



DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION

Introduction to HRM

1.1. HUMAN RESOURCE MANAGEMENT

1.1.1. Introduction and Meaning of HRM

Organisations are made up of people and functions through people. Without people organisations cannot exist. Among the various factors of production like money, material, men and machines in an organisation, human resource is considered to be the most important factor. This is because the efficient use of other physical resources like land and capital is dependent on how the human factor is used on various operations. Except men, all other resources depreciate with time. Man is the most valuable resource which appreciates with time if a right environment is given to him and hence termed as "human resource". Human resources consist of those groups of people who are ready to provide their services for the benefit of the organisation.

According to Michael J. Jucius, "Human resource are a whole consisting of inter-related, inter-dependent, and interacting physiological, psychological, sociological, and ethical components".

Human resource always remains central to the organisations as dynamic and effective people can construct dynamic enterprises. Only efficient workers are capable and have inspiration of turning dreams to reality. Organisational objectives can only be accomplished through the talented people. Therefore, in order to remain competitive in the dynamic environment, it should be the constant endeavour of organisation to energise, assist and train their workers to maintain utmost efficiency.

Human resource is both exclusive as well as important. It is obvious that an organisation would try to obtain and make the best use of this resource. **Human resource management**, the task concerned with managing the people resources, is the most crucial and challenging task of the organisation. It was previously referred to as **personnel management**.

It can be defined as acquiring the right talent, training and developing them and motivating them to sustain in the workforce to effectively attain the objectives of the organisation. One of the aims of this process is to

bridge the gap between the organisation and its people. The purpose is to make an individual deliver his best and lending a supportive arm to the organisation.

According to Invancevich and Glueck, "HRM is concerned with the most effective use of people to achieve organisational and individual goals".

According to Byars and Rue, "HRM encompasses those activities that are designed to provide for and coordinate the human resources of an organisation".

According to Edwin B. Flippo, "Human resource management is the planning, organising, directing, and controlling of the procurement, development, compensation, integration, maintenance, and separation of human resources to the end that individual, organisational, and social objectives are accomplished".

According to Milkovich and Boudreau, "Human resource management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organisations and the employees to achieve their objectives".

1.1.2. Nature of HRM

Nature of HRM is explained as follows:

- 1) **Universal in Nature:** HRM practices are prevalent in each and every organisation whether it is public or private, government and non-government, educational or corporate, i.e., in almost every area. Its existence is not only limited to the personnel functions; rather it is pervasive at all the functional areas, i.e., marketing, finance, production, etc.
- 2) **Action-Oriented:** The focus of HRM is on action rather than on keeping records, written procedures or rules. The issues of employees at the workplace are resolved with the help of rational policies.
- 3) **Focused on People Dimension:** HRM is basically focused on developing people at work both at individual and group level. It seeks to correlate the capabilities of employees with the requirement of the job. It constantly tries to motivate people for better performance and higher productivity.
- 4) **Growth-Oriented:** The main concern of HRM is to develop the capabilities of the employees and maintain the reward system according to their

expectations. The reward system should constantly motivate the employees to achieve the standard performance. Training is also offered to employees so as to discover and develop their potential. Job rotation is also used to analyse the overall performance of the employee.

- 5) **Supplementary Service:** HR also plays a supportive role by assisting and advising operational/functional managers. As specialist advisors, they supervise and guide other managers to achieve their personnel tasks in a more effective manner.
- 6) **On-going Process:** The function of HRM cannot be restricted to a particular time and date. It is present in every department. Therefore, it is continuous in nature and is practised every second, hour, day and year in the organisation.

1.1.3. Scope of HRM

HRM has a very wide application. HRM encompasses all the areas during the service of an employee starting from the time he enters, until he quits. Scope of HRM includes the following areas:

- 1) **Procurement:** It consists of recruiting prospective employees and then selecting the most appropriate ones for the desired posts in the organisation. This is followed by their induction and settlement into their respective positions.
- 2) **Training and Development:** It is necessary for the employees to perform well in realistic situations. The employees are encouraged to participate in committees and board meetings, which will aid their development.
- 3) **Job Analysis and Job Description:** These are prepared to hire qualified employees by studying the job requirements of the organisation and assigning definite functions to jobs. They also act as a base for wage determination.
- 4) **Compensation/Rewards:** Compensation is provided to the employees for their work. The amount of compensation which is to be given to the employees is ascertained by job analysis and job evaluation. It involves determining wage rates, methods of wage payment, and performance appraisal.
- 5) **Industrial Relations:** HRM helps in maintaining cordial relations in the industry. It comprises of aspects such as collective bargaining, workers' participation in management, dispute resolution, grievance management, etc.

1.1.4. Objectives of HRM

Objectives of HRM are as follows:

- 1) **To Assist in Securing the Goals set by the Organisation:** The main aim of HRM is to assist

the employees in achieving the desired organisational goals. If it fails to do so, its existence will come to an end.

- 2) **To Help the Employees in Securing the Personal Goals for Individual Growth:** HRM not only focuses on the organisational goals but it equally tries to explore and develop the capabilities of the employees by training and development so that employees can achieve their personal as well as organisational goals. This not only enhances the efficiency of the employees but also increases the loyalty of the employees towards the organisation.
- 3) **To Make Maximum Utilisation of Employee's Potential:** The essence of the HRM lies in its basic function of effectively matching the skills of the employees with the work assignments in the organisation. This helps to fully explore the capabilities of the employees for the benefit of the organisation and its stakeholders.
- 4) **To Procure Efficient Employees within the Organisation:** HRM focuses on maintaining the effective reward system to motivate the employees to improve the efficiency of the employee.
- 5) **To Enhance Job Satisfaction:** Various programmes of human resources welfare have been framed and implemented by the HRM in order to enhance the quality of life. This helps in increasing the job satisfaction of the employees.
- 6) **To Improve Quality of Work Life:** It is the duty of HRM to make organisation a pleasant place for employees. This is important as organisational performance cannot be enhanced without improving the quality of work life.
- 7) **To Update the Employees regarding Managerial Policies:** One of the most important duties of HRM is to update the employees with the internal policies, feedback of customers, opinions of the management and also to generate creative ideas from the workforce.
- 8) **To Fulfil Social Responsibility:** The HRM function also ensures fulfilment of the social responsibility of the organisation towards the different groups of the society, while adhering to the moral and legal norms.
- 9) **To Maintain Discipline among Employees:** HRM also focuses on the maintenance of discipline among the employees in the organisation by giving them incentives based on their performance. It tries to create employee-friendly atmosphere in which the focus is on healthy working style.
- 10) **To Increase Organisational Productivity:** HRM tries to enhance the overall productivity of the organisation by effective utilisation of available resources.

1.1.5. Importance of HRM

Importance of HRM at the various levels is given below:

- 1) **Corporate Level:** Enterprise requires their work to be done effectively and efficiently hence it requires an effective HRM. HRM helps enterprise in the following manner:
 - i) HRM focuses on hiring skilled persons who are able to promote the growth of enterprise and also retain them for long-term through manpower planning, effective recruitment procedure, selection and fair policies of promotion.
 - ii) Enriching employees by developing and improving important skills and correcting their attitude by proper training and development, performance appraisals, etc.
 - iii) Making optimum use of existing human resources.
 - iv) Guaranteeing a talented team of loyal and devoted employees for the organisation in future.
 - v) Gaining the voluntary co-operation from the employees by motivation, participation, grievance handling, etc.
- 2) **Professional Level:** HRM ensures good quality of work life. It helps in professional growth by the following ways:
 - i) Building *esprit de corps* in employees by giving them congenial working atmosphere.
 - ii) Creating opportunities for employees so that they can develop their calibre.
 - iii) Ensuring that healthy relationships are maintained among team members and work is assigned properly to both employees and teams.
- 3) **Social Level:** HRM plays an important role in the society by the following ways:
 - i) Enabling employees to live with dignity by providing them employment which gives them mental and social satisfaction.
 - ii) Maintaining equilibrium between job openings and applicants in terms of numbers, qualifications, needs and aptitudes.
 - iii) Utilising human resources effectively by conserving their physical and mental health.
- 4) **National Level:** HRM plays a very significant role in the development of a country in the following ways:
 - i) Competent and dedicated human resource results in efficient use of physical, natural, and economic resources of the country.
 - ii) A nation's development depends on the skills, attitudes and values of its manpower. Less skilled and less competent people

signify an under-developed country. HRM ensures that human resources of the country are skilled and developed.

- iii) HRM improves economic growth of the country. This finally leads to increased living standard and employment.

