HUMAN RESOURCE MANAGEMENT

A.M. SARMA
Former Member of the Faculty
Tata Institute of Social Sciences
Mumbai
PREFACE

Rarely has the management of employees received more attention than it does currently. By choice and default, a new era of human resource management policies and practices is emerging and assuming increasing significance in modern organisations. There is a need for the effective utilisation of human resources to attain individual, enterprise, and national goals.

There is an urgent need to understand the constant changes in the environmental factors and human resources and to find proper solutions to the various problems arising there from. The responsibility to find out the solutions to these problems lies with every manager who has to deal with different changes effectively, through educational and developmental programmes. The objective of this book is to enhance the understanding of these problems with a view to promoting the effective management of human resources in changing organisational settings. Human resource management is a modern term for what has been traditionally referred to as personnel administration or personnel management. In this book, both the terms are used interchangeably. This text will serve as a useful reading for MBA and post graduate students of HRM, and also the HR professionals.

My thanks are due to the Himalaya Publishing House for inspiring and encouraging me to bring out this book. Also, I extend my sincere thanks to all those who have assisted me in this task. I would be grateful to the readers if they can send me their comments and suggestions for improving the usefulness of this book.

A.M. Sarma
arsola1939@hotmail.com
# CONTENTS

1. Managing Personnel and Human Resource  
   An Overview  
   1 - 33
2. Job Analysis  
   34 - 46
3. Human Resource Planning  
   47 - 61
4. Recruitment  
   62 - 74
5. Selection  
   75 - 107
6. Orientation or Induction  
   108 - 118
7. Career Planning  
   119 - 133
8. Promotion, Demotion and Transfer  
   134 - 142
9. Dislocation, Relocation and Outplacement  
   143 - 158
10. Training and Development  
   159 - 194
11. Performance Appraisal  
   195 - 228
12. Employee Compensation  
   229 - 256
13. Industrial Relations  
   257 - 288
   289 - 303
15. Cross-Cultural Environment  
   304 - 313
16. Challenges, Current Trends and Future of HRM  
   314 - 333
   Appendices  
   334 - 349
   Index  
   350 - 352
Objectives

After going through this chapter you should be able to:

- Appreciate the inter-disciplinary approach to the subject of personnel management and specify the contributions made by behavioural scientists to the discipline.
- Describe different personnel functions performed in an organisation.
- Discuss various personnel policies and procedures followed in an organisation.
- Explain the concept and scope of human resource management and differentiate it from the traditional personnel function.
- Identify different components of human resource management.
- Explain the functions of human resource management and the new role of HR practitioners.
- Enumerate HR challenges in global and Indian context.

Structure

- Inter-disciplinary Approach
- Principles of Personnel Management
- Personnel Functions
- Personnel Policies and Procedures
- Line and Staff Personnel
- Personnel Manager’s Checklist
- Measures to Improve Personnel Functions
- Personnel Research
- Personnel Performance Audit
- Employee Survey
- Future Perspective
- Concept and Scope of HRM
- Objectives of HRM
- Components of HRM
- Human Resource Functions
- Strategic HRM
- Total Quality Management Approach to HRM
- Summary
- Review Questions
- Case 1, Case 2 and Case 3
- Further Reading
PERSONNEL MANAGEMENT

An organisation, whether a business or industrial enterprise, needs for its survival and growth money, material, machinery and men (four Ms). The success or failure of an organisation depends on an effective combination of these factors. Of these, however, the management of human resources is a very important and challenging task. A company’s long-term advantage lies in its human resources. Other advantages that arise from it are technological improvements, the opening of new markets, and lower material or labour costs, but all these prove to be relatively short run. Hence, there is an urgent need to understand the human factor which is assuming increasing significance in a modern organisational setting.

Inter-Disciplinary Approach

Industrial psychologists and industrial sociologists have played a great part in the development of personnel management by applying the findings of their research work to the problems of business administration. Research by behavioural scientists has resulted in a body of principles influencing current personnel management practices. Behavioural scientists will go on providing theories, research findings, analytical concepts and models — all of which are of great value in the development of the science of management. It is the duty of personnel specialists to keep abreast of all these activities, to pick out what is useful to their own work, adapt relevant ideas, and generally integrate the knowledge gained from behavioural scientists into the practice of management.

Particularly relevant to the development of personnel management, during the past few decades, has been the research work carried out by behavioural scientists, sociologists, anthropologists and occupational psychologists. They are aimed at developing techniques enabling managers to obtain the best results from their labour force. The behavioural and social sciences also provided an ideological basis for many of the most recent developments in the practice of personnel management. They have offered inter-disciplinary techniques, contributing to performance assessment, career planning, manpower planning, and organisational design.

Principles of Personnel Management

The main principles of personnel management may be set forth as follows:

Employees are to be dealt with as complete individuals.

Employees should be made to feel worthwhile.

Fairness and justice should guide management’s policies and actions.

Rewards should be earned, not given.
Supply employees with relevant information, instructions, orders and rules.
Judge the strength or intelligence of the people properly, and associate them with decision-making process.
Sell the personnel programmes either orally or in writing.
Equal wages for equal work, and the wages paid must be adequate.
Set examples — “Actions are louder than words.”

**Personnel Functions**

Peter Drucker, writing in the *Practice of Management* (1961), asked the question “Is personnel management bankrupt?” In answering this question, Drucker starts by quoting a cynic’s description of personnel administration. “It puts together and calls personnel management all those things that do not deal with the work of people and are not management.” He then goes on to describe a typical personnel manager’s job as being “partly a file-clerk’s job, partly a social worker’s job, and partly fire-fighting to head-off trouble or to settle it.” Personnel managers, however, stress the strategic, forward-looking elements of their role, with particular emphasis on organisation development, management development, manpower planning and performance appraisal.

It is truism to say that the objectives of personnel function must be consistent with those of the enterprise it serves. Peter Drucker has suggested that the principal objective of any organisation is survival and that from this, all other objectives flow. Thus, if profit is needed for survival, profit is an objective. If survival depends upon growth, then growth — usually profitable growth — becomes an objective and so on. Therefore, the objective of a good personnel function should be completely supportive of the profitable growth of the enterprise of which it is a part.

The role of personnel management is to plan, develop, and administer policies and programmes designed to make expeditious use of an organisation’s human resources. It is that part of management which is concerned with the people at work and with their relationship within an enterprise. Its objectives are: (1) the effective utilisation of human resources; (2) desirable working relationships among all members of the organisation; and (3) maximum individual development.

The major functional areas in personnel management are: (1) planning, (2) staffing, (3) employee development, and (4) employee maintenance. These four areas and their related personnel functions share the common objective of an adequate number of competent employees with the skills, abilities, knowledge and experience needed for further organisational goals. Although each personnel function can be assigned to one of the four areas of personnel responsibility, some functions serve a variety of purposes. For example, performance appraisal measures serve to stimulate and guide employee development as
well as salary administration purposes. The compensation function facilitates retention of employees and also serves to attract potential employees to the organisation. A brief description of personnel functions is given below:

**Manpower Planning:** In the manpower planning function, the number and type of employees needed to accomplish organisational goals are determined. Research is an important part of this function because planning requires the collection and analysis of information in order to forecast human resources supplies and to predict future human resources needs. The basic human resource planning strategy is staffing and employee development.

**Job Analysis:** Job analysis is the process of describing the nature of a job and specifying the human requirements, such as skills and experience, needed to perform it. The end product of the job analysis process is the job description. A job description spells out work duties and activities of employees. Job descriptions are a vital source of information to employees, managers and personnel people because job content has a great influence on personnel programmes and practices.

**Staffing:** Staffing emphasises the recruitment and selection of the human resources for an organisation. Human resources planning and recruiting precede the actual selection of people for positions in an organisation. Recruiting is the personnel function that attracts qualified applicants to fill job vacancies.

