff, both in number and structure, represents the essential condition for the HR activity, respectively to achieve business objectives. For this purpose we use the following indicators: production company (Qp), production achievement indices (IQ), average number of employees (INp), labor productivity (W) and labor productivity indices (IW).

**Table 1. Dynamics of indicators at SC TRIMAR SA: production, employment and productivity**

Nr.	Indicators	UM	2012	2013
1	Production value	Ron	12383913	12936300
2	Average number of employees (INs)		292	304
3	Labor productivity	RON/sal.	42410	43121
4	Production achievement indices (IQ)	%	103,70	104,14 %
5	Average number of employees (INp)	%	112,30	102,73
6	Labor productivity indices (IW)	%	92,33	101,67

As shown in Table 1, in 2013 compared to 2012, production achievement indices (IQ) is greater than the average number of employees (INs) and labor productivity indices (IW) showed a slight increase by 1.67 %. Since  $IQ > INp$  and both have been increasing ( $IQ > 100$ ,  $INp > 100$ ) we can say that company's production growth was correctly correlated with the number of employees. Increased production of 4.14% was provided by a slower increase of employee's number 2.73%, due to increased labor productivity by 1.67%.

*B. Human resources evolution*

For analyzing the evolution, respectively the dynamic of human resources at SC TRIMAR Company, we look into the following specific criteria in different categories of employees: workers, technical productive, management and administrative employees.

**Table 2. Human resources evolution at SC TRIMAR SA**

Nr.	Categories	Number	
		2012	2013
1	<b>Total employees</b>	<b>295</b>	<b>304</b>
2	Workers:	225	244
	- directly productive	205	222
	- indirectly productive	20	22
3	technical productive employees	24	24
	- engineers	6	6
	- technicians	6	6
	- foremen	12	12
4	Management	3	3
5	Administrative employees	43	33

The dynamics of employee's number shows a sharp decrease staffing by resizing company's activities after 1990 depending on the actual textile industry. Table 2 shows the number dynamics of employees respectively is presented personnel structure. Is observed in this period a stabilization of the staffing evolution in number and structure, according to the market position of the company, i.e. sales opportunities respectively keeping the customer base of the company.

*C. Human resources stability*

Staff mobility was analyzed taking into account the inputs and outputs of the SC TRIMAR Company's employees. We also examined the employee's movements, highlighting distinct movement of employees (inputs and outputs) of the cases considered normal (transfer, retirement, medical reasons, etc.) and labor fluctuation (outflow from the enterprise without consent: resignations, dismissal, etc.).

**Table 3. The indicators of the personnel number at SC TRIMAR**

Nr.	Indicators	2012	2013
1	Number of personnel-entry (Npi)	46	16
2	Number of personnel-output (Npe)	14	8
3	Average number of personnel (Nm)	292	300
4	The coefficient of total personnel movement (Cmt) %	20.54	8.0
5	The output personnel coefficient (Cip) %	4.79	2.66
6	The entry personnel coefficient (Cip) %	15.75	5.33

Based on the information in Table 3, we find a significant decrease of total personnel movement coefficient in 2013 (8.0) compared to 2012 (20.54). Most of this growth factor in 2012 at 20.54 is primarily due to the increased number of employees (especially the number of directly productive workers) to meet increased production and leaving some workers (retirement, transfer, retail employment contract). It also notes that the stability of company's position on the market and providing a light increases of production makes the input coefficient values recorded by personnel

to be higher than the output. This allowed the company's management to focus on staff training, respectively on the ensuring of appropriate structures, and increasing the involvement of staff as a result of better integration of employees in the company. It also tried without much success to improve employees' attitudes at the workplace through a better definition of the tasks, duties and responsibilities.

#### *D. Evolution analysis of labor productivity*

For the evolution analysis of labor productivity we considered the following indicators: annual productivity (Wa), daily productivity (Wz); hourly productivity (W/h).