1.1.6. Evolution of the Concept of HRM

Human resource management has emerged as a wide field in today's scenario. It began in India in 1800 B.C. Historical evolution of HRM can be described in following phases:

- 1) **Industrial Revolution:** During this phase, mechanisation and technological advancement took place at a rapid speed. At that time, jobs were divided and workers had to do only a small part of their job rather than the entire portion. Thus, specialisation increased workers' speed and efficiency but at the same time jobs became more tedious. The treatment which was given to the workers was similar to 'glorified machine tools'. Employers concern was only to fulfil the targets of production not with fulfilling the demands of the workers. Government was not at all active to work for the welfare of the workers.
- 2) **Scientific Management:** F.W. Taylor advocated the concept of scientific management in order to increase the efficiency of the workers. Scientific management is a methodical analysis which involved breaking of task into many small parts and re-organise them to get a perfect combination. Taylor also stated that people's physical and mental ability must match with the tasks which are to be performed in the job. Therefore, highly proficient people must be removed and supervisors should provide training to the low performing employees in order to make them highly skilled. Taylor further emphasised on using incentives to motivate employees.
- 3) **Trade Unionism:** Trade Union is a group or an organisation of workers formed to achieve common goals. Workers became aware of their rights and they collectively started protesting against the exploitation by employers. They also started protesting against unfair labour practices by taking the help of trade unions. Collective bargaining, dealing with the worker's grievances regarding the conditions of working, wages and perks, and disciplinary procedures are the ways through which trade unions generally help the workers.
- 4) **Human Relations Movement:** During 1930s and 1940s, Elton Mayo alongwith his colleagues from Harvard conducted Hawthorne experiment. The experiment showed that job design and rewarding were not the only factors which

affected productivity of employees, but there are some societal and psychological factors too which can also influence employees' productivity. The wide implementation of the behavioural science techniques was due to the human relations movement. It involves using supervisory training techniques, providing assistance to workers, counselling programmes and strategies to make the relations stronger between management and labour. These programmes helped the workers to share their work-related problems as well as problems related to their personal life with the counselling professionals. Human relations movement was also affected by the increasing power of trade unions in the period of late 1930s and 1940s. The emergence of unions in this time period was because of the Wagner Act. The Act gave workers the legal right of collective bargaining with employers on matters like salary, job stability, benefits and other working conditions.

- 5) **Human Resource Approach:** In early 60s, the 'pet milk theory' of human religionists had been discarded largely. According to 'pet milk theory', "happy workers are productive workers or happy cows give more milk". Every worker is different from the other worker and has different personal needs, the factors which motivate one individual may not stimulate the other. Happiness and good feeling may influence efficiency of some employees to a very small extent. Gradually, the practice of considering employees as assets became prominent.

"The Human Resource Approach believes that the main source of satisfaction and motivation of employees is their job or the task. This approach focuses on involvement of individuals in the organisational decision-making". Further, the focus of this approach is on the following things:

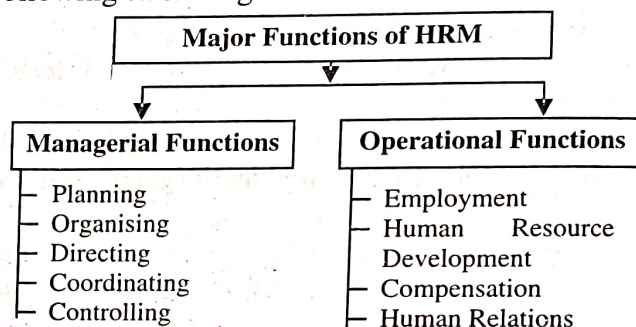
- i) Individuals like their work if they are involved in the establishment of objectives which they have to attain.
- ii) Many individuals show more self-direction, self-control and creativity than needed in their present jobs (Theory Y).
- iii) The primary job of the manager is to exploit the full human potential to serve the organisation.
- iv) Healthy, safe, comfortable and convenient workplace environment should be provided by the managers so that employees can fully utilise their abilities.
- v) The manager must encourage employees to self-direct themselves and contribute in all the significant matters of the organisation.

- vi) Increasing subordinates' influence, self-direction and self-control will lead to enhanced working efficiency.
- vii) Employees' job satisfaction may increase if they will be able to make maximum utilisation of their work potential.

Behavioural science contributed to management by giving new dimensions instead of providing advanced techniques. It has developed a valuable way of thinking about the manager's role, nature of organisations and individual's behaviour in the organisation.

1.1.7. Major Functions of HRM

Major HRM functions can be classified into following two categories:



1.1.7.1. Managerial Functions

Manager's first and foremost job is to manage people. All the managers regardless of their departments carry-out managerial functions. Managerial functions of human resource management are as follows:

- 1) **Planning:** It is concerned with pre-planning of activities to be done in future. It is the process of taking any action after thinking about it. Planning is related to strategy formulation of personnel programmes and changes in advance that will help in the achievement of organisational goals. HRP (Human Resource Planning), hiring, selection, T&D (Training and Development) are some of the HR functions which require planning.
- 2) **Organising:** It is the procedure of aligning people and other resources so that they can work together in order to achieve a goal. For this, firms generally need to establish relationships among the employees so that they can mutually contribute to fulfil the organisational goals.
- 3) **Directing:** Directing is concerned with telling employees to perform a specific task and make sure that the work done is as per the given directions. The voluntary and effective co-operation of employees for the fulfilment of organisational goals is possible through right direction. It is the responsibility of the human resource management to motivate, develop communication network, integrate people, maintain discipline and resolve employee grievances in a quick and proper way.

- 4) **Coordinating:** Coordination among the people is essential at all levels of management. Achievement of organisational objectives is possible only through the coordination among the groups and their activities. Developing, interpreting, and reviewing policies and programmes of the employees are the responsibility of human resource department. The last decisions may be taken by the line managers but personnel department can give suggestions for improvements.
- 5) **Controlling:** Controlling is the process of examining and verifying if everything is as per the set plans standards. Some of the means through which human resource management functions can be controlled and made effective are auditing of training programmes, analysis of labour turnover records, directing morale surveys and conducting separate interviews.

1.1.7.2. Operational Functions

Operational functions are the special activities which human resource people have to perform for each and every department of the organisation. It focuses on all activities of the organisational workforce from their HR planning till their exit. These functions are as follows:

- 1) **Employment:** It deals with acquiring and hiring the potential candidates for the attainment of objectives of the organisation. Job analysis, manpower planning, recruitment, selection, induction, and placement, etc. are the activities which are included in the employment function.
- 2) **Human Resource Development:** HRD is the procedure of building and transforming the knowledge, skills, creativity, attitude, etc., according to the existing and upcoming requirements of the job and organisation. It consists of performance evaluation, training and development, career planning and development, etc.
- 3) **Compensation:** Compensation is about motivating employees by providing them reasonable and satisfactory remuneration so that they can work more effectively. Employee benefits, bonus, incentives, and social security benefits are the components of compensation package. Job evaluation and wage and salary administration are the processes of compensation management.
- 4) **Human Relations:** It is the procedure of integrating people through interaction at the workplace. It helps people to work collectively in a team to gain high productivity and satisfaction in terms of money, mind, and society. It involves dealing with employee grievances timely by a well-developed grievance handling procedure, disciplinary action, and employee counselling to give them relief from stress, frustration, etc.

1.1.8. Principles of HRM

Different principles of HRM are as follows:

- 1) **Principle of Individual Development:** In order to analyse abilities, each and every worker should be given complete and same chances of progression. In an organisation, every worker must be guided by the managers in such a manner that he acquires ultimate job contentment and his capabilities are efficiently utilised.
- 2) **Principle of Scientific Selection Procedure:** Selection should be based on organised and scientific methods. Scientific selection requires efficient utilisation and attentive choice of personnel methods. There should be scientific compatibility of workers with the job. This is important to support line management in searching the suitable candidate for a job. However, ultimate decision is taken by the line managers but scientific procedures help in making correct decision and also guides accurate placement of a candidate.
- 3) **Principle of Incentive:** Commendable performance should be identified and appreciated. Principle of incentive should be applied if organisation wants an employee to give his best performance. Financial and non-financial incentives should be used to bring out the best from workers so that they contribute towards accomplishment of organisational goals.
- 4) **Principle of Adequate Communication:** Various issues and confusions arise due to the lack of interaction among people. Gossips develop because of privacy and extreme privacy leads to harmful gossip. The workers need to be informed about all important notifications of the organisation. The workers should be aware about the organisational methods, schedules, goals and outlook. There should be a dedicated planning and promotion of all the mediums and layouts of communication. Communication barriers must be eliminated and effective styles of communication must be followed.
- 5) **Principle of Participation:** In a system, where the employer-employee relationship involves faith, assurance and co-operation, the doctrine of consultative-participative managerial philosophy comes into action. Representatives of workers play an important role in increasing worker's participation. In order to bring reforms in the different processes of the organisation, the workers are offered a chance to come up with new schemes, visions and proposals. Workers should understand that they are an important part of the organisation and their commitment towards the organisation is of prime importance. Human resource programmes

must be developed to motivate workers to make effective use of their skills and abilities in achieving organisational objectives. Thus, workers consider themselves as a part of organisation and thereby contribute towards its success.

- 6) **Principle of Fair Compensation:** The organisation should have a proper and reasonable payment system. The worker should be provided a fair day's wage for a fair day's work. Managers must accurately calculate the actual fair day's wage for a fair day's work for the workers. Cordial working conditions, healthy surroundings, effective techniques and instruments should be given to the workers alongwith the salary and allowances. Hygiene and health provisions must also be offered to employees. It is baseless to hope that the worker will contribute his best for the organisation without equitable and justified salaries, working hours and the favourable employment surroundings. Management can set up an equitable wage structure with the help of effective tools of wage and salary administration.
- 7) **Principle of Dignity of Labour:** This principle states that productive labour is beneficial for the organisation. It advocates that jobs should be performed in the best possible manner. No one should be considered as poor or incapable for performing any job in the society. Business-like surroundings need to be encouraged in order to execute the job efficiently and obtain the

benefits. Every job is valuable and worthy which is concerned with physical prosperity and is productive in nature.