In the selection function, the most qualified applicants are selected for hiring from among those attracted to the organisation by the recruiting function. On selection, personnel functionaries are involved in developing and administering methods that enable managers to decide which applicants to select and which to reject for the given jobs.

**Orientation:** Orientation is the first step toward helping a new employee adjust himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours and company rules and expectations.

**Training and Development:** The training and development function gives employees the skills and knowledge to perform their jobs effectively. In addition to providing training for new or inexperienced employees, organisations often provide training programmes for experienced employees whose jobs are undergoing change. Large organisations often have development programmes which prepare employees for higher level responsibilities within the organisation. Training and development programmes provide useful means of assuring that employees are capable of performing their jobs at acceptable levels.

**Performance Appraisal:** This personnel function monitors employee performance to ensure that it is at acceptable levels. Personnel professionals are usually responsible for developing and administering performance appraisal systems, although the actual appraisal of employee performance is the responsibility of supervisors and managers. Besides
providing a basis for pay, promotion, and disciplinary action, performance appraisal information is essential for employee development, since knowledge of results (feedback) is necessary to motivate and guide performance improvements.

**Career Planning:** Career planning has developed partly as a result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organisation.

**Compensation:** Personnel people provide a rational method for determining how much employees should be paid for performing certain jobs. Pay is obviously related to the maintenance of human resources. Since compensation is a major cost to many organisations, it is a major consideration in human resource planning. Compensation affects staffing in that people are generally attracted to organisations offering a higher level of pay in exchange for the work performed. It is related to employee development, in that it provides an important incentive in motivating employees to higher levels of job performance and to higher paying jobs in the organisation.

**Benefits:** Benefits are another form of compensation to employees other than direct pay for work performed. As such, the personnel function of administering employee benefits shares many characteristics of the compensation function. Benefits include both, the legally required items and those offered at employer’s discretion. The cost of benefits has risen to such a point that they have become a major consideration in human resources planning. However, benefits are primarily related to the maintenance area, since they provide for many basic employee needs.

**Labour Relations:** The term “labour relations” refers to interaction with employees who are represented by a trade union. Unions are organisation of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions and other aspects of employment. With regard to labour relations, the personnel responsibility primarily involves negotiating with the unions regarding wages, service conditions, and resolving disputes and grievances.

**Record-Keeping:** The oldest and most basic personnel function is employee record-keeping. This function involves recording, maintaining, and retrieving employee-related information for a variety of purposes. Records which must be maintained include application forms; health and medical records; employment history (jobs held, promotions, transfers, lay-offs); seniority lists; earnings and hours of work; absences, turnover and tardiness; and other employee data. Complete and up-to-date employee records are essential for most personnel functions. More than ever, employees today have a great interest in their personnel records. They want to know what is in them, why certain statements have been made, and why records may or may not have been updated.
Personnel records provide the following:

1. A store of up-to-date and accurate information about the company's employees.
2. A guide to the action to be taken regarding an employee, particularly by comparing with other employees.
3. A guide when recruiting a new employee, e.g., by showing the rates of pay received by comparable employees.
4. A historical record of previous action taken regarding employees.
5. The raw material for statistics which check and guide personnel policies.
6. The means to comply with certain statutory requirements.

Personnel administration is largely an information-handling business. So straightforward record keeping and reporting are its most basic functions. Personnel professionals may require information on subjects such as: (a) personnel employee information; (b) wages and salaries; (c) review dates; (d) benefits; (e) education and training; (f) attendance; and (g) performance appraisal.

**Labour Research:** All personnel people engage in some form of research activities. In a good research approach, the object is to get facts and information about personnel specifics in order to develop and maintain a programme that works. It is impossible to run a personnel programme without some pre-planning and post-reviewing. For that matter, any survey on any personnel policy or practice is good research. Every salary survey is in a sense research. There is wide scope for research in the areas of recruitment, employee turnover, terminations, training, and so on. Through a well-designed attitude survey, employee opinions can be gathered on wages, promotions, welfare services, working conditions, job security, leadership, and industrial relations. In spite of its importance, however, in most companies, research is the most neglected area because personnel people are too busy putting out fires. Research is done not to put out fires but to prevent them.

Research is not the sole responsibility of any one particular group or department in an organisation. The initial responsibility is that of the personnel department which, however, should be assisted by line supervisors and executives at all levels of management. The assistance that can be rendered by trade unions and other organisations should not be ignored, but should be properly made use of.

The assignment of responsibility for personnel functions varies from one organisation to another depending upon the size, goals, philosophy and structure of the firm. Even small organisations are engaged in the basic personnel functions of hiring, training, compensation and benefits and record-keeping. With the increase in size and complexity of organisations, more people are required to handle the personnel function. Additionally, personnel departments tend to branch out into specialised areas with different responsibilities.
Personnel Policies and Procedures

A policy is a plan of action and a statement of intention committing management to a general course of action. The policy of an organisation is a clear-cut statement of its aims and objectives, and setting out what is to be achieved. The policy is not the writing of a plan or programme: it is concerned with what is to be done rather than how to do it.

A “policy”, says Flippo, “is a man-made rule of pre-determined course of action that is established to guide the performance of work toward the organisation objectives. It is a type of standing plan that serves to guide subordinates in the execution of their tasks.” Personnel policies refer to principles and rules of conduct that govern the relationship with employees in the attainment of the organisation objectives. For the accomplishment of the objectives of personnel policies, specific procedures and programmes are needed. While a policy indicates “what” and “why”, procedures indicate “how” a policy is to be carried out. It spells out in detail the methods, processes, movements, specific rules and regulations, and indicates the steps, time, place and people responsible for implementing it.

Where there is a choice among actions, personnel policies act as guides to choosing the appropriate action. Policies are general in nature, while procedures and rules are situation-specific. Procedures are customary methods of handling activities and are more specific than policies. Failure to review, add to, or delete policies as situations change, may lead to problems.

A sound personnel policy must aim at:

1. maximising employees’ satisfaction to enable each employee to make an effective contribution;
2. planning for the development of employees of all categories;
3. creating an organisational structure by clearly defining responsibilities and establishing lines of authority, to prevent misunderstanding and duplication of work;
4. encouraging employees’ participation in the management of the organisation to build trust and develop interest;
5. developing an effective system of communication to keep people informed about all relevant matter, to remove doubts and avoid any undercurrent of dissatisfaction; and
6. maximising utilisation of existing human resources.

There are various advantages of having personnel policies:

1. Policies promote consistency and fairness. They help to avoid confusion and misunderstanding among employees.
2. Policies act as controls over the line managers and their employees.

3. Policies avoid repeated analysis of the same type of problems, resulting in saving time and energy.

4. Policies ensure uniformity in application.

Policies are needed for the whole range of an organisation's activities, ranging production, financial, marketing, exporting, plant maintenance, and public relations. The purpose of a personnel policy is to provide personnel managers, industrial relations managers, and supervisors with a systematic approach to administering personnel functions. Once the principles upon which personnel policies are based have been generally accepted, the next step is to prepare the actual policies for different areas of the personnel function. These must be clear-cut and precisely written, so that everyone in the organisation knows exactly what are its aims concerning its employees.

Here are some examples of policy statements of a company:

- To maintain a salary administration programme which will provide for payment of salaries to employees comparable to or better than those for similar positions and services in the surrounding area, in the industry and nationwide, and provide for reward for differences in individual ability and performance.
- To regularly review and evaluate the performance of each employee.
- To select suitably qualified and experienced personnel, and see that they derive maximum satisfaction from employment by offering them attractive wages, good working conditions, security and opportunities for promotion.
- To provide adequate training facilities to enable each employee to learn to do his job effectively and to prepare himself for promotion.
- To operate adequate procedures for dealing with all disputes and grievances quickly and to make every effort to improve relations between management and employees through the use of participative methods.
- To safeguard the health and safety of all employees and to provide such welfare and social amenities as are sincerely desired by employees and are mutually beneficial to them and the company.

