

## II MA ECONOMICS

### HUMAN RESOURCE MANAGEMENT

#### 18KP3ECELEC4

#### HRM – UNIT : I

##### Nature and scope

##### Introduction

- Human Resource Management is currently gaining importance
- India realizing manpower as a resource
- Our desire is on the development and utilization of the human resources.
- Human resource management ensures the optimum utilization of human resources
- Proper management and motivation of the work force in our organizations is required to achieve optimum utilization of human resources

##### Meaning and definition of HRM

- It means utilizing human resources to achieve organizational goals and individual goals by effective use of employees in the organization.
- It aims at providing (supplying) human resources & coordinating the human resources

##### Definition of Pigors and Myers

- “It is basically a method of developing potentialities of employees so that they get maximum satisfaction of their work and give their best efforts to the organization”

##### HRM give importance to the following points

1. Solving employment problems
2. Employee development and satisfaction
3. Meet the need of employee
4. Providing competent & well-motivated employees
5. Integrating the individuals and organizational objectives

##### HRM and related terms

1. Personnel Management :
  - Process of ensuring the best fit between job , organization, individuals and the environment.
2. Personnel administration:
  - It manages people from the bottom to the top level of the enterprise.
3. Labour relations and the industrial relations:
  - Relationship between the labour union and management.
  - Activities of employer- employee relations.
4. Manpower management:
  - Direction and control of human resources in employment situations.

Hence, the Human resource management include all the terms discussed above. However, Human resource management is a modern term traditionally called as personnel management

##### Features of HRM

- It connected with development of individual at work, as an individual and as a member of the group.
- It deals with behaviour, value, ethos, emotional and social aspects of employees.
- It develop and maintain human resources
- It manages employee at all levels
- It is ongoing concept
- Management of human resources is needed all the time throughout the year
- It deals with human being
- Managing human being is not easy task

- It have varied individuals with unique personality
- Human being behave in different and complicated ways
- Human resource management is not consistent

### **Nature of human resources**

- Employees (human resources) exhibit their nature through their individual activities as well as group activities
- Human resources come to their organization with technical skills and knowledge on the one hand and personal feelings, ideas, dislikes, attitudes, values etc., on the other hand.
- Hence managing human beings is complex
- Because human behaviour is unpredictable.
- HRM develops the human behaviour towards the work.
- HR manager is concerned with the administration of a social system.
- In this process the manager has to see
  - economic satisfaction
  - social satisfaction of working together and
  - individual job satisfaction of a worker are attained
- HR manager should understand the changing need of the organization and society
- HR Manager should attain the objectives of employees, organization and society with available resources
- Technology developments complicate the role of HR manager still further.
- Hence personnel manager should equip himself with knowledge of various subjects such as
  - Economics
  - Commerce
  - Management
  - Sociology
  - Psychology
  - Engineering
  - Technology
  - Law

### **Scope of HRM**

It includes the following

- Organization of HRM department
- Strategic HRM
- Employment of personnel
- Development of human resource
- Wage and salary administration
- Maintenance of human resource development
- Motivating the HR
- Maintaining industrial relation
- Participative management

### **Significance of HRM**

HRM helps an enterprise in the following ways

- By providing welfare and freedom to employees in organizational environment .

HRM increase the importance and honour of employee

- HRM developing and using employees skill in their jobs.

Hence employees maximize his contribution.

- HRM provides necessary working conditions and policies.

Thereby, motivates the employee for effective teamwork

- HRM develop the personality of the employees.