- 8) **Principle of Team Spirit:** It is necessary to build up feeling of loyalty among employees and boost their morale. An organisation cannot be successful without team spirit. Human resource policies must be devised in such a way that people work together as a team to achieve the specified goals. In spite of being efficient and dedicated towards their work, workers possibly will waste their energy if team spirit is lacking.

1.1.9. Human Resource Management and Personnel Management

Personnel management can be defined as a set of programmes and actions which are aimed at achievement of organisational as well as personal goals. It deals with the people and their interpersonal relationships in the organisation.

According to E.F.L. Breach, "Personnel management is that part of management process which is primarily concerned with the human constituents of an organisation".

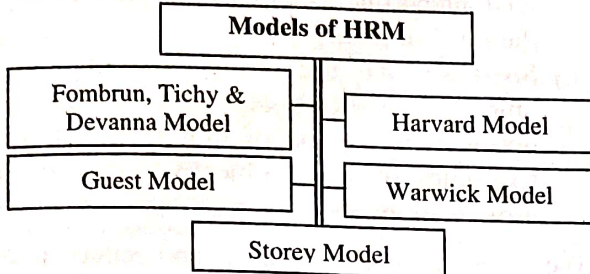
According to Richard Calhoon, "Personnel management involves the task of handling the human problems of an organisation and is devoted to acquiring, developing, utilising and maintaining an efficient work-force".

Difference between HRM and Personnel Management

Basis of Difference	HRM	Personnel Management
1) Scope	It is broader in scope and also incorporates the tasks of personnel management.	It has a limited scope and is considered to be a part of HRM.
2) Respect for Employees	It views employees as important asset for the development of organisation.	It views employees as a labour and utilises them for the benefit of the organisation.
3) Organisation Function	It is taken as an integral part of the overall company function.	It is an independent function of an organisation.
4) Responsibility	The responsibility lies with all the organisation's managers and its objective is to develop managers from various departments who are trained to take care of personnel-related tasks.	The sole responsibility lies only with the organisation's personnel department.
5) Rules	Adopts a can do attitude and is not controlled by rules and procedures.	A lot of importance being given to devising rules and procedures.
6) Job Design	While designing jobs, emphasis is laid on team work and cooperation among the employees.	Job designing emphasises on the division of labour which leads to specialisation of tasks which each worker needs to do.
7) Training and Development	Training and development modules constantly encourage the employees to acquire knowledge and innovate quickly. This helps the companies to survive in fast changing business environment and creates a learning organisation.	Training and development modules are difficult to access by all employees. Due to the limited access to courses the organisation is not learning oriented and may find it difficult to cope with dynamic changes.
8) Speed of Decision	Quick decisions are taken under HRM.	While decision making is slow under personnel management.

1.1.10. Models of Human Resource Management

Different groups of scholars have developed several models of HRM periodically. The HR professionals have been assisted in efficient management of human resources by these models. Five main HR models are described below:



1.1.10.1. Fombrun, Tichy and Devanna Model

Fombrun *et al.* developed first HRM model in the year 1984 which focuses on the inter-relationship and continuity of HRM activities. As depicted in **figure 1.1**, selection, human resource development, appraisal, and rewards are the four human resource activities. Enhancement in the performance of an organisation is the objective of these HR activities. Its clear authoritative nature, with emphasis on four HR

practices is the shortcoming of this model. Conditional factors, the concept of strategic choice of management, and interest of different shareholders are also overlooked by this model.

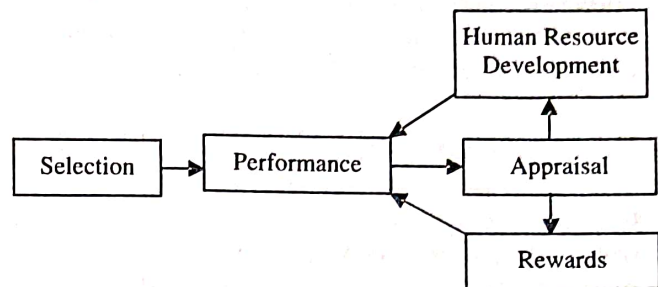


Figure 1.1: Fombrun, Tichy and Devanna Model of Human Resource Management

The advantage of this model is that continuity of internal HR policies and the significance of co-ordinating internal HR practices and policies with the external business strategy of an organisation are conveyed by it. The concept of 'HRM cycle' is a simple model as well. It renders help as an experimental framework for describing the nature and importance of main HR practices and the interactions amongst the elements that constitute the intricate HRM fields.

1.1.10.2. Harvard Model

Professor **Michael Beer** developed this model at Harvard University. This model opens up opportunities for practical evaluation of the manner in which business strategy will be influenced by management function of individual. As depicted in **figure 1.2**, there are six elementary elements in the analytical set-up of 'Harvard model':

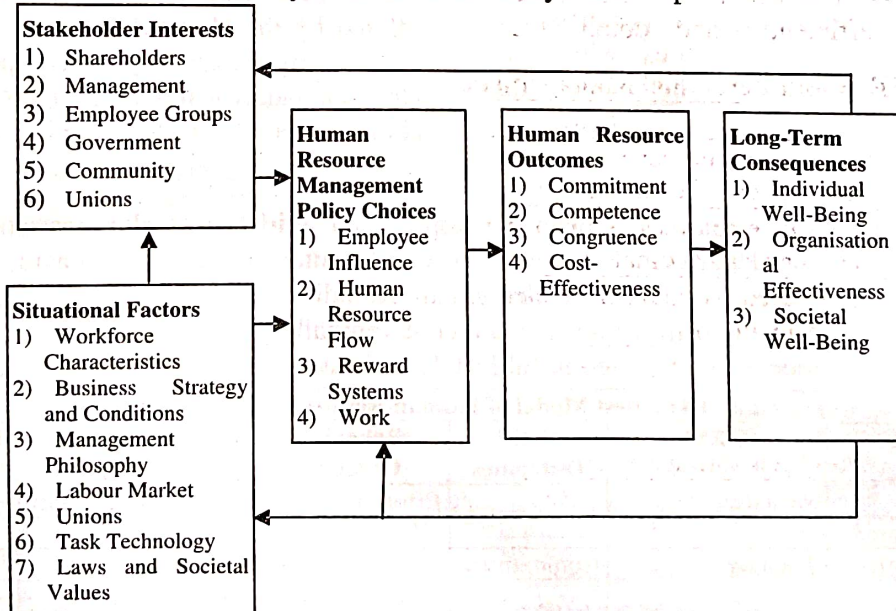


Figure 1.2: Harvard Model of Human Resource Management

1) **Stakeholder Interests:** The interests of stakeholders identify the significance of 'trade-offs', among the owner's interests and of employees and their unions. Though this model is still exposed to 'unitarism', it is comparatively pluralist viewpoint in contrast to other models.

2) **Situational Factors:** The choice of management regarding HR strategy is affected by these factors. Management philosophy, societal values, labour force characteristics, labour market regulations, and patterns of unionisation are integrated by this normative model. Inter-connection of both 'socio-

cultural logics' and 'product market' is also proposed by it. Logically, it would be more satisfying for both HRM researchers and practitioners when the model will contain the contextual variables, as it complies with the fact with which they are familiar: 'the relationship of employment involves a blend of the expectations of society and business.'

- 3) **Policy Choices:** The choice of HRM policy focuses that full worth of decisions of management and activities of HR management can be recognised only when it is realised that they emerged as a consequence of interaction amongst choices and limitations. Management is represented as an actual actor by this model which is able to make some amount of distinctive contribution inside the organisational and environmental boundaries, and impact those boundaries itself over a period of time.
- 4) **HR Outcomes:** It refers to high dedication of workers towards the objectives of organisation, and high performance of individuals which results in economical goods and services. The basic thought behind this is that talents and capabilities of the workers are seldom utilised to the fullest extent and that a wish to grow through work is expressed by them. Therefore, HRM model assumes that management of employment relations should be done based on the presumptions intrinsic in **McGregor's** approach to issues which are associated with individuals; he named this approach as 'Theory Y'.

- 5) **Long-Term Results:** They can be categorised under three different levels:

- i) **Individual:** At individual level of the worker, the long-term results consist of psychological rewards that are received by employees in return for their attempts.
- ii) **Organisational:** Organisational survival is guaranteed due to increase in productivity at the level of an organisation.
- iii) **Societal:** At the societal level, a few objectives of society are accomplished due to optimum utilisation of individuals at work. Examples of social objectives may include growth, employment, etc.

The categorisation of outputs and inputs at both level, i.e., societal-level and organisational level is the strong point of the **Harvard Model** which forms the base for the assessment of comparative HRM. The weak point of this model is that it lacks a logical conceptual basis for evaluating the relation amongst HR inputs, outputs, and performance.

- 6) **Feedback Loop:** It is the sixth element of Harvard Model. HRM choices and policies are affected by situational factors. However, situational factors, HR policies, and interests of stakeholders can be affected by the long-term results. This mutual relationship is demonstrated by the feedback loop in **figure 1.2**.