Personnel policies are a characteristic feature in every organisation, irrespective of whether a formal personnel department exists or not. But there should be certain precise guidelines for action such as:

1. How should people in the organisation be treated. What importance is attached to treating people fairly, considering individual needs and fears, to providing a good quality of working life and to looking after their welfare?
2. What quality of people does the company want to employ? How much security and equal opportunity is the company prepared to provide?

3. What is the level of wages or salaries the company is prepared to pay in relation to the market rates?

4. Is the company setting out to provide long-term career prospects? Does the company believe in promotion from within?

5. What importance is attached to training as a means of improving performance?

6. To what extent does the company wish to have recognised trade unions? What is the company’s view on multi-union situation?

7. How much information is the company prepared to disclose to employees? To what extent does it wish to involve employees in decision-making?

8. What is the company going to do about promoting the health and safety of its employees?

**Line and Staff Personnel**

The line and staff concept adopted by the business world had its origin in the military organisation. The line consisted of officers and men who stood in the line of combat. They are often referred to as being “in the line of fire.” Staff refers to those who advise and formulate policies as well as those who supply supportive services. The existence of four types of staff functions is generally acknowledged. These are: (1) advisory, (2) functional, (3) service, and (4) control.

In its original concept, the line organisation is concerned with production and staff functions were considered as supportive. This is no longer true. A more realistic distinction today would be that line managers make the operating decisions and the staff personnel supply the line managers with better information and more specialised assistance which result in better decisions.

Most business and non-profit organisations are set-up on a line-staff management basis. The work of line managers contributes directly to the achievement of the goals of the organisation because the line managers have authority to initiate action. Staff managers are those who assist the line in some way, either by providing services or giving advice. In a manufacturing firm, the portion of the organisation directly involved in the production of goods is the line function. Other departments, such as the purchasing and management information systems departments, provide a staff function to support those producing activities.

Basically, the professionals in the personnel department are considered “staff” rather than “line”, since they provide specialised advice to the production or operations managers.
Their function consists of advising, developing and administering policies and programmes affecting human resources. Their functions are:

1. To aid management in the preparation, adoption, and continuing evaluation of a programme of personnel administration expressed in terms of definite written company policy.

2. To carry out personnel research that will keep management continually informed so that better decisions and plans can be made by management on matters affecting resources.

3. To develop an effective appraisal system which will be used by management to provide a current inventory of human resources in the organisation.

4. To maintain a programme of education and training which will provide members of the entire organisation with the necessary information and skills to perform their jobs more effectively.

5. To aid management in assuring effective communication throughout the organisation.

6. To assist management in establishing a relationship among all members of the organisation and between the organisation and the community, which is characterised by mutual confidence and respect.

7. To establish and administer personnel services that are normally delegated to a personnel department. These include: maintenance of a stable working force, a programme of salary and wage administration and employee benefits and activities.

8. To develop a competent and efficient staff to implement the personnel policies and programmes.

9. To provide expert assistance to the other members of the management team in making the best possible use of the organisation’s human resources.

Although the personnel manager is a staff functionary, he is responsible for the management of a department. He has to perform several duties like those of a line manager in his own department. Accordingly, he has to organise, plan and control the activities of his department involving recruitment, selection and placement of persons and their training, leadership and motivation, and industrial relations. His general functions are:

While carrying out responsibilities, the personnel manager possesses no authority of command, except within his own department. Primarily, the responsibility of management of human resources lies within the line organisation. However, sometimes, a controversy arises between the line and staff in respect of personnel function causing divergence of opinion and conflict. For the effective working of the organisation, it is very essential that all management personnel involved with personnel function in one way or the other, have to work together as a team.
Every organisation has a personnel function, whether or not a specific personnel manager has been so designated. Every organisation must hire, train, pay, motivate and maintain its employees. If a specialised personnel manager exists, he/she can contribute much to greater organisational effectiveness. Today, the increasingly critical nature of problems and challenges in human resources utilisation has greatly elevated the status of the personnel field. However, one should not conclude that the personnel functions are fully and solely performed by the personnel manager. Indeed, every line manager is a human resources manager. The effectiveness of the line and staff also depends upon the way they contribute to the human resources management outcome. The key responsibility for the success of the human resources functions lies with the line managers who actually participate in the process of human resources development for their departments. After all, it is the line managers who are responsible for appraisals, promotions, succession planning, motivation, building commitment and quality.

**Personnel Manager’s Checklist**

The task specialisation process of a personnel manager involves:

- (a) determining organisational objectives;
- (b) relevant planning in terms of meeting these objectives;
- (c) development of information such as job descriptions of the work to be performed;
- (d) development of the human resource qualifications required such as job specifications;
- (e) development of standards of performance; and
- (f) establishment of specific work rules and other aspects of task facilitation.

His/her functional checklist will consist of the following questions:

1. Are you clear about your objectives?
2. Are you clear about what tasks need to be carried out to achieve these objectives?
3. Are the members of your team clear about what is required of them?
4. Are all the tasks undertaken essential?
5. Is there any way in which processes could be improved?
6. Do you give all members of your team clear and honest feedback about their performance?
7. Do you know the strengths and weaknesses of your team members?
8. Is all the work you carry out essential or could some of it be delegated?
9. Do you have the right numbers and types of people in your team to achieve the required results?
10. Do you know what the training requirements of individual team members are?
Personnel Research

Scientific research is the systematic investigation of hypothesised propositions about the relationship among natural phenomena. Research can be classified as basic or applied. Basic research is concerned with discovering new knowledge rather than solving particular problems. Applied research, on the other hand, is conducted to solve particular problems or answer specific questions. The findings of applied research are, by definition, applicable to an organisational setting.

Research should be conducted according to the scientific process. The starting point is a question or problem. For example, a manager wants to design a new reward system to enhance employee motivation but is unsure about what types of rewards to offer or how to tie them to performance. In this context, he may ask the question as to what kind of rewards are going to motivate his employees, and how those rewards he tied to performance.

The next step is to review existing literature to determine what is known about the phenomenon. Something has probably been written about most problems or questions today’s managers face. Thus, the goal of the literature review is to avoid “reinventing the wheel” by finding out what others have already learned.

Based on the original question and the review of the literature, researchers formulate hypotheses — predictions of what they expect to find. The hypothesis is an important guide for the researcher’s design of the study because it provides a very clear and precise statement of what the researcher wants to test. That means that study can be specifically designed to test the hypothesis.

The research design is the plan for doing the research. As part of the research design, the researcher must determine how variables will be measured. Thus, if satisfaction is one factor being considered, the researcher must design how to measure it.

After data have been collected, they must be analysed. Depending on the study design and hypotheses, data analysis may be relatively simple and straightforward or require elaborate statistical procedures.

Finally, the results of the study are interpreted, that is the researcher figures out what they mean. They may provide support for the hypothesis, fail to support the hypothesis, or suggest a relationship other than that proposed in the hypothesis. An important part of the interpretation process is recognising the limitations imposed on the findings by weaknesses in the research design.

Many researchers go a step further and try to publish their findings. Several potential sources for publication are the journals. Publication is important because it helps educate other researchers and managers and also provides additional information for future literature reviews.
Human Resource Management

Personnel Performance Audit

The term “audit” is commonly associated with accounting. In financial accounting, auditing consists of careful checking and investigation to see that all phases of the accounting for financial matters are being conducted according to established procedures and practices. Auditing is not only concerned with the handling of money but is also involved with proper inventory control, proper payment for goods purchased and checking whether the goods paid for are actually received. The audit is concerned with payroll practices and whether or not persons carried on the payroll are in fact working at the job specified. In other words, audit seeks to investigate all practices related to the accounting for material, personnel or any activity that involves expenditure.

The financial or accounting audit is taken for granted in business circles. There are also many other activities in a business that should be evaluated. One of the primary items that should be appraised from time to time is the organisation structure. The personnel audit is an analysis of all the factors involved in personnel management with a summarised statement of the findings, followed by recommendations to correct any deviations with the desired standard.