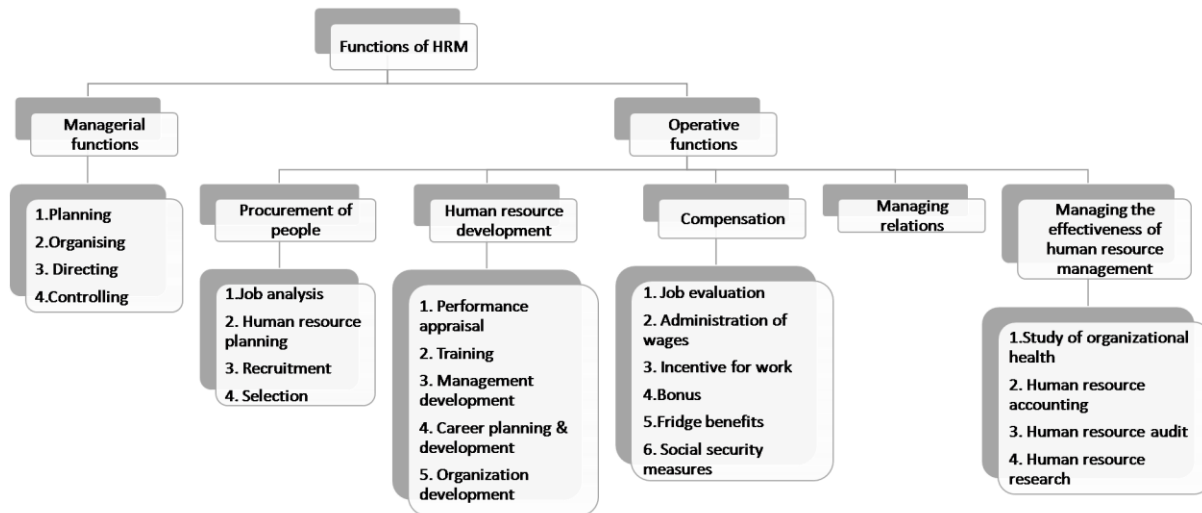
- HRM preventing (avoid) the wastages (arising out of idleness), wrong placement policies etc.,.

So it (HRM) ensures conservation of human resources

- HRM helps in attaining organizational goals by effective utilization of efforts of human resources.
- HRM helps in attracting and retaining talented personnel in the organization.
- HRM adopting proper recruitment and selection practices.

It helps finding out best people for various jobs and also in placing right person in the right job.

## Functions of HRM



### 1. Managerial Functions

#### 1. PLANNING

- Planning refers to the determination of a course of action to achieve a desired result.

#### 2. ORGANIZING

- Organizing refers to the way in which the component parts of an enterprise are put into working order so as to achieve the definite objectives of the firm

#### 3. DIRECTING

- It involves motivation, leadership, supervision, communication and coordination.

#### 4. CONTROLLING

- Control is intended to ensure and make possible the performance of planned activities and to achieve the pre-determined goals and results.
- It involves monitoring the activity and measuring performance against set standards, correcting deviations when necessary and maintaining the system.

### 2. Operative functions

These functions are concerned with procurement, development, compensation, human relations and effectiveness of human resource management.

#### 1. Procurement of people:

- It is concerned with procuring and employing the personnel with required type and level of human resources needed to achieve the organizational goals
  - i. Job analysis: job analysis deals with determining the characteristics of each job.
  - ii. Human resource planning: it involves the following aspects
    - Forecasting present and future requirements and supply of human resources
    - Making an inventory of present human resources
    - Mould and develop existing personnel with a view to meet the human resources requirement in future

- Planning the necessary programmes of recruitment, selection, training and development
- iii. Recruitment : It means searching of the prospective employees to suit the job specifications and stimulating them to apply for the jobs in the organization.
- iv. Selection : selection is a process whereby the qualified personnel can be chosen from the applicants. It involves the following:
- Scrutinizing the applications received
  - Conducting preliminary interview
  - Formulating and developing application blanks
  - Conducting various tests to measure the qualification of the applicants
  - Conducting final interview.
  - Checking of references
  - Framing the medical examination policy and procedure
  - Final selection
  - Placement and induction

## **2. Human Resource Development:**

1. Performance Appraisal : it is concerned with the evaluation of the performance of the employees on particular jobs
2. Training: It is an act of increasing the knowledge and skill of an employee for doing a particular job
3. Management development: It develops the managerial and human relations skill of employees by designing and conducting executive development programmes
4. Career planning and development: It is concerned with planning of one's career and implementing the same by means of education, training, acquiring the job experiences and so on.
5. Organisational development: It looks for changing values, attitudes, behaviour, organisational structure and managerial practices so as to improve the performance of the organisation.