A beneficial analytical foundation to study HRM is offered by the Harvard model. Both the components, i.e., prescriptive (concept of competence, commitment, etc.) and analytical (stakeholders, strategic levels of choice, situational factors) are included in it.

1.1.10.3. Guest Model

A more prescriptive conceptual frame has been developed by **David Guest**, demonstrating the opinion that high-quality organisational and individual performance can be attained through a basic set of unified HRM practices. The fundamental idea of this model is that enhanced individual performance can take place, if unified set of HR practices is implemented in a logical manner. Eventually, enhanced organisational performance is also an assumption of this model. As depicted in **table 1.1**, there are six elements in this model:

Table 1.1: Guest Model of Human Resource Management					
HRM Strategy	HRM Practices	HRM Outcomes	Behaviour Outcomes	Performance Outcomes	Financial Outcomes
	Selection		Effort/ motivation	High: Productivity	Profits
Differentiation (innovation)	Training	Commitment		Quality Innovation	
Focus (quality)	Appraisal		Co-operation		
Cost (cost- reduction)	Rewards	Quality		Low:	Return on investment
	Job design		involvement	Absence Labour turnover Conflict	
	Involvement	Flexibility	Organisational citizenship	Customer complaints	
	Status and security				

A close association among general business strategies and HR strategies is recognised by this model:

- 1) Differentiation,
- 2) Focus, and
- 3) Cost.

However, the 'central' hypothesis refers that HR practices should be framed in a manner, so that it results in a 'superior quality', 'flexibility', and 'high commitment of employees'.

Similar to **Beer et al.**, **Guest** regards high commitment of employees as a crucial result of HR, which is focussed on the objective of uniting up the workers with the organisation and attaining outcomes of behaviour, i.e., organisational citizenship, co-operation, and increased effort.

Every aspect of behaviour of employees which is explicitly reflected on the quality of products and services is termed as quality. Flexibility is focussed on the receptivity of employees towards change and innovation. The emphasis on the relationship among the performance and HR practices is laid by the right-hand side of the model. There can be an anticipation of enhanced performance only when all the three outcomes of HR, i.e., quality, flexibility, and commitment are accomplished.

Guest referred to these HRM goals as a 'package'; and pointed out that high level of output and associated results which the industry seeks can be attained only when a systematic strategy which is completely incorporated into business strategy and entirely backed by line management at every level is implemented in the industry.

Issues of Guest Model

There are number of theoretical issues linked with **Guest's** HRM model. These are as follows:

- 1) **Individualist-Oriented Values:** The primary issue is that the values which support the model are largely individualist-oriented. There is an absence of comprehensive concept of pluralism in the society due to which individualistic orientation emerges.
- 2) **Status of a few Concepts:** The second theoretical issue takes into consideration the status of a few concepts. **For example**, a significant concept of commitment is advised to be 'somewhat disorganised and vague'.
- 3) **Clear Relationship amongst Performance and HRM:** A clear relationship among performance and HRM is the third issue. It gives rise to the difficulty of decision regarding the use of type of performance indicators for establishing these relationships.

Guest's model was first proposed by **Max Weber**, a German sociologist. This model may be an absolute polar 'ideal type' in the direction of which the organisations can move, thereby offering impractical conditions for the HRM practice. An error may also be made by it while condemning managers for non-compliance to the image created by scholars. Moreover, HRM model is represented by it as not in line with the collective approaches for the management of employment relationship. The strong point of this model is that it distinctly plans and designs the HRM field, and categorises the inputs and results. This model is beneficial for analysing the main objectives generally linked with normative HRM models:

- 1) Commitment,
- 2) Strategic integration,
- 3) Quality, and
- 4) Flexibility.

A set of theoretical suggestion was created by **Guest** which offers a foundation for a crucial conversation on the definite nature and contradictions between 'soft' and 'hard' versions of HRM.

1.1.10.4. Warwick Model

This model originates from the Centre for Corporate Strategy and Change at the University of Warwick, (U.K.) and with two researchers, **Hendry** and **Pettigrew**. This model expands the Harvard framework by making use of its analytical characteristics. This model takes into account HR practices and business strategy, the internal and external environment where these activities occur, the procedure by which these changes occur, and the interactions among alterations in both content and context.

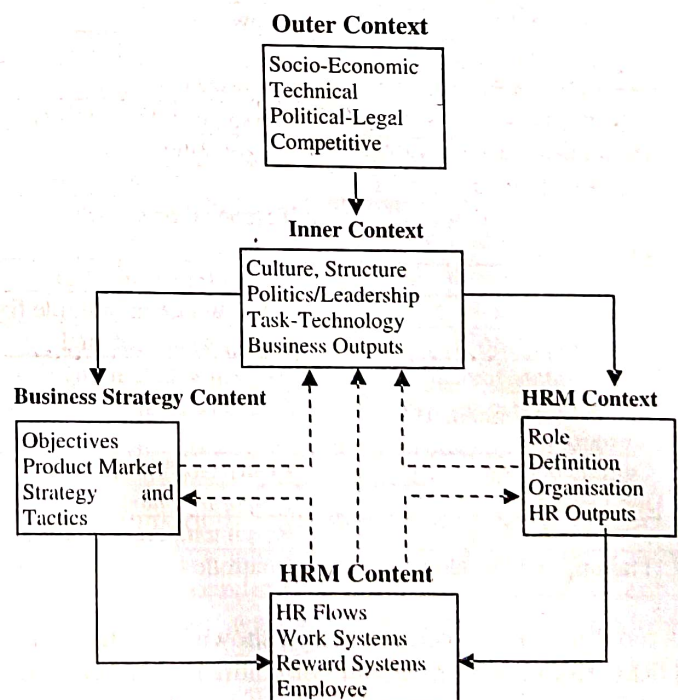


Figure 1.3: Warwick Model of Human Resource Management

The recognition and categorisation of significant influences of environment on HRM is the positive aspect of this model. It plans the links amongst the inner (organisational) contexts and outer (extensive) context, and discovers the manner in which changes are adapted by HRM in the environment (context). The conclusion that can be drawn from this is that a high-level performance will be experienced by those organisations, which attain congruence between the internal and external contexts. The non-development of procedure through which internal HR practices are connected to the business performance or productivity is the flaw in this model. The **Figure 1.3** given above displays the five elements of this model.

Table 1.2 shows four main components of Storey's framework:

Table 1.2: Storey Model of Human Resource Management

Personnel and Industrial Relations (IR) and Human Resource Management (HRM): The Differences		
Dimensions	Personnel and IR	HRM
1) Beliefs and Assumptions		
Contract	Cautious description of written contracts	Intends to go 'beyond contract'
Rules	Significance of formulating clear rules/mutuality	'Can do' approach; impatience with 'rules'
Guide to Management Action	Processes/control/consistency	'Business need'/flexibility/ commitment
Behaviour Referent	Norms/custom and practice	Values/mission
Managerial Job <i>vis a vis</i> Worker	Monitoring	Nurturing
Nature of Relations	Pluralist	Unitarist
Conflict	Institutionalised	De-emphasised
Standardisation	High (e.g., 'parity' an issue)	Low (e.g., 'parity' not seen as relevant)
2) Strategic Aspects		
Key Relations	Labour-management	Business-consumer
Initiatives	Piecemeal	Integrated
Corporate Plan	Marginal to	Central to
Speed of Decision	Slow	Fast
3) Line Management		
Management Role	Transactional	Transformational leadership
Key Managers	Personnel/IR specialists	General/business/line managers
Prised Management Skills	Negotiation	Facilitation
4) Key Levers		
Foci of Attention for Interventions	Personnel processes	Extensive cultural, personnel and structural strategies
Selection	Distinct, marginal task	Combined, key task
Pay	Job evaluation; multiple fixed grades	Performance-related; few if any grades
Conditions	Separately negotiated	Co-ordination
Labour-Management	Collective bargaining contracts	Towards individual contracts
Thrust of Relations with Stewards	Regularised through facilities and training	Marginalised (with exception of some bargaining for change models)
Communication	Restricted flow/indirect	Increased flow/direct
Job Design	Division of labour	Teamwork
Conflict Handling	Reach temporary compromises	Manage culture and climate
Training and Development	Controlled access to courses	Learning companies

According to the categorisation shown in **table 1.2**, HRM tries to raise trust and commitment of employee and intends to go 'beyond the contract'. The strategic feature of this model exhibits HRM as a core to corporate planning. HRM professionals are provided a

1.1.10.5. Storey Model

This model tries to exhibit the distinctions among what **John Storey** calls 'personnel and industrial' and the HRM model by making an 'ideal type'. A model was developed by him with the reconstruction of the 'implicit models' suggested by a few managers in the course of research interviews. The use of 'ideal type' is a prevalent experimental instrument in social sciences. It is a 'mental concept', and cannot be found empirically anywhere in its conceptual purity. The objective of this is to simplify complex operations by emphasising on important characteristics in an exorbitant manner'. This model describes HRM as 'an amalgam of description, prescription, and logical deduction'.

role of 'transformational leadership' in the organisation by line management (the third element of the model). Line managers have appeared as the main performers in nearly all the cases as suggested by **Storey** after studying the research evidence from 15 core firms of

U.K. The lower part of Storey's model depicts the key levers which are the methods and problems intensely presented, in researcher-manager interviews on HRM, either directly or indirectly. A significant amount of inconsistency is discovered by Storey in the adoption of these key levers such as co-ordination of situations, investment to create work-associated learning company, and performance-linked pay. In order to formulate a checklist of 25 crucial variables of HRM to estimate the magnitude of movement among approaches in 'core' companies, the implicit models of the managers were utilised.