Personnel auditing refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management. The objectives of a personnel audit are:

1. To review the whole system of management programmes in which a management develops, allocates, and supervises human resources in an organisation with a view to determining the effectiveness of these programmes.
2. To seek explanations and information; that is, to get answers to such questions as: “Why did it happen?” and “What happened?”
3. To evaluate the extent to which line managers have implemented the policies which have already been initiated.
4. To evaluate the performance of personnel in the organisation.

According to Gray, “the primary purpose of personnel audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organisation by identifying the gap between objectives and results, for the end-product of an evaluation should be to formulate plans for corrections or adjustments.”

The main benefits of personnel audit are:

- It identifies the contributions of personnel to the organisation.
- It improves the professional image of the personnel department.
- It encourages greater responsibility and professionalism among members of the personnel department.
It promotes uniformity of personnel policies and practices.
It helps to locate key personnel problem areas.
It ensures timely compliance of statutory requirements.
It helps to reduce personnel costs by proper utilisation of human resources.
It brings about desirable changes in the functioning of the personnel department.
It helps as a clearing house of information on labour matters.

The specific audit questions that can be raised in assessing the benefits and services accruing from personnel functions:

Is the manpower planning of the company drawn in consonance with the company’s overall business plan?

Is the recruitment and selection process effective in tracing the individual knowledge, skills and aptitude at the initial stage?

How effective is the orientation programme in inducting the new employee to company policies, procedures and goals?

Whether the performance appraisal system is effective in identifying the strengths and weaknesses of the employees and their development needs?

How effective are the training, development, and career planning activities in preparing people for selection and placement into the present and future positions in the organisation?

How are the training needs identified, knowledge and skill imparted, and benefits evaluated?

How effective are the reward systems — both financial and non-financial — in motivating individual employees?

What is the role of participative mechanism in developing the organisation and its human resource?

What is the state of the prevailing organisational climate and employee morale in the organisation?

**Employee Survey**

Organisations are now looking for ideas to learn how they can get the best out of their workers and create more compelling connections with them in ways other than mere monetary enticements. Employee surveys are a crucial tool to gain insights into the workplace environment. This in turn can equip the organisation to identify and deal with issues of satisfaction, thereby ensuring harmony, high productivity, and increased customer satisfaction.
Employee surveys act as the process of mutual communication between employers and employees. Gauging employee feedback through surveys helps to interpret the organisational climate. The survey is based on factors such as communication patterns, organisational effectiveness, decor, workplace policies, and teamwork. A well-designed survey can help an organisation retain its best employees and control attrition. It provides employers an idea of how employees feel about their workplace. Through surveys, problem areas can be identified at the beginning itself before it turns into a crisis.

In case of major changes that the company adopts, employers often solicit employees’ opinions to determine their level of acceptance or resistance. An employee survey is a diagnosis of an organisation. These surveys enable the organisation to identify cost saving opportunities, gauge employees’ perception of the company goals and overcoming hurdles that obstruct them. Surveys also provide employers with insights for mapping their company’s future.

Different forms of surveys aim to achieve different objectives. While employee attitude surveys can give useful information about levels of productivity by gauging employee attitude towards work, an employee opinion survey can be encouraging for those who are reluctant to express their opinions in open forums.

Surveys give the signal that employee inputs and concerns are of value to the organisation, and thus create morale and a strong sense of devotion. A systematically prepared questionnaire that is devoid of any ambiguity is necessary to get an honest feedback. It is absolutely imperative that employers preserve anonymity while conducting employee surveys. The purpose of the surveys should be clearly conveyed to them. Deadlines are set and the employees are expected to answer within the given time-frame. This is followed by data interpretation and implementation. The survey must not be the responsibility of HR department alone, other managers must also participate at every level.

**Future Perspective**

The three main areas responsible for considerable changes in the personnel management functions are technology, legislation, and labour force. Rapidly advancing technology has created substantial human resources problem. Legislation and court decisions have also a considerable impact on personnel functions. The change that has affected and will continue to affect organisations and personnel management is the changing mix and values of the labour force. A major challenge to organisations and their management is to change the structure of organisation and jobs so that the better educated and motivated employee can fully utilise his/her skills. On the whole, the role of personnel department is multiplying in view of union organisation, rapid expansion of industry, and technological innovations. In addition to specific functions in the areas of employment, safety and training, the personnel department is responsible for research and advice regarding personnel policies and procedures, facilitation of internal communication, administration of benefit schemes and community relations.
The main thrust of personnel management in future will be those intended to encourage employees to give their best in their jobs, by removing the frustrations that affect morale, and work performance. Automation and mechanisation will increasingly dominate the lives of employees. Employment will become more concentrated in the service sector. Leisure time will be increased as working hours become shorter. Values are likely to change rapidly as regards work, authority, the place of women in the working community, and the power and accountability of large organisations. Growing concern will be shown for the quality of life, commitment to the overall purposes of an organisation, and the conservation of resources and environment. These are the pressures to which personnel people must respond. Status systems, distinguishing between ‘staff’ and ‘labour’, are also disappearing, removing such differences as existed in conditions of work, security of employment and fringe benefits. The scope of personnel work will become wider than ever before, and in consequence organisational development in its broadest sense will emerge as the primary task of the personnel function.

HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM) is an approach to the management of people, based on four fundamental principles. First, human resources are the most important assets an organisation has and their effective management is the key to its success. Second, this success is most likely to be achieved if the personnel policies and procedures of the enterprise are closely linked with, and make a major contribution to, the achievement of corporate objectives and strategic plans. Third, the corporate culture and the values, organisational climate and managerial behaviour that emanate from that culture will exert a major influence on the achievement of excellence. This culture must, therefore, be managed which means that organisational values may need to be changed or reinforced, and that continuous effort, starting from the top, will be required to get them accepted and acted upon. Finally, HRM is concerned with integration — getting all the members of the organisation involved and working together with a sense of common purpose.

Concept and Scope of HRM

HRM is a strategic approach to the acquisition, motivation, development and management of the organisation’s human resources. It is a specialised field that attempts to develop programmes, policies and activities to promote the satisfaction of both individual and organisational needs, goals and objectives. It is devoted to shaping an appropriate corporate culture, and introducing programmes which reflect and support the core values of the enterprise and ensure its success.

HRM is proactive rather than reactive, i.e., always looking forward to what needs to be done and then doing it, rather than waiting to be told what to do about recruiting, paying or training people, or dealing with employee relations problems as they arise. The
techniques for the application of HRM will include many familiar functions of personnel managers, such as manpower planning, selection, performance appraisal, salary administration, training and management development. These will be overlaid by special programmes designed to improve communication systems, involvement, commitment, and productivity.

HRM is concerned with both the structure of work in a firm and with all the related employment practices that are needed to carry out the work. HRM is not simply about HR or people practices, it is about the management of work and people in the firm.

Broadly, there are three meanings attached to the concept of HRM. Firstly, persons working in organisations are regarded as a valuable source, implying that there is a need to invest time and effort in their development. Secondly, they are human resources which means that they have their own special characteristics and, therefore, cannot be treated like material resources. This approach focuses on the need to humanise organisational life and introduce human values in the organisation. And thirdly, human resources do not merely focus on employees as individuals, but also on other social realities, units and processes in the organisation. These include the role or the job a person has in the organisation, the dyadic unit (consisting of the person and his superior), the various teams in which people work, inter-team processes, and the entity of the total organisation.

In its essence, HRM is the qualitative improvement of human beings who are considered the most valuable assets of an organisation — the sources, resources, and end-users of all products and services. HRM is, no doubt, an outgrowth of the older process and approach. But it is much more than its parent disciplines, viz., personnel management, and behavioural science. HRM is also more comprehensive and deep-rooted than training and development. Its approach is multi-disciplinary from the beginning to the end. It is a scientific process of continuously enabling the employees to improve their competency and capability to play their present as well as future expected roles so that the goals of the organisation are achieved more fully and at the same time, the needs of the employees are also met to an adequate extent.