## **3. Compensation:**

1. Job evaluation: It measures the worth of each job in terms of money.
2. Administration of wages: Administration of wages involves developing and operating a suitable wage programme.
3. Incentive for work: It is a stimulus for the worker to work more and thereby earn more. It is given in addition to the normal wage. For the purpose of providing incentives to workers, personnel department engages itself with formulating, administering and receiving the schemes of financial incentives.
4. Bonus : In India, bonus is paid to the workers according to the provisions of the Payment of Bonus Act, 1965.
5. Fringe Benefits: Fringe benefits are the indirect payments. Examples of such benefits are housing facilities, educational facilities, conveyance facilities, medical allowances etc.,.
6. Social security measures:
  - workmen's compensation to the workers who suffer from physical disablement and diseases during the course of employment in hazardous working conditions.
  - Maternity benefits to women workers.
  - Disablement benefits to the disabled workers.
  - Dependant benefits
  - Retirement benefits such as provident fund, pension and gratuity.

#### **4. Maintaining Human Relations :**

- Human relations represent the interaction among people in work situation in such a manner to motivate them to work together productively, co-operatively and with economic, psychological and social satisfaction.
- He should also be in close and regular contact with the personnel and the trade union to know their grievances and should try to remove in order to maintain harmony and discipline in the organisation.

#### **5. Measuring the effectiveness of HRM:**

1. Study of organisational health: A healthy organisation is one, which enjoys greater employees contribution to organisational goals and their job satisfaction
2. Human Resource Accounting: Human resource management is considered as effective only if the value and contribution of human resources to the organisation is higher than the cost of human resources
3. Human resource Audit: Human resource audit is an examination and evaluation of policies, procedures and practices for determining the effectiveness of human resource management.
4. Human Resource Research: It conducts various surveys such as morale attitude, job satisfaction, behavior etc., to develop more appropriate personnel policies, practices etc.,

#### **Objectives of human resource management**

1. Accomplishment of organizational goals
2. Employment of skilled work force
3. Motivated employees
4. Developing and maintaining a quality of work life
5. Individual development
6. Maintaining a desirable working relationship between employer and employees
7. Personnel research
8. Sound and effective communication
9. Ensuring job satisfaction

#### **Qualities of HRM**

1. Initiative
2. Resourcefulness
3. Intelligence
4. Educational skills
5. Communication skills
6. Executive skills
7. Knowledge of human relations
8. Other qualities : perception, maturity in judgement, analytical ability, emotional stability, empathy, social skills, technical competence etc.,

#### **Role of Human Resource Manager**

1. The ethical role
2. The mentor role
3. The peace-making role
4. The spokesperson role
5. The problem- solver role
6. The change agent role

## UNIT : II

### **System Approach to Management:**

#### **Definition, Features and Evaluation**

Systems approach is based on the generalization that everything is inter-related and inter-dependent. A system is composed of related and dependent element which when in interaction, forms a unitary whole. A system is simply an assemblage or combination of things or parts forming a complex whole.

One its most important characteristic is that it is composed of hierarchy of sub-systems. That is the parts forming the major system and so on. For example, the world can be considered-to be a system in which various national economies are sub-systems. In turn, each national economy is composed of its various industries, each industry is composed of firms' and of course a firm can be considered a system composed of sub-systems sudi as production, marketing, finance, accounting and so on.

#### **Features of Systems Approach:**

- (i) A system consists of interacting elements. It is set of inter-related and inter-dependent parts arranged in a manner that produces a unified whole.
- (ii) The various sub-systems should be studied in their inter-relationships rather, than in isolation from each other.
- (iii) An organisational system has a boundary that determines which parts are internal and which are external.
- (iv) A system does not exist in a vacuum. It receives information, material and energy from other systems as inputs. These inputs undergo a transformation process within a system and leave the system as output to other systems.
- (v) An organisation is a dynamic system as it is responsive to its environment. It is vulnerable to change in its environment.