1.1.11. HRM in India

In order to attract, develop, reward, motivate, and retain employees, HRM uses numerous practices. Though these practices are usually not considered to be economically beneficial for the firm, yet they have proved to be valuable. Various HRM practices are investments that directly affect employee morale and his capability to deliver product and service that are valuable for the customers. There are various factors due to which HRM practices that are important for one organisation might not be of the same value for another organisation as well. HRM practices popular in Indian organisations are as follows:

- 1) **Recruitment, Training and Development:** These programmes are clearly defined, formal in nature and usually linked to the performance system of the MNC. Indian MNCs most of the time use training programmes that are based on the global training structure of the MNCs. **For example,** Max New York Life Insurance, Honda, Motorola, GE, Siemens, Hyundai and Hughes Software Systems have set-up their management training centres in India. The training programmes conducted here are like those conducted in other countries in their partners or headquarters. Other than in-house training facilities, external training consultants are also hired. An array of area-specific training programmes is given by MNCs to their Indian employees. These trainings include both soft skills and hard skills. Soft skills include behavioural, supervisory, management, leadership, communication, ethics, culture, team building, etc. Hard skills include operational, technical and quality-based skills. Training programmes also cover most functional areas like marketing, finance and accounting, business strategy, organising, human resource management and production. Most MNCs also have induction and orientation programmes for as long as one month which are also a part of global training programme. Most of the MNCs conveniently mould their trainings as per Indian requirements.
- 2) **Induction:** Induction of the new employees is regarded as an effective process that helps them socialise with others in the organisation. Companies conduct these orientations especially for the management recruits. Hindustan Unilever of India, which is a subsidiary of Unilever, U.K., brought into effect a supplementary mechanism. Hindustan Unilever realised that it was operating in a country with a rural economy, and hence it engaged itself in a rural development project in Etah in Uttar Pradesh, India. The new management recruits were sent to Etah for two months as a part of their induction programme and were taught to draw milk from the cows, how to convert waste of animals into manure and gas, and assist in the work of rural development. These recruits came from a totally different background, i.e., the middle class or the upper middle class, educated in prestigious institutions. This programme taught them the art of dirty hands. In the same manner, the Hotels of the renowned Tata Group engage their new management recruits in manual work at the hotel like washing dishes, being a waiter, receiving guests, escorting them to their rooms, working at the reception, etc., as a part of their induction.
- 3) **Retention Strategy:** In every company, there are some problematic employees. Such employees show disruptive behaviour which leads to disciplinary actions and punishments. This problem needs a solution. **Taj Group of India** discovered an innovative solution to this problem. It was a multistep process. Firstly, the degree of the problem was identified in every case. Secondly, leave policy and procedures were simplified. Then every offender was explained the outcome of his offence (which was usually unauthorised leave) for him and for the company. He was then counselled along with the unions. The offender is motivated to open up and disclose the reason of his offence at the counselling session. The Personnel Officer stays in regular contact with the offender usually at places like canteen, gym area, etc., so that he can counsel and encourage change. Some offenders were receptive and the company supported them during further treatment. His relatives and friends were also made a part of the procedure. In very rare cases where the offender was a hopeless case, his children or some close relative was offered the job in return of his resignation. Employment was rarely terminated. This entire process reduced offences and absenteeism drastically.

4) **Human Resource Development (HRD):**

Developing human resource through training is a common thing. But if the CEO of the company is the one providing that training, the programme becomes unique. The CEO of ailing Steel Authority of India Limited (SAIL), V. Krishnamurthy, himself trained nearly 500 senior level managers in two batches in a two-day workshop. 'Priorities for Turning Around the Company' was the subject. The managers who got this training went back to train their subordinates in a similar manner. India's another booming public sector Chemicals Company, Travancore Cochin Chemicals, the new CEO planned to refresh the company crafted educational circulars on various aspects of professional management and got them delivered to his subordinates. He initiated several management development programmes and he too participated in some of them so that the subordinates do not take them lightly.

- 5) **Leadership:** Leadership might be soft, tough, transactional or transformational, but is a very popular subject in the management literature. But an example of courage, fairness or human concern set by the leader impacts more to the subordinates than leadership models, carrot and stick and pep talks. At Bharat Heavy Plate and Vessels, another PSU, an angry group of employees, surrounded, frightened and imprisoned virtually, the new CEO of the company, Mr. Mansukhani. Even after this treatment and threat to his life, he consistently worked with the members of the union to devise a new wage policy. TVS Suzuki manufactures two wheelers. It is an Indo-Japanese joint venture. Mohan Ram, the CEO of the company, along with all the employees punches his attendance card, remains with them throughout the day and just like the ordinary employee submits to security check while leaving the factory.
- 6) **Subordinate Development:** In organisations with a competitive environment, where every employee is talented, the bosses might be afraid of losing their jobs to subordinates, and thus might overlook subordinate's growth or might be too occupied with their routine tasks to worry about them. In the absence of an HRD system, such firms find their employees lacking in the required managerial competence. When Richardson and Cruddas, CEO, Indian Engineering and Equipment manufacturing firm took charge, he realised that the employees lacked managerial skills. Richardson observed that his managers were not having an interest in developing their subordinates. He announced that for

getting promotions, every manager has to develop atleast two of subordinates for the position of a manager as per the CEO's satisfaction. This can be done through training, job rotation, delegating authority, providing autonomy and responsibility, etc. After this announcement, subordinate development activity gained momentum.

1.1.12. The Factors Influencing Human Resource Management

A very significant factor of HRM is the environment, both internal and external. Any kind of change occurring in internal and external environment has a significant impact on the organisations. In the 21st century, the business environment is dynamic and changes rapidly. Therefore in order to succeed, the present day organisations need to develop an understanding of the prevailing environment and how it controls the HR functions of the organisation. Also, there are many factors which influence the employer-employee relationships and working of HR managers to successfully accomplish their objectives. Some of these factors are related to the external environment where as the others are related to internal environment. These factors reveal how organisation adapts itself to changing environment.

1.1.12.1. External Environment

External environment has vast impact on the functions of HRM. The key factors influencing human resource management in the organisation are as follows:

- 1) **Technological Factors:** Technological environment depicts a consolidated knowledge providing methods for doing things. It can include innovative and creative methods of working such as designing, manufacturing, and distribution of products and services. Along with impacting the internal operations of organisation, technology also influences the functioning of HR personnel as well. They are responsible for functioning of organisations and provide assistance through integrated communication centres. Technology is used to link computers, fax machines, printers, photocopy machines and other devices through which information can be shared speedily. Availability of quick information ensures better HR planning, fast decision-making and proper communication with employees of the organisation and the external communities. Technology has led to the changes in the following areas of HRM:
 - i) **Recruitment and Selection:** The process of recruitment and selection is considered to be a lengthy process but its duration is reduced greatly due to the application of technology.

Now, the whole process which starts from collection of applicant's details to the final selection of the suitable candidates is completed in a very short span of time. This is because jobs can be posted on internet, candidates can apply online for a job, employers can view applicant's details promptly, interviews can be conducted on telephone and mobiles, and selection results can also be declared electronically.

- ii) **Training and Development:** The ways of providing training and developing employees have changed drastically. Now with the help of technology, HR personnel are able to deliver training in a more effective and efficient manner. With the help of internet, information required by the employee can be easily provided to him, the use of various audio-visual aids has made it possible to make the training programmes more interesting. Today, a large number of employees can be trained virtually without physically transporting them to different destinations or specific training centres.
- iii) **Communication:** Communication within organisations has been transformed by technology in the present business environment. Technology has resulted in the open door policy which is essential to meet the day-to-day requirements of business environment. Open door policy refers to the freedom of communication in an organisation. According to this policy, no hierarchical pressure can stop any person from communicating with another person in the organisation. This has been facilitated by organisation's website and internet where HR personnel conveniently exchange information with the staff members.
- iv) **Monitoring Employees' Behaviour:** Behaviour of employees can be closely monitored with the help of technology. Physical monitoring is no more needed to keep a track of employees' behaviour whether they are situated locally or around the world.
- v) **Work-Life Balance:** Technology has led to the emergence of virtual office which does not need any physical place called office. The employees are not required to be physically present at their workplace as they are well connected with the technology, thereby, maintaining proper work-life balance as they can work from any place.