HRM is a production model approach to personnel management. The HRM model is characterised as being employee-oriented with an emphasis on the maximisation of individual skills and motivation through consultation with the workforce so as to produce high levels of commitment to company strategic goals. It is a resource to be used to its fullest capacity. It is an asset to be invested in. The traditional personnel management is non-strategic, separate from the business, reactive, short-term, and constrained by a limited definition of its role as dealing with mostly unionised and low level employees. The major attention of traditional personnel function is on personnel administration or management while the major attention of HRM is on developing people and their competencies. If personnel management is curative, HRM is preventive. The key distinguishing feature of HRM is its evolving strategic role.
Legge (1989), drew distinction between personnel management and HRM by reviewing the definitions of a variety of writers and she identified three main differences: (a) Personnel management is an activity aimed primarily to non-managers whereas HRM is less clearly focused but is certainly concerned more with managerial staff; (b) HRM is much more of an integrated line management activity, whereas personnel management seeks to influence line management; (c) HRM emphasises the importance of management of culture, whereas personnel management has always been rather suspicious of organisation development and related unitarist, socio-psychologically-oriented ideas. Practitioners in the field regard HRM as ‘just another set of initials’ or ‘old wine in new bottles’ or ‘old bottles with new labels’ (Armstrong 1987).

HRM essentially emphasises and incorporates those expectations which are not being fulfilled through the traditional personnel management. It integrates in a meaningful way the various sub-systems like performance appraisal, potentiality appraisal and development, career planning, training and development, organisation development, research and systems development, rewards, employee welfare and quality of work life, industrial relations, and human resource information. Under the HRM approach, some basic assumptions about human resources are also different from the traditional approach. The important assumptions of HRM are as follows:

1. The members of an organisation are reservoirs of untapped resources.
2. There is scope for unlimited development of these resources.
3. It is more in the nature of self-development than development thrust from outside.
4. The organisation also undergoes development with the overall benefits along with the development of its members.
5. The organisation further develops a culture in which utmost emphasis is placed on harmonious superior-subordinate relations, teamwork, collaboration among different groups of individuals, open communication, and above all, integration of the goals of the organisation with the needs of the employees.
6. Top management takes the initiative for HRM, formulates necessary plans and strategies, and creates an overall climate and support for its implementation.

The management of human resources is more of an art than a science. In practice it is an “art” full of pitfalls, judgment calls, and learning from past mistakes.

The connotation of the term human resource management is distinct from personnel management in the following ways, as shown in Table 1.1.
Table 1.1
Some Basic Assumptions Underlying Traditional Personnel Function and Human Resources System

<table>
<thead>
<tr>
<th>Traditional Personnel Function (TPF)</th>
<th>Human Resources System (HRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. TPF is an independent function</td>
<td>1. HRS is a sub-system of a larger system (organisation)</td>
</tr>
<tr>
<td>2. There are several sub-functions under TPF</td>
<td>2. HRS is an organic whole: All the parts are interlinked</td>
</tr>
<tr>
<td>3. The main task of TPF is to respond effectively to the demands (coping role)</td>
<td>3. The main task of HRS is to develop enabling capabilities (proacting role)</td>
</tr>
<tr>
<td>4. TPF has the main responsibilities for personnel matters</td>
<td>4. All managers share the responsibility of human resources management</td>
</tr>
<tr>
<td>5. The main responsibilities of TPF relate to salary and job administration, and management of people and their development</td>
<td>5. The responsibilities of HRS relate to people, systems, and the process of the total organisation</td>
</tr>
<tr>
<td>6. The major attention of TPF is on personnel administration or management</td>
<td>6. The major attention of HRS is on developing people and their competencies</td>
</tr>
<tr>
<td>7. Personnel system and procedures should be designed to achieve maximum efficiency</td>
<td>7. HR systems and procedures should be designed on the basis of process values to reduce human wastage</td>
</tr>
<tr>
<td>8. People in an organisation are motivated mainly by salary and rewards</td>
<td>8. People are primarily motivated by challenges and opportunities for development and creativity</td>
</tr>
<tr>
<td>9. Personnel management implies human resources are expenses</td>
<td>9. HRM indicates an organisational emphasis on human resource as an asset/capital</td>
</tr>
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</table>

Objectives of HRM

The primary objective of HRM is to ensure the availability of competent and willing workforce to an organisation. Beyond this, there are other objectives too. Specifically, HRM objectives are four fold: societal, organisational, functional and personal (See Table 1.2).

The societal objectives of HRM are concerned with the fulfillment of social and ethical obligations of the organisation toward the society. The failure of organisation to use their resources for society’s benefit may lead to societal concerns.

The organisational objectives deals with role of human resource management in bringing about organisational effectiveness. Human resource management is not an end in itself; it is only a means to assist the organisation with its primary objectives. Simply stated, the human resource department exists to serve the rest of the organisation.
Table 1.2
HRM Objectives and Functions

<table>
<thead>
<tr>
<th>HRM Objectives</th>
<th>Supporting Functions</th>
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</thead>
<tbody>
<tr>
<td>1. Societal Objectives</td>
<td>1. Legal compliance</td>
</tr>
<tr>
<td></td>
<td>2. Benefits</td>
</tr>
<tr>
<td></td>
<td>3. Union-management relations</td>
</tr>
<tr>
<td>2. Organisational Objectives</td>
<td>1. Human resource planning</td>
</tr>
<tr>
<td></td>
<td>2. Employee relations</td>
</tr>
<tr>
<td></td>
<td>3. Selection</td>
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<td></td>
<td>4. Training and development</td>
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<tr>
<td></td>
<td>5. Appraisal</td>
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<tr>
<td></td>
<td>6. Placement</td>
</tr>
<tr>
<td></td>
<td>7. Assessment</td>
</tr>
<tr>
<td>3. Functional Objectives</td>
<td>1. Appraisal</td>
</tr>
<tr>
<td></td>
<td>2. Placement</td>
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<tr>
<td></td>
<td>3. Assessment</td>
</tr>
<tr>
<td>4. Personal Objectives</td>
<td>1. Training and development</td>
</tr>
<tr>
<td></td>
<td>2. Appraisal</td>
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<tr>
<td></td>
<td>3. Placement</td>
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<tr>
<td></td>
<td>4. Compensation</td>
</tr>
<tr>
<td></td>
<td>5. Assessment</td>
</tr>
</tbody>
</table>


The functional objectives help to maintain the HR departments’ contribution at a level appropriate to the organisation’s needs. Resources are wasted when human resource is either more or less sophisticated to suit the organisation’s demands. The department’s level of service must be tailored to fit the organisation it serves.

The personal objectives of HRM assist the employees in achieving their personal goals, at least insofar as these goals enhance the individual’s contribution to the organisation. Personal objectives of employees must be met for their maintenance, retention, and motivation. Otherwise, employee performance and satisfaction may decline and employees may leave the organisation.

Components of HRM

**Human Resource Organisation:** Human resource organisation is concerned with achieving success by organisation design and development, motivation, the application of effective leadership, and the process of getting across the message about what the
enterprise is setting out to do and how it proposes to do it. The fundamental objective of human resource organisation is to ensure that every aspect of the organisation, employment, motivation, and management of people is integrated with the strategic objectives of the business and contribute to the successful achievement of those objectives. The human resource organisation programme has to take account of cultural issues so that the desired corporate culture can be developed or reinforced. Moreover, organisational development programmes and interventions are needed to achieve better integration, improve teamwork, motivate human resource, develop proper leadership, facilitate communication system, manage conflict and change, and obtain commitment.

Human Resource Planning: Human resource planning sets out to define how many people the organisation wants; the type of people the organisation needs at present and in the future, in terms of their expertise; and how they “fit” the corporate culture. It involves the forecasting of both the supply and demand for future labour. It provides the base for recruitment programmes and for human resource development plans.