In the systems approach, attention is paid towards the overall effectiveness of the system rather than the effectiveness of the sub-systems. The interdependence of the sub-systems is taken into account. The idea of systems can be applied at an organisational level. In Appling system concepts, organisations are taken into account and not only the objectives and performances of different departments (sub-systems).

The systems approach is considered both general and specialised systems. The general systems approach to management is mainly concerned with formal organisations and the concepts are relating to technique of sociology, psychology and philosophy. The specific management system includes the analysis of organisational structure, information, planning and control mechanism and job design, etc.

#### **Evaluation of System Approach:**

The systems approach assists in studying the functions of complex organisations and has been utilized as the base for the new kinds of organisations like project management organisation. It is possible to bring out the inter-relations in various functions like planning, organising, directing and controlling. This approach has an edge over the other approaches because it is very close to reality.

This approach is called abstract and vague. It cannot be easily applied to large and complex organisations. Moreover, it does not provide any tool and technique for managers.

**Important Elements of Contingency Theory:**

- (a) Managerial actions are contingent on certain actions outside the system or sub-system as the case may be.
- (b) Organisational efforts should be based on the behaviour of actions outside the system so that the organisation gets smoothly integrated with the environment.
- (c) Managerial actions and organisational design must be appropriate to the given situation. A particular action is valid only under certain conditions. There is no one best approach to management. It varies from situation to situation.

**Implications of Contingency Approach:**

According to the contingency approach, there are no plans, organisation structures, leadership styles, or controls that will fit all situations. There are few, if any, universal truths, concepts, and principles that can be applied under all conditions. Instead, every management situation must be approached with the ‘it all depends’ attitude.

Managers must find different ways that fit different situations. They must continually address themselves with the question- which method will work best here? For example, in order to improve productivity, classical theorist may prescribe work simplification and additional incentives; the behavioural scientist may recommend job enrichment and democratic participation of the employees in the decision-making process.

Instead, a manager trained in the contingency approach may offer a solution that is responsive to the characteristics of the total situation being faced. Organisations characterised by limited resources, unskilled labour force, limited training opportunities, limited products offered to local markets— work simplification would be the ideal solution. Job enrichment programme would work better if the organisation employs skilled labour force. Managerial action, thus, depends upon circumstances within a given situation. No one best approach will work in all situations. Applying a contingency/situational approach requires that managers diagnose a given situation and adapt to meet the conditions present.

**Evaluation:**

The contingency approach is a useful instructional device in the sense that it compels us to be aware of the complexity in every situation and forces us to take an active and dynamic role in trying to determine that would work best in each case. Combining the mechanistic (Taylor) and humanistic approaches (Mayo) the contingency theory suggests that different conditions and situations require the application of different management techniques. It helps in fitting the classical and behavioural theories in a proper framework. It is an improvement over the systems theory in the sense that it only examines the relationships between sub-systems of a specific organisation in a given environment, but also offers solutions to particular organisational problems.

The systems approach takes a general view of organisational variables, i.e., technical, social, personal, structural and external variables. The contingency theory, on the other hand, is concerned

with achieving a 'fit' between organisation and its environment. Practising managers, however, seem to find this theory tenuous because it does not provide any specific set of principles to use.

### **Systems vs. Contingency Theory:**

#### **Systems Theory:**

- (1) Organisation-environment relationship not explained clearly.
- (2) Takes a general view of organizational variables (technical, social, personal, structural, external)
- (3) Considers all organisations to be similar.
- (4) Vague and complex.
- (5) Emphasises the synergistic effect of organisations and recognises the external inputs.
- (6) Merely outlines interdependencies among systems and sub-systems.

#### **Contingency Theory:**

- (1) Spells out the relationship of organisation to its environment clearly.
- (2) Takes a specific view of how the organisation adjusts to its environmental demands. Mainly concerned with structural adaptations of organisation to its task environment.
- (3) Each organisation is unique.
- (4) More pragmatic and action-oriented.
- (5) Relates environments to specific organisation structure and design. It integrates theory with practise in a systems framework.
- (6) Tries to identify nature of inter-dependencies between various parts of an organisation, and their impact on various other things.