2) **Economic Factors:** All economic forces that impact the HR functions constitute the economic factors. These factors are briefly described below:

- i) **Suppliers:** In the context of HRM, suppliers are those organisations that make human resource available to the organisation, e.g., educational institutions, labour exchanges, training institutions, placement consultancies, etc. The quality of human resource that an organisation has is dependent on its suppliers.
 - ii) **Customers:** HR functions are also impacted by the customers of the organisation, who in the present scenario are regarded as kings. They desire products of superior quality at affordable prices. Thus, every employee in the organisation is responsible for providing a high standard work quality. Product sales is impacted by the quality of product which is directly associated with the knowledge, skills, and competencies of the employees.
 - iii) **Competitors:** HR roles and functions are heavily influenced by competition within the industry. If a talented individual receives job offer from several companies, the one with the most lucrative offer attracts the employee. The value of employment and remuneration practices increase with the increase in competition.
 - iv) **Globalisation:** As a result of globalisation, the HR managers have gained challenging responsibilities and are required to develop competitive edge for themselves and their organisation. Large global firms need to regularly re-structure their operations and re-deploy their energy to important areas. In order to survive, firms are becoming more and more flexible. So, hiring inflexible people is considered as a wrong decision. It is the duty of the HR manager to create a work environment that is suitable for all, where changes can be smoothly implemented.
- 3) **Cultural Factors:** Culture includes belief, morals, knowledge, art, laws, customs and practices gained by a person as a member of society. Culture affects HR functions in the following manner:
- i) The types of people who represent the members of the organisation are created by the culture. Culture shapes the personality or the behaviour of the people in a certain way.
 - ii) Cultural background determines the attitude of employees towards their jobs. **For example,** it is believed that Indian workers have work-disinterest.

iii) The roots of time dimension, which is an important HR function, are embedded in culture. Time orientation depicts past, present and future orientation of people. In few societies, people might be oriented towards the past whereas in the other towards the present. There might be a third group of people who are oriented towards the future. On-roll employees are given more value by the HRM people in those societies that lay more stress on the present.

iv) Certain other functions like effort-reward expectations, work ethics and achievement needs, which establish individual behaviour, are reflection of his culture. Ethic refers to morals. Organisations with strong work ethics witness employees who are more enthusiastic towards their work than the ones working in organisation with weak work ethics. Achievement needs also affects behaviour. An individual having high need for achievement displays higher accountability, sets pragmatic targets, takes moderate risk and uses personal performance feedback while satisfying his need of achievement. It is a known fact that effort and reward combine to create a better performing individual. The performance depletes when the individual feels that he is receiving unfair treatment. This is also an effect of culture.

v) As a consequence of culture, people limit themselves to a particular profession or area. **For example**, the workers working in the coffee estates in Mumbai find it difficult to work in Bangalore.

4) **Social Factors:** Organisations are a part of the society in which they operate. Society also influences human resource management. Before starting any new programme, organisations need to assess its impact on the society. Society comprises of the organisation's employees, their friends and family. In order to be in the good books of the people, the firm needs to achieve its goals while fulfilling the norms of the society. Firms that fulfil the requirements of the society are called socially responsible firms. The HR managers must be conscious of their duties in managing the operations of the business in a socially acceptable and responsible way.

5) **Professionalism:** In the present scenario, prospective employees and the existing employees possess the desired knowledge and skills required to work in an organisation. The organisations in which such employees work can have a competitive edge over its competitors.

However, it may also face serious problems. Some of the problems are as follows:

i) **Motivating such employees is a tough task.** They cannot be motivated easily by the traditional methods like increased pay, incentives, and promotions. Challenging tasks, growth-oriented profile and achievement opportunities are the only factors that motivate them.

ii) **Retention of such employees in an organisation is not an easy task.** These employees lack stability and change their jobs frequently. They are not rooted to the values of the organisation. As a result of this behaviour, the company loses valuable resource. Several perks are given by the organisations in order to put off these practices.

iii) **Techno-structure** (a consolidation of technicians and scientists) is yet another problem for the organisation. This group impacts the management's decisions and in this way tries to control the organisation. Techno-structured people are skilled professionals who have an excellent know-how of their job but they are only action-oriented. They lack knowledge of social issues that can emerge because of business decision-making process. This puts the HR personnel in a situation where they need to balance between avoiding hurting the egos of technocrats and taking decisions that are best for the business.

6) **Unions:** Unions and management together decide on factors such as pay levels, benefits and conditions of working for employees of the organisation. Unions are made up of employees that have come together with a motive to deal with their employer. Unions are considered as an environmental factor for the reason that when they interact with the company, they act like a third party. In an organisation, the union leader negotiates with the management on behalf of the employees.

7) **Political-Legal Factors:** The political environment studies the role of the various political institutions on the HR department. There are three key institutions which are taken together to represent the entire political environment in a democratic political setup. They are as follows:

i) **Legislature:** The legislature is also known as Parliament. The numerous labour acts which are in effect are enacted by the legislature.

ii) **Executive:** The executive is also called the government, is a law-enforcing body. The decisions that are taken by the legislature are brought into action by the executive.

- iii) **Judiciary:** The judiciary performs supervisory function. One of the main task of judiciary is to oversee the work of the legislature and the executive. It must ensure that both these bodies perform their respective duties in accordance to the provisions mentioned in the Constitution and lead to welfare of the public.

Articles of the Constitution Affecting HRM

There are certain articles in the Constitution that affect the functioning of HRM. **Article 14** ensures equality in the eyes of law. **Article 15** stops from discrimination on the basis of religion, race, caste, sex or birth place. **Article 16** ensures impartiality in providing opportunities for public employment. **Article 23** is aimed at restricting forced labour. **Article 24** prevents employment of children in factories, mines and other unsafe places. **Article 38(d)** ensures that both men and women are paid equally for equal work. **Article 38(e)** insists on taking care of the health and strength of workers, both men and women.

It guarantees that children are not abused and due to economic necessity, citizens are not enforced to enter into jobs that are unsuitable for their age and strength. **Article 42** provides for civilized conditions for work and maternity leave for women. Living wages for workers are ensured by **Article 43**. Whereas **Article 43(a)** talks about worker involvement in the management of the industries. Above all these conditions is the protective discrimination clause, which specifies the requirement of reservation of job for the weaker sections of the society. All HR activities are affected by articles of the constitution.

1.1.12.2. Internal Environment

Apart from the external factors, there are certain internal factors which affect the HR activities. The internal factors are those factors that occur within the organisation. The key internal factors are as follows:

- 1) **Mission:** An organisation's mission is the main purpose for which it is established. It is conveyed in form of benefits that the firm gives to its customers. The mission statement of an organisation gives a basic idea about the company to the public, the reasons it was formed and the distinct contributions guaranteed by it. **For example,** Mission of Philips is "Improving people's lives through meaningful innovation". Employees on all the designations are needed to carry-out tasks keeping in mind the mission of the organisation.
- 2) **Policies:** Policies are the guidelines on which the firm operates. Policies inform people about the actions that they can or cannot take. Policies

show the route towards the achievement of the objectives which is the ultimate destination of the firm. The key policies which influence the HR functions are as follows:

- i) To offer employees with safe conditions to work.
 - ii) To motivate employees so that they can achieve high performance standards.
 - iii) To ensure high performance level from employees by providing them excellent compensation.
 - iv) To provide employees with growth and development opportunities.
- 3) **Organisational Culture:** Organisational culture also influences the functioning of HRM. The beliefs, values, assumptions and regulations that are commonly shared by the employees of an organisation constitute its culture. The organisational culture is defined by the following two elements:
- i) **Abstract Elements:** Abstract elements comprise of inner beliefs, attitudes, feelings, and values of the employees. They are internally-oriented.
 - ii) **Material Elements:** Material elements comprise of office premises, dress code, products, etc. They are externally-oriented.
- Each organisation is a social entity and has its own unique culture with some distinctive behavioural approaches. These approaches differentiate one organisation from another. The organisation culture is a very significant factor which impacts the organisation practices and processes including human resource practices. Thus, HRM practices both at the national and organisation levels are extremely affected by the organisational culture.
- 4) **Organisational Structure:** Organisation structure is a hierarchical arrangement of authority, communication, rights and duties of an organisation among individuals and departments. It assigns the type and ways of formal reporting relationships and the group's formation of individuals in the organisation. The structure of a firm helps to determine the flexibility and incorporation of the various HR practices. Due to the differences in the various organisation structures, HR practices may be planned and executed differently.
 - 5) **HR System:** As a system, HRM indicates interrelated but separate elements (known as sub-systems) operating together to meet the organisational goals. Production, marketing, information technology and purchase are the different sub-systems which are linked to the HRM system. These sub-systems communicate with the HRM and with each other in order to achieve the

organisational goals. The efficiency of HR system is dependent on the integration of HRM with other systems. Better the integration of the other systems of the organisation with the human resource system greater will be the efficiency of the HRM practices.

1.1.13. The HR Competencies

In order to meet the demand of new business environment, it is very important for the HR managers that they exhibit new competencies. HR managers who were successful in previous years may not be successful in the present business scenario. The different values, abilities, and knowledge which are possessed by HR managers can be seen as their competencies. The performance of HR managers with right set of competencies will be very effective. They will prove more successful in engaging the employees, creating intangible shareholder wealth, and serving the customers better. Evaluation and improvement of quality and the base for evaluation of HR manager are defined by the competencies of a person working in HR department of a firm. The different types of competencies which must be possessed by HR manager are stated below:

- 1) **Reliable Activist:** A personal trust is created by HR managers with the help of their business intelligence, and hence they can be treated as "reliable activist". This reliability of HR manager can be created when the actions are performed as per the promises, a trust is created in the personal relationships, and he can be depended upon. A positive personal relationship can be established due to this by HR professionals. It specifies the communication of clear, honest, and consistent messages with honesty. As an activist, the HR professionals also become aware of the ways of influencing others in a positive manner with the help of clear, effective, and uniform communication. This is regarded as 'HR with an attitude' by some individuals. There is a lot of admiration, but not much influence of those HR managers who are reliable but not activists. Effective ideas may be possessed by those HR managers who are not reliable but are activists. However, people will not give due attention to such HR managers. Self-awareness and dedication to develop their professional skills are the required qualities for being a reliable activist.
- 2) **Culture and Change Agent:** Being a change agent, HR managers not only respect the old culture but also help in forming the new culture. They direct the managers by signifying the impact of their efforts in reflecting and driving the culture. They can incorporate the cultural standards into different HR practices and

processes. Furthermore, there are mainly two methods by which change can be implemented by the HR professionals:

- i) They facilitate culture execution.
- ii) Different changes can be initiated in the entire organisation by development of disciplines.