Human Resource Systems: Human resource systems are the essential programmes needed to recruit, appraise, pay and look after the health, safety and well-being of the employees in the organisation. The main key programmes are:

(a) Recruitment Management: It is a process of obtaining the required human resource for an organisation.

(b) Information Management: It is a method of ensuring that all policies and practices are to be well articulated and effectively communicated to the workforce.

(c) Training Management: It is a system of identification of training needs, preparation of a training strategy, and an appropriate training system.

(d) Performance Management: It is a technique of appraising performance systematically against defined criteria, reviewing progress to date and assessing the potential for advancement. There are three main appraisal systems such as performance appraisal, potential appraisal, and performance coaching or counselling.

(e) Reward Management: It is a method to ensure that people are rewarded in accordance with their contribution.

(f) Career Management: It is a system of charting special career paths for the individual employees for advancement in the organisation.

(g) Health and Safety Management: It is a system of maintaining a healthy and safe system of work in an organisation.

(h) Discipline Management: It is a system of administering discipline to foster positive employee behaviour that will promote organisational objectives.

(i) Culture Management: It is a system of thinking and behaving shaped by the values, attitudes, rituals and sanctions in an organisation.
Human Resource Development (HRD): Lippit (1978) points out that HRD as a system depends on: (a) the work itself which generates a higher degree of responsibility for the employees; (b) the individual’s personal and professional growth; (c) the improved quality output as a result of increased responsibility; and (d) the organisation as an open system. Focus on all these aspects is what HRD is all about.

Rao (1985) defines HRD as a process by which the employees of an organisation are helped, in a continuous planned way to: (a) acquire or sharpen capabilities required to perform various tasks and functions associated with their present or expected future roles; (b) develop their general enabling capabilities as individuals so that they are able to discover and exploit their own inner potentials for their own and/or organisational development purposes; and (c) develop an organisational culture where superior-subordinate relationship, team-work, and collaboration among different sub-units are strong and contribute to the organisational health, dynamism and pride of employees.”

HRD is a series of organised activities conducted within a specified time and designed to produce behavioural change. It is rooted in the belief that human beings have the potential to do better. It has two main purposes: (a) to provide employees with a greater opportunity to grow and succeed within a company; and (b) to strengthen management and professional teams at all organisational levels. Furthermore, it aims at developing employee capabilities in line with their career interests and with the manpower needs of the company.

Pareek (1970), found the following sub-systems necessary for introducing HRD in the organisation:

1. Planning and administration of human resources. This includes four main aspects, viz., (a) manpower planning, (b) recruitment, (c) promotion, and (d) career planning.
2. The second HRD system is about job and salary administration like performance appraisal, job analysis, and potential appraisal.
3. The third aspect of HRD is mainly confined to training, performance feedback, counselling and organisational development.
4. The last system relates to the industrial relations and welfare of workers.

HRD as a function consists of various activities related to training, education and development, and performance appraisal. All aspects of training and appraisal play a significant role in achieving the individual’s growth and development. In this respect HRD is more a proactive and supportive function wherein the organisation has to take a lead in helping the people to grow and realise their potential role.

Human resource development programmes help to ensure that the organisation has the people with the skills and knowledge it needs to achieve its strategic objectives. They aim to train new employees to the level of performance required in their jobs quickly and
economically and to develop the abilities of existing staff so that performance in their present jobs are improved and they are prepared to take on increased responsibilities in the future.

The thrust of human resource development is on training and development. It is a dynamic process which aims at improving the skills and talents of the personnel. Training fills the gap between what someone can do and what he should be able to do. Its first aim is to ensure that, as quickly as possible, people can reach an acceptable level in their jobs. Training then builds on this foundation by enhancing skills and knowledge as required to improve performance in the present job or to develop the potential for the future. Development can be defined as the modification of behaviour through experience. It provides for people to do better in the existing jobs and prepares them for greater responsibility in the future. It builds on strengths and helps to overcome weaknesses, and ensures that the organisation has the expertise it needs. Development operates at all levels — shop floor level, middle management level, and top management level covering executives and non-executives.

Perhaps one of the biggest mistakes that many companies make is to delegate much of the HRD accountability to the personnel department. The personnel staff typically has the expertise in this area, but line management is in the best position to implement the programmes. Line management, not the personnel department is top management’s key representative to employees in most organisations. The personnel department should establish key policies, practices, and programmes as well as advising line managers regarding the implementation. Human resource specialists should act as consultants to line managers, providing information about various techniques or suggestions about policies and ways to implement them.

HRD is an important force for the future. The challenges to HRD will continue. Instead of doers, HRD practitioners will be the process designers, researchers, strategists, advisors, business managers, and consultants. Looking ahead to the 21st century, it is clear that the HRD community must accelerate the trends that have just begun. They must: (a) ensure that all people practice and support continuous development, learning and high performance; (b) work to create participative cultures and to dissolve autocratic and dependent mindsets; (c) help prepare people and institutions to succeed in a rapidly changing global village; and (d) treat their employees like customers for enduring success of the organisation.

**Human Resource Relationships:** Human resource relationships deal with the handling of employees individually and collectively as members of trade unions or staff associations. Their main aim is to increase co-operation and trust and to involve employees actively in the company’s affairs. It also deals with problem-solving techniques, particularly to solve problems relating to disciplinary cases and grievances. There are two sides to a dispute in most organisations — the management and the workers. There is a gap and the means have to be found to bridge that gap. Whether or not unions exist, it is highly desirable for
the management to develop methods of dealing with employees collectively. Nonetheless, relationships with unions often involve confrontations. The necessary techniques must be evolved for encouraging mutuality and working together in the interests of all. Unions have to be managed like everything else in an organisation. Management normally gets the union it deserves. If it handles unions the wrong way, the results for the organisation can be disastrous.

An approach to collective dealing should be: (a) the recognition of the union, (b) the respective role performance of management and union, (c) the type of procedures one can adopt to regularise relationships with unions, (d) the basic techniques of negotiating with unions, and (e) the mechanism of involvement through participation, both traditional forms of joint consultation as well as the more recent Japanese import of quality circles.

**Human Resource Utilisation:** According to Peters and Waterman, to achieve productivity through people, it is very essential to “treat them as adults, treat them as partners, treat them with dignity, and treat them with respect.” These fundamental human relations values provide the base for productivity management programmes, which use techniques such as method study to improve efficiency. Both managers and workers must be persuaded somehow to realise that they have a common interest in increasing the output.

The following actions are required to improve the use of human resources: (a) conduct a productivity drive; (b) improve manpower budgeting and control techniques; (c) introduce work measurement; (d) use appropriate payment method by results, bonus and profit-sharing schemes; (e) improve motivation; (f) involve employees in improvement programmes; (g) introduce new technology; (h) negotiate appropriate productivity agreements; and (i) introduce training programmes based on an analysis of productivity needs.

**Human Resource Accounting (HRA):** HRA means accounting for people as the organisational resource. It is the measurement of the cost and value of people to organisations and involves measuring the costs incurred on recruiting, selecting, hiring, training and developing employees and judging their economic value to the organisation. HRA can be very useful in managerial decision-making. For instance, whether it is recruitment and selection or replacement of an employee, HRA can provide an estimate of the cost involved in the process. Similarly, it can help the management in budgeting for development of human resources. HRA can also provide data pertaining to turnover costs, the cost of employee’s absence and its impact on performance of others.

Traditional accounting methods treat people only as expenses, so funds used to train people are computed as expenses when an organisation’s net income is figured. Accordingly, managers tend to regard human resources as expenses to be minimised instead of assets to be optimised. Nevertheless, systematic human resource accounting would enable organisations to quantify the worth of people as organisational assets.
An economy based largely on the knowledge and skills of human capital has important implications for the role of HRD professionals in organisations. They have come under pressure to become full business partners and are expected to make money for their organisations. This new role requires HRD professionals to think, speak, and operate more in economic and financial terms.