**Table 4. Indicators of productivity gains at SC TRIMAR**

<b>Nr.</b>	<b>Indicators</b>	<b>UM</b>	<b>2012</b>	<b>2013</b>
1	production company	Ron	12383913	12936300
2	Average number of employees	employees	292	300
3	Total employee x days worked	days	66292	67500
4	Total employee x hours worked	hours	530336	540000
5	annual productivity	Ron/ year	42410	43121
6	daily productivity	Ron/day	186,80	191,64
7	hourly productivity	Ron/hour	23,35	23,95

Analysis of labor productivity in Romanian textiles industry companies is particularly important, since it expresses the work efficiency. As shown in Table 4 labor productivity has increased in the last two years due to increased performance in training and providing an optimal structure of directly productive workers. In the analyzed period the annual productivity (Wa), has recorded a relatively low growth. Lower level of labor productivity in 2012 was due to the fact that the company has increased production volume given that the productivity has decreased by 7.67%. This was solely due to the increased number of productive workers and difficulties manifested in the training of new employees and low level of involvement, especially of the youth, who have made great efforts of qualifications and integration.

#### **4. CONCLUSIONS**

For the period 2008-2012 in Romanian textiles industry it can be observed an asymmetric oscillatory dynamics of exports in this sector, but positive, alternating increases of 36% in 2009 with increases of 1.3% in 2010, 4.3% in 2011 and 5.7% in 2012 and 92,1% in April 2014 compared to April 2013. Romania continues to be present among the top ten suppliers of clothing in the EU. All over the world there are clothing label "made in Romania". In countries where labor is cheap, as is the case of Romania, the states of Southeastern Europe or the Asian (China, Vietnam, India, Taiwan, South Korea, Bangladesh), the Lohn system is preponderantly practiced. Our study aims to elaborate a model for analysis and identification of best practices in human resource management in order to improve it in the textile industry companies. For this purpose we have identified a sample of 22 enterprises in the textile industry and among them we included in the study a total of 220 people, including 62 managers and 158 workers in the human resources departments, other departments and the production function and other auxiliary activities and serving. Of the 220 questionnaires we received 172, of which 158 were validated which were the basis for the analysis.

The human resource management, is viewed by respondents, primarily as a practical activity (73.81%), managerial subsystem (42.86%), scientific discipline (38.10%) and distinct field of organization (38.10%). These data confirmed that more and more companies realize the human resource management approach as a functional domain. Respondents express their statement to the need of periodically audit on the human resources management, as follows: 35.71% agrees to identify existing strategies, 73.81% for the determination of HR objectives, 57.14 % for identifying mission in human resources, 64.29% identify problems and opportunities for improvement, 59.52% identify ways to improve the management and 44.58% for identification of weaknesses in operational HR activities. Although 90.48% of managers and professional staff surveyed responded that the company in which they work has implemented a quality management system, only 59.53% express agreement and states that the quality manual has procedures which are specific to human resources processes, activities and procedures. The respondents appreciate the recruitment policy, according to the real needs of the company, as follows: 11.90% strongly agree, 40.48% agree, undecided 16.67 and disagree 26.19%. Regarding the selection, it is based on well-defined procedures that take into account the education, skills and abilities of those who want to engage. As observed, the best score we recorded for the interview (4.64) followed by skills and abilities tests (4.54) and the evaluation of their application together with letter and CV (4.36). The most popular form of motivation, according to the respondents, as total agreement and agreement relates to: financial reward (53.0%), job satisfaction (36.15%), satisfaction of esteem needs (32.53%) and satisfaction of moral and spiritual needs (30.12%). Experimental research based on a model of human resource audit aims to identify good practice and complex issues faced by the Romanian textiles companies and to find the most appropriate ways to improve the human resources management. The audit was conducted in a Romanian textiles industry company, at SC TRIMAR SA, and has proposed specific analysis of human resource management activities. The internal audit of human resources at SC TRIMAR SA was performed by analyzing: human resources insurance analysis; human resources evolution; human resources stability; evolution analysis of labor productivity. The analysis reveals concerns of company's management to ensure performance in human resource management.

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