It can involve the execution of different projects, initiatives, and strategies. They will assist in converting the known into practice.

- 3) **Organisational Designer/Talent Manager:** In the fields of organisations design and talent management, HR manager has expertise in theory, research, and practice. Competency needs and the growth of an individual in, across, or outside the organisation is the main focus of talent management. The method of an organisation to infuse a perfect fit between the structure, policies, and procedures which determine the operations of a firm are mainly dealt with by the organisational design. It is the responsibility of HR manager to manage the balance between talent management and organisational design along with their congruence with the requirements of the customers and strategy, ensure their effective combination, and implement them effectively.
- 4) **Strategy Designer:** The vision of how to be successful in a market presently or in the long run is possessed by the HR manager. In order to execute and implement this vision, HR manager plays an active role in the formation of overall strategy. Thus, he should be able to identify the different hurdles in the path of success, different business trends and their effect on the firm, and various processes so that strategic clarity can be achieved. By combining the internal organisation with the expectations of external consumers, HR manager can effectively contribute to the development of comprehensive strategy. Because of this relation, a customer driven strategy can be formulated for the employees.
- 5) **Operational Executor:** The operational activities related to the management of individuals and organisations are performed by HR manager. Different policies are required to be formulated, adapted, and executed. There may be various administrative requirements of the employees, i.e., to be relocated, paid, employed, and trained. Thus, it is the responsibility of HR manager to ensure the proper management of all these requirements with the help of shared services, technology, and outsourcing.

- 6) **Business Supporter:** Any business can be successful only when different goals and objectives are established that complement the future threats and opportunities. By having good information about the social context or the environment in which the firm functions, HR manager can play a vital role in the success of the organisation. The value chain of the business by which firm makes money is also understood by HR managers quite well along with the fact that who their customers are and the reasons of purchase of firm's goods and services by them. They also have good information about the different parts of the organisation (finance engineering, R&D, marketing and so on), what all is to be achieved, and the methods of working together so that the firm can earn greater profits.
- 7) **Technology Advocate:** In order to deliver the various HR administrative systems such as payroll processing, benefits, healthcare costs, and other administrative services, HR professionals are required to have a good hand in technology. In order to facilitate the continuous interaction between the individuals, technology is required by HR professionals. The role of technology is very important in improving the communication, connecting both internal and external customers, and managing various administrative tasks. Being technology advocate, HR manager has the responsibility of advocating, accessing and evaluating, and aligning the technology for information, relationships, and efficiency improvement.

1.1.14. Human Resource Management and Firm Performance

There are various models which determine linkage of HRM and firm performance. The first conceptual models explicating the relationship between HRM and performance are probably the classic models of **Beer et al** and of **Fombrun et al**. **Beer et al.** link HRM policy choices (with respect to employee influence, human resource flows, reward systems, etc.) first of all to HRM outcomes, which in turn have an effect upon long-term consequences.

Becker et al. present a conceptual model of the HR-shareholder value relationship (figure 1.5):

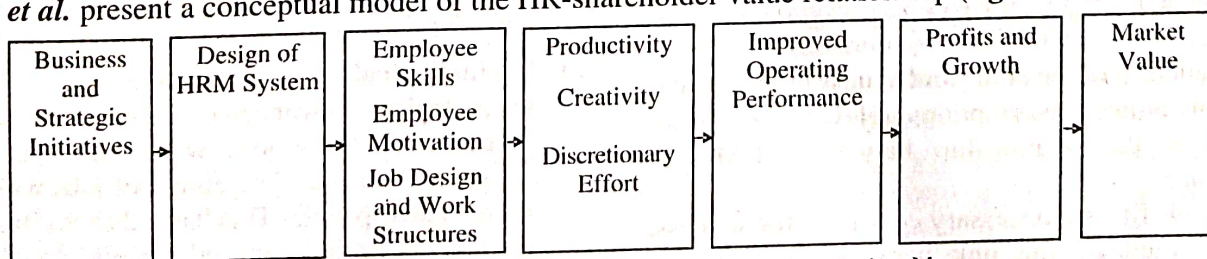


Figure 1.5: Model of the HR-Shareholder Value Relationship

HRM outcomes are the '4Cs' – commitment, competence, congruence, and cost effectiveness. Long-term consequences are sub-divided into individual well-being, organisational effectiveness, and societal well-being. **Fombrun et al.** develop the so-called HR cycle, in which four crucial HRM practices (selection, rewards, appraisal, and training/development) contribute to performance at both individual and organisational level.

Guest develops a normative model, identifying four policy goals – integration, employee commitment, flexibility/adaptability, and quality. In his model these goals serve as human resource outcomes; goals and policies together generate a range of organisational outcomes such as high job performance and low turnover. **Figure 1.4** presents a full overview of the model based on **Guest**:

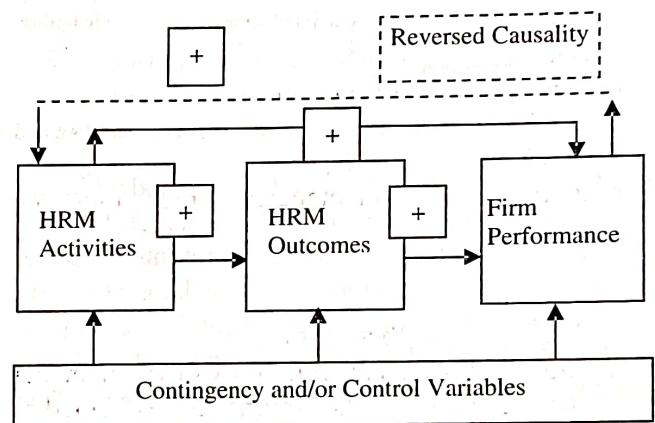


Figure 1.4: General Overview of the Linkage between HRM Activities, Outcomes, and Performance

Since then a lot of empirical research has been carried-out. This has been summarised by **Paaauwe and Richardson**, using the framework presented in **figure 1.4**. As per the model, HRM activities give rise to HRM outcomes, which influence the performance of the firm. Some HRM activities, however, influence the performance of the firm directly (see upper arrow). The dashed reverse arrow indicates the possibility of reverse causality, i.e., that firm performance itself will give rise to a change (very often perceived as an improvement) in HRM practices.

In this model the authors assume that business and strategic initiatives affect the design of HRM systems. The HRM systems in their conceptual model affect:

- 1) Employee skills,
- 2) Employee motivation, and
- 3) Job design and work structures.

These factors are presumed to have an impact on productivity, creativity, discretionary effort, and so on. In total, this conceptual model contains seven 'boxes' and, in effect, represents a chain of excellence. The final 'box', and thus the ultimate outcome of this chain, represents the market value of the firm. To date there is very little research that 'peels back the onion' and describes the processes through which HRM systems influence the principal intermediate variables that ultimately affect firm performance as described in **figure 1.5**.

At about the same time, **Guest** presented his conceptual model for 'linking HRM and performance' (**figure 1.6**):

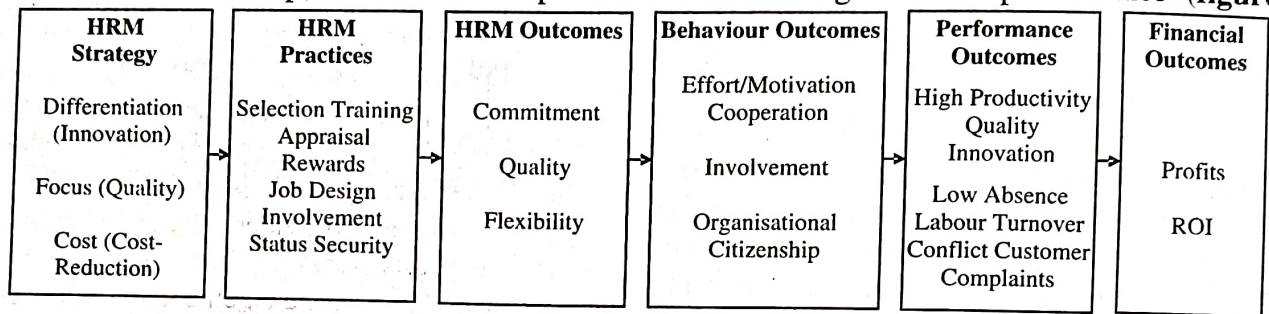


Figure 1.6: Linking HRM and Firm's Performance

In contrast to that of **Becker et al.** Guest's model focuses on HRM practices (instead of HRM systems). In it the HRM outcome, 'high commitment', represents the desire to belong to the organisation and the willingness to do things for the organisation; 'high quality' refers to the capabilities and to the knowledge and skills of staff, and 'flexibility' stands for the functional (rather than numerical) flexibility of the employees of the firm. **Guest** assumes that only when all three authors call 'sub-boxes'. **According to Wright and Gardner**, such an approach creates complexity, and the phenomena in the end will become unmanageable. Until now there has been no consensus in the field of HRM with respect to this problem. Another very important notion is related to the linearity of the models – "The similarity among all of these models is that they all have their basis in a linear causal process".