There are no generally accepted accounting procedures for valuation of human assets. Valuation of employees differ from valuation of things because people are not owned. But, like other assets, people have future usefulness that adds value to an organisation.

**Human Resource Audit:** The purpose of a human resource audit is to assess the effectiveness of the human resources function and to ensure regulatory compliance. The audit can be conducted by anyone with sufficient human resources experience. In auditing the human resource function, firstly the existing data has to be collected, such as, hiring statistics, turnover, compensation practice, exist interview summaries, employee complaints, human resources budget and expenditures, and so on. Secondly, interview has to be conducted to collect input from the internal customer on their human resources needs and how those needs are being met. It has to begin with top management and then percolate down to line managers.

Human resource audit is a vast subject and covers many delicate aspects of human and organisational interactions. The HRD auditor has to study the organisation design, its objective, performance of its human resources, as well as the proper maintenance of HRD climate and practices. The job of the HR auditor is not an easy one. To gain success, he has to be very selective about the area and procedure he wishes to follow. Auditing in the field of human resources is a difficult job, more so because unlike other audits, the auditor has to deal with individuals vis-a-vis organisational priorities. Therefore, the HR auditor is required to be very systematic in his job, and define the task clearly as to which area he has to cover.

**Human Resource Functions**

HR’s primary function is managing the entirety of an organisation’s human resources. HR involves nothing less than managing change, technology, innovation and diversity. HR has become dynamic, flexible and creative. It is no longer confined to the culture or ethos of any single organisation; its keynote is a cross-fertilisation of ideas from different organisations. Periodic social audit of HR functions are considered essential.

Human resource functions can be divided into five categories: (a) managerial functions, (b) operational functions, (c) developmental functions, (d) analytical functions, and (e) strategic functions.

Managerial functions entail planning, organising, directing and controlling.
Operational functions include human resource planning, human resource acquisition, compensation and benefits, occupational health and safety, integration and maintenance of human resources, and employment relations.

Developmental functions relate to human resource policy, career and succession planning, training and development, performance management, and total quality management.

Analytical functions include HR consultation, human resource research, and accounting and auditing.

Strategic functions involve human resource strategy, human resource outsourcing, and human resource mergers and acquisitions.

HR professionals have an all-encompassing role. They are required to have a thorough knowledge of the organisation and its intricacies and complexities. The ultimate goal of every HR person should be to develop a linkage between the employee and the organisation because the employee’s commitment to the organisation is crucial. The first and foremost role of HR functionary is to impart continuous education to employees about the changes and challenges facing the country in general, and their organisation in particular. The employees should know about their balance sheet, sales progress, diversification plans, restructuring plans, sharp price movements, turnover and all such details. The HR professionals should impart education to all employees through small booklets, video films, lectures, and the like.

The primary responsibilities of a human resource manager are:

1. To develop a thorough knowledge of corporate culture, plans and policies.
2. To act as an internal change agent and consultant.
3. To initiate change and act as an expert and facilitator.
4. To actively involve himself in company’s strategy formulation.
5. To keep communication lines open between the HRM function and individuals and groups both within and outside the organisation.
6. To identify and evolve HRM strategies in consonance with overall business strategy.
7. To facilitate the development of various organisational teams and their working relationship with other teams and individuals.
8. To try and relate people and work so that the organisation objectives are achieved effectively and efficiently.
9. To diagnose problems and to determine appropriate solution particularly in the human resources areas.
10. To provide co-ordination and support services for the delivery of HRD programmes and services.
To evaluate the impact of an HRD intervention or to conduct research so as to identify, develop or test how HRD in general has improved individual or organisational performance.

The following are the nine new roles of HR practitioner as suggested by Pat McLegan:

1. To bring the issues and trends concerning an organisation’s external and internal people to the attention of strategic decision-makers, and to recommend long-term strategies to support organisational excellence and endurance.

2. To design and prepare HR systems and actions for implementation so that they can produce maximum impact on organisational performance and development.

3. To facilitate the development and implementation of strategies for transforming one’s own organisation by pursuing values and visions.

4. To create the smoothest flow of products and services to customers; to ensure the best and most flexible use of resources and competencies; and to create commitment among the people who help us to meet customers’ needs whether those people work directly for the organisation or not.

5. To identify learning needs and then design and develop structured learning programmes and materials to help accelerate learning for individuals and groups.

6. To help individuals and groups work in new situations and to expand and change their views so that people in power move from authoritarian to participative models of leadership.

7. To help people assess their competencies, values, and goals so that they can identify, plan, and implement development actions.

8. To assist individuals to add value in the workplace and to focus on the interventions and interpersonal skills for helping people change and sustain change.

9. To assess the impact of HRD practices and programmes and to communicate results so that the organisation and its people accelerate their change and development.

To compete today, HR departments are asked to achieve four seemingly contradictory goals. First, HR functions are being asked to be more strategic. Second, HR functions are also being asked to be more flexible. Third, they are also being asked to take a hard line on costs. Finally, HR functions are still required to provide excellent service to managers and employees. In short, the HR departments have to be more strategic, flexible, cost-efficient, and system-oriented.

Ironically, while the need for HR is obviously booming, the future of the human resource department itself sometimes seems in doubt. Human resource departments will face downsizing, reengineering and outsourcing. They face pressure from senior management
to add value to the organisation or have their functions contracted out. The human resource activities which are normally outsourced are temporary staffing, recruiting, benefits and services administration, payroll, or training. Cost reduction is the most commonly cited explanation for these measures.

What does the human resource departments have to do to keep themselves from getting outsourced? They need to focus more on activities that clearly add value to the company’s bottom line activities such as strategic planning, change management, corporate culture transition, and development of human capital.

Human resource management has received tremendous attention in recent years. Its role in organisations has also undergone a substantial change and many organisations have gradually oriented themselves from the traditional personnel management to a human resource management approach, although many see it as the “old wine in a new bottle.” The basic approach of HRM is to perceive the organisation in its totality. Its emphasis is not only on production and productivity but also on the quality of life. It seeks to achieve the fullest development of human resources and the fullest possible socio-economic development.

There has been a great deal of HRM activity in organisations, although most of such HRM systems are designed without understanding the organisation’s structure, tasks, processes and people. It is imperative for any HRM activity to have a conducive organisational climate to stabilise such efforts in reality. It is essential that HRM systems are designed in the framework of the total organisation. HRM efforts fail miserably in such organisations where no attention is paid to these systems.

HR intranets offer the greatest innovation to HR departments since the advent of the desktop computer. HR intranets allow the HR department to be open virtually 24 hours per day to efficiently perform many of the routine tasks required of human resources organisations. These include:

- Rapid dissemination of valuable information on a wide variety of topics.
- Collection of information from employees.
- Enabling employees to perform HR related tasks with minimal HR time requirement.

**Strategic HRM**

Traditionally, managers saw the HR functions as primarily administrative and professional. Traditional personnel management is still the prevalent form of HR activity in most organisations. HR staff focussed on administering benefits and other payroll and operational functions and did not think of themselves as playing a part in the company’s overall strategy. In the strategic view of HRM the traditional functions of personnel department, no doubt, will continue to be important. However, given the changes in the
business environment, some organisations are developing new structural and cultural patterns to meet the competitive demands of dynamic and international market place. Hence in the recent years, there is dramatic shift in the role of HR as a strategic partner in business.

Strategic HRM is the linking of HRM with strategic goals and objectives, in order to improve business performance and develop organisational cultures that foster innovation and flexibility (Truss & Gratton : 1994). It ensures that an alignment between business strategy and human resource strategy takes place for superior organisational performance and competitiveness. It is primarily concerned with its ability to add value to the organisation and has to focus on what HRM contributes to the business instead of the activities it does.

There are different perspectives of strategic human resource management (SHRM). Some believe that there is a universal set of HR practices that will always contribute to an organisation's success, regardless of the business environment or company's strategy. The role of strategic human resource managers is one of incorporating these universally effective HR practices in their organisations. Others believe that SHRM involves a process of matching specific HR practices to particular aspects of the organisations' strategy. Here the HR practitioner's role is to ensure a link between HR practices and business strategy. Also, HR practices must fit with one another.

Another view of SHRM is that of a service provider whose role is to solve the problems and serve the HR needs of managers within different business units of a company. These various theoretical perspectives suggest that SHRM is a process that involves:

1. Integrating HR into strategic planning process.
2. Linking HR practices to business strategy and to one another.
3. Developing a partnership with line management so that HR programmes meet real business needs.
4. Internally transforming of HR structure and staff.
5. Enhancing HR administrative efficiency.
6. Measuring the bottom-line impact of HR activities.

Many HR management teams have a well-developed vision of their department’s strategic value, but the CEO and senior line managers are at best skeptical of HR’s role in the company’s success. The root cause of this problem is HR’s influence on company performance, which is difficult to measure. The new economic realities are putting pressure on HR to widen its focus from the traditional administrative role to a broader strategic role. As the primary source of production in our economy has shifted from physical to intellectual capital, senior HR managers have come under fire to demonstrate exactly how they create value for their organisations. Strategic HRM is concerned with the strategic choices associated with the use of labour in organisations and with explaining why some organisations are managing them more effectively than others.
In this context, the most potent action the HR managers can take is to ensure their strategic contribution in developing a measurement system that convincingly showcases HR’s impact on business performance. With a properly developed strategic HR architecture, managers throughout the organisation can understand exactly how people create value and how to measure the value-creation process.

**Total Quality Management Approach to HRM**

Total Quality Management (TQM) is a set of concepts and tools for getting all employees focused on continuous improvement in the eyes of the customer. It involves collection of data, multi-functional teams, brain storming, advance experimental methods and group based rewards and recognition. The journey towards total quality can be broadly segregated into six major steps: (a) preparation, (b) planning, (c) awareness, (d) deployment, (e) implementation, and (f) continuous improvement.

Preparation involves homework that top management must do. They must understand quality as a means of gaining competitive advantage and customer satisfaction. Planning necessitates setting broad goals for improving quality, selecting a quality management system and developing an improvement plan. Awareness is about communicating all that has been done. Everyone needs to become familiar with the philosophy, direction and approach that the management team has developed. This is where the management captures the heart and minds of people and makes them believe that pursuing TQM is in their best interest. Deployment involves organising teams, relevant and appropriate training and assigning responsibilities. At the implementation stage process and product improvements actually takes place. Continuous improvement is a never ending process. It involves assessing and rewarding progress, resetting improvement goals, and conducting on-going training.

Philip Crosby, despite his reservations about HR executives, believes that “HR should be the architect of corporate culture.” It is the function of HR departments to build values and practices supporting continuous, incremental improvement in quality throughout the organisation. And that emphasis must be applied with equal force within the HR department itself.

W. Edwards Deming talks about driving fear out of the workplace. Much of this fear is tied into the control and hierarchy-dominated fabric of many organisations. The “workers” fear the “bosses”, and this fear distracts from high-quality, collaborative work.
Summary

- Personnel management is a set of activities focusing on the effective use of human resources in an organisation.

- It encompasses the activities of recruitment and employment, manpower planning, employee training and management development, wage and salary administration, health and safety, benefits and services, union-management relations plus applied human resource behaviour areas such as motivation, morale, communication, and so on.

- The personnel department operates in an auxiliary, advisory, or facilitative relationship to other departments in the organisation.

- The personnel manager must make decisions that meet the organisation’s economic and social objectives by acquiring, developing, rewarding, and maintaining its human resources.

- Although, the personnel manager is responsible for several functions, the responsibility of management of human resources lies with the line organisation.

- The line and staff personnel jointly perform their clearly differentiated functions to attain organisational effectiveness.

- Successful human resource management is essential to organisational growth and success.

- The objectives of HRM include getting the organisation right, providing effective motivation and leadership, obtaining and developing the right people, paying and treating them fairly, and getting them involved in working productively.

- The main HRM systems are: (1) appraisal system; (2) career system; (3) training system; (4) compensation; (5) cultural system; and (6) health and safety system.

- Human resources functions are many and varied and include such things as human resource planning, recruiting, selecting, training, appraising performance, compensation management, and employer-employee relations.

- In the light of new challenges, there are indications that human resource people will play an increasingly important role in an organisation’s long-range planning and policy-making activities.

Review Questions

1. “The activities involved in personnel management pervade the entire organisation. They are not performed solely by those in the personnel department.” Explain the foregoing statement.
2. What is the role of the personnel department in an organisation? How to make personnel functions more effective?
3. What is the concept and scope of “Human Resource Management”? Discuss.
4. What are the basic components of human resource management? Briefly describe each.
5. What functions does a human resource department normally perform?
Case 1

Indian Health Care Trust

The Indian Health Care Trust controls four hospitals in a suburban area. Two of the hospitals are modern and have extra accommodation space. The other two are old but prestigious specialist units located in expensive areas. The Trust considers that it would make considerable financial sense to close the older hospitals and transfer their functions to the modern sites. Several senior physicians are extremely unhappy about the consequences and have launched a public campaign to save the specialist units. This has angered the general manager who has only just presented the plan as a proposal to the management committee. He considers the physicians to be disloyal as they have taken a confidential business matter to the press. He is also baffled since the new hospitals would offer them far better facilities.

The general manager was recently recruited from industry and has been keen to exercise his right to manage. In his first six months, he successfully outsourced cleaning and catering, brushing aside union opposition. He has also instituted stringent cost-control measures and now vets all budget requests personally, including expenses for attending conferences.

Case Question

1. As human resources manager how would you analyse the situation and how could you help?

Case 2

Indian Metal Products

Indian Metal Products is a 50 crore company with multi-unit and multi-location product group. The business goals of the company are to improve the market share, productivity, and to boost turnover. Each of the manufacturing plants has its own independent personnel department comprising between 8 and 10 people. It is headed by a personnel manager, who reports both to the plant manager and the head office. The department is involved in routine traditional personnel functions like maintaining attendance and leave records, wage administration, management of welfare provisions like canteen and medicare, and compliance with statutory requirements. The HRD department located at the head office has 10 people and is mainly involved in designing training programmes and implementing corporate HRD policies. The company took a decision for restructuring the HRD department. It planned for transferring its outlook from a traditional to a modern one; and also from being functionally-oriented, reactive, control-oriented organisation to that of business-oriented, customer-focused, proactive and empowerment-oriented one.

Case Question

If you were the head of a personnel team, what solutions you would offer for restructuring HRD operations for giving it a business focus and aligning with the corporate need for customer-orientation.
Case 3

Dilemma of a Personnel Manager

After 15 years of working in personnel departments of various companies, Ganesh accepted the position of personnel manager in a medium-sized organisation employing about 300 people, located in a city. He had to report to the General Manager, plant even for minor details and in the process confronted with obstacles to introduce some of his innovative ideas. The owner of the firm had almost retired, leaving day-to-day management of the affairs of the plant to Mahesh, general manager, plant. Ganesh and Mahesh got along very well, and the first year witnessed considerable progress in establishing better relations between the management and employees.

However, there was widespread effort on the part of the workers to organise themselves and form a union. Ganesh found that majority of the workers were in favour of union formation. Treatment meted out to them by the owner and previous plant managers had built up substantial resentment which could not be quickly overcome by new policies. Ganesh found that the union which was making organising efforts was basically a well-managed and responsible one. As a consequence, he submitted a policy recommendation to the plant manager and owner. The essence of his position was that the firm should not make any moves to forcefully oppose the union effort. Upon reading his suggestion, the owner said, “Either he is for us or against us.” He instructed Mahesh to work for Ganesh’s resignation.

Case Questions
1. What principle of line and staff relationships is involved in this incident?
2. What values are being emphasised by the owner/Mahesh?

Further Reading