Evidence for non-linear relationships in empirical research suggests that the reality is more complex than most of the existing conceptual models we tend to apply. A second notion of **Wright and Gardner** deals with the question – What is the causal direction? It can very well be the case that positive financial results also generate improvements in a range of HRM practices.

The models of **Becker et al.** and **Guest** both reveal a number of 'hidden' assumptions, relevant for further research on the relationship between HRM and performance:

- 1) Vertical 'fit' is a necessary condition for success, represented by the link between strategy and design of HRM systems or HRM practices.

- 2) The relationship between HRM and performance is linear.
- 3) There is a sequential link between HRM ('design of HRM system' or 'HRM practices') and market value/financial performance. In other words, there is a chain of interrelated boxes.
- 4) Financial performance, represented by profits, growth, and market value, is the final outcome of the transformation process and therefore is representative of organisational performance and subsequent success.

1.1.15. Challenges and Issues in HRM

Some of the major challenges and issues in HRM are as follows:

- 1) **Globalisation:** It affects various available jobs in terms of their quantity and type. Due to globalisation, organisations are required to manage complex issues such as people management in different topographical cultures, legal environment, and conditions of business. Various HRM functions like hiring, development and remuneration are required to be adapted to consider the global management differences.
- 2) **Technological Advancements:** Latest technological advancements have resulted in reduction of those jobs which need less-skilled people and increase in quantity of jobs which need more skilled people. This has led to the emergence of the concept of 'knowledge work' from 'work'. However, replacing followed by re-training of few employees is also needed at times.

- 3) **Market Challenges:** For fulfilling the needs of the customer in a quicker, desirable, and cost-effective, manner, organisations must incorporate total quality management and business process re-engineering programmes. These programmes need that HRM must be concerned with modifying work procedures, training, compensation, job design, etc.
- 4) **Shortage of Skill:** It is a very difficult task for every organisation to hire and retain the talented employees. Every organisation makes all possible efforts to get the most talented employees of its competitors. HRM should create and execute policies and practices to overcome this challenge by giving performance-related pay, benefits, and effective recruitment techniques.
- 5) **Knowledge Management:** Knowledge management is gaining importance as the utilisation of knowledge is increasing. The challenge for HRM is to build a proper system of knowledge management that can encourage effective development and exploitation of knowledge.
- 6) **Changing Power Structures:** Reducing the levels of hierarchy has led to the transformation of traditional structures to modern decentralised organisations. This has resulted in the freedom of acquiring relevant information to the concerned employees, especially in knowledge-based organisations thereby reducing the centralisation of powers.
- 7) **Training Challenges:** Formulating training programmes which are most suitable according to the organisation's learning needs, is a major challenge for the business. However, the main issue involved here is whether the training and development programmes should be formulated centrally or by considering individual needs.
- 8) **Dynamic Organisational Culture:** Developing, transforming and maintaining an energetic and dynamic work culture is a difficult task due to increasing focus on competency of human resource. Managers also feel that modern methods of HRM are a hindrance in making maximum utilisation of human resources.
- 9) **Changing Workforce Demographics:** Today, the workforce in organisations is becoming more diverse and companies are also considering different employee issues and are trying to maximise employee benefits. The evolving values of workforce are different from the traditional values. Therefore, HRM requires identifying the probable employee issues and making such exchange among the people and the organisation which is beneficial for both.

- 10) **Changed Employee Expectations:** Changes in the HR profile has resulted in the changing desires and requirements of personnel. Attractions such as job security, remuneration, housing are no more able to attract, retain and motivate employees. People now want to be empowered and have a good status. This challenge can be overcome by dealing with privacy issues of employees, preventing sexual exploitation, promoting ethical practices, etc.

1.1.16. Recent Trends in HRM

Recent trends in HRM are as follows:

- 1) **Outsourcing:** The term outsourcing is made up of three words, outside, sourcing and using. Outsourcing is concerned with how resources are procured from external suppliers which are generated inside the sourcing organisation. The human resource process is assigned to an external human resource provider who is a specialist in providing this service. This service provider is responsible for the management and administration of the outsourced services assigned to him by the client. More and more companies are now using outsourcing for various human resource activities. Some of the HR services that are being outsourced by companies are employee hiring, statutory record maintenance, and training and development.
- 2) **Work-Life Balance:** Maintaining a balance between work and life has been made possible with the growth in technology. Employees are now able to strike a balance between their work life and personal life as per their preferences with the help of online learning programs, virtual conferences, webinars and the ability to work from distant places. However, in order to not make the employees feel loaded with work, the HR managers should need to assign work roles according to the capabilities of the employees so that they give their best performance at work.
- 3) **Quality Cycle:** HR managers have been adopting the concept of quality circle lately. A group of workers voluntarily coming together with the objective of identifying, investigating and resolving the problems related with work is known as quality circle. The workers then put forth their solutions and recommendations in front of the management with the intention of motivating the employees, enriching their work performance and overall enhancing the organisational performance.
- 4) **TQM:** Nowadays, the concept of Total Quality Management (TQM) is being adopted by organisations worldwide. TQM involves workers in continuously improving the quality through technology and product innovation.

- 5) **Six Sigma:** Six sigma practices are introduced by the companies in order to survive in this extremely uncertain business environment. This is a programme intended for quality improvement that targets for reducing the number of defects to a low of 3.4 parts per million. Defective rates are predicted using the normal distribution. Thorough analytical tools are used by top management to create a method that would display sustainable improvement. Organisational values are enhanced with the help of these practices. These practices also assist in developing products and services that are not only cheap in terms of cost, but also free from any kind of defects as well. Every employer should develop a process map for the HR department so that it can understand various HR functions clearly and prepare for six sigma implementation.
- 6) **Employee Engagement:** Organisations today are adopting various concepts of employee engagement in order to be successful. These include work teams, employee empowerment, training of employees, setting of goals, participative management and delegation. Employee engagement calls for supportive management and demonstrated leadership. The role played by HRM in engaging the employees is significant as it is the responsibility of the human resource management department to train the employees.
- 7) **Green HRM:** An additional responsibility is upon the modern age HR managers to integrate the trends of Green HRM with the HR policies in the mission statement of the organisation. This is due to the increased worldwide focus on the concept of green organisations. Also it is because of the efforts made under Green HRM that has resulted in retention of employees, reduction in costs, improvement in productivity and many other advantages.
- 8) **Talent Management:** A combination of integrated organisational HR processes intended towards motivating, developing, attracting, retaining and engaging employees is referred to as talent management. Creating an organisation that is sustainable and high on performance is the objective of talent management. Such organisations should be able to meet their operational and strategic objectives and goals.
- 9) **Workforce Diversity:** The main challenge facing HRM in today's era is to handle the diversity in the workforce. Earlier, homogeneous workforce was found in organisations and therefore, the work of HRM was significantly easy. But nowadays, organisations have diversified group of employees who differ on the grounds of age, gender, sexual

orientation, social class, personality, ethnicity, characteristics, education, religion, physical appearance, language, marital status, beliefs, lifestyles, ideologies, values and certain background features like economic status, geographic origin, their term with the organisation etc.

- 10) **HR Scorecard:** It is a method used by the HR department in order to introduce itself as a partner for strategic planning among the organisational top executives. HR scorecard show the way human resource is affecting the organisational profit with the help of developing and evaluating the sequences with an object to increase organisational efficiency and effectiveness.
- 11) **Knowledge Management:** An organisational systematic method of using all its intellectual capitals in order to gain competitive advantage is known as knowledge management. The significance of knowledge management in the areas of human resource management can clearly be seen in present competitive work environment. As the competition on market is growing with a tremendously high rate, organisations are using the knowledge and experience of their managers in making important decisions. Knowledge management plays a significant role in taking decision and without knowledge management the human resource management will not be able to function properly. The knowledge management bring a new outlook to HRM and also brings new opportunity for organisation in order to gain success.

1.2. EXERCISE

1.2.1. Very Short Answer Type Questions

- 1) What is HRM?
- 2) What do you mean by personnel management?
- 3) What is Human Resource Development?
- 4) What is employee relations?

1.2.2. Short Answer Type Questions

- 1) Explain the functions of HRM.
- 2) Differentiate between HRM and Personnel Management.
- 3) What are the different types of HR competencies?
- 4) Highlight the principles of HRM.
- 5) Elaborate the evolution of HRM.

1.2.3. Long Answer Type Questions

- 1) What are the nature and scopes of HRM?
- 2) What is the objective and importance of HRM?
- 3) Discuss the model of HRM.
- 4) Explain human resource management in India.
- 5) Elaborate the factors influencing HRM.
- 6) Discuss HRM and firm performance.