## **CONTINGENCY APPROACH TO MANAGEMENT**

It was found that behavioural approaches worked in some situation, but not in all. The same was true for quantitative approaches. Neither of these approaches could claim universal applications in the real world situations. This was more apparent since 1970. Many management experts now believe that a systems-based theory could solve the quantitative/behaviour dilemma. Open and adaptable systems approach is called Contingency Approach. A business organisation is now regarded as an open and adaptive system which alone can cope with the increasing complexity and changing environmental influences. Contingency or situational approach seems better suited to lead management out of the present management theory jungle.

#### **Contingency Theory:**

Systems approach emphasizes that all subsystems of an organisation along with the suprasystem of environment are interconnected and interrelated. Contingency approach analyses and understands these interrelationships so that managerial actions can be adjusted to demands of specific situations or circumstances.

Thus contingency approach enables us to evolve practical answers to the problems demanding solutions. Organisation design and managerial actions most appropriate to specific situations will have to be adopted in order to achieve best possible result under the given situation. The performance of each managerial functions is closely connected to an analysis of the total situation.



For instance appropriate rewards leading to high productivity must be based on the analysis of the situation. Similarly effective leadership style is expected to match a given set of circumstances. Effective motivation and leadership are the best examples of the contingency approach to management. Management variables such as management process, organisation structure, organisational behaviour, management style, management control are dependent variables. All environmental variables are independent variables.

Hence, we cannot have universal principles of organisation and management appropriate to all situations-and in all environments. In other words, there is no one best way (as advocated by Taylorism) to organise and manage. Decentralisation as well as centralisation can work under a given set of situations. Even bureaucracy can work under certain circumstances and it has not totally outlived its utility.

Similarly, democratic or participative managerial style may not be fit in certain situations and we may have to adopt tight control under certain circumstances. Leadership style to be adopted always depends on the situation and not merely on leadership qualities and characteristics of the followers. Motivation through financial incentives can work wonder if the environment is favourable. We cannot say that non-financial incentives can work in any situation or environment.

In short, 'it all depends' on a number of interrelated internal and external variable factors. If the condition is A, the action X may be considered most effective. However, if the condition is B, then Action Y should be used. Contingency approach should be a realistic view in management and organisation.

Thus, patterns of management and organisation operating in matured economies may not deliver rich dividend when adopted in developing countries like India. They will need reorientation in the light of 'local circumstances and peculiar local factors. Wholesale import of Western philosophy and practice of management is not welcome. Management in India should learn this simple truth.

### **The Systems Approach in the Future:**

#### **Open Man-machine System:**

Organisations are open, dynamic, man-machine (socio-technological) systems. They are constantly interacting with their environment. Business organisations will use systems approach more and more to co-ordinate and integrate their operations, if they are to survive in a dynamic environment.

#### **Man and Environment:**

Systems approach recognises close interrelations between man, his organisation and his environment. Man is just a subsystem of the universe and his actions may have adverse effects on his environment, e.g., problem of pollution and deterioration of natural environment.

#### **Social Costs:**

We used to think in terms of closed and static systems. We looked at limited and partial views of inputs and outputs of our systems. For example, in business we have used profit as an indicator of economic efficiency of the organisation. We have failed to recognise that many costs, e.g., pollution,

employee dissatisfaction, consumer disappointment, social frustrations, are social costs which are not accounted in our balance sheet and profit-and-loss accounts.

The open-systems approach gives us better model to deal with our environmental relationships. It provides a better way to evaluate organisational and social performance. National social indicators and a programme of social accounting and auditing will be developed.

**Flexible and Generalised Management:**

Manager will be a supergeneralist. He will be a problem-solver and not merely a specialist.

Managerial task will be to integrate diverse specialists, professionals, and scientists into an effective organisation. We will have a flexible managerial system to meet easily changes in environment.

Innovation and creativity will be given special emphasis by managers.

**Situational Approach:**

Systems approach provides a basic frame of reference for the new situational or contingency view of management. Management cannot have ready-made universally applicable and patent principles to be applied in all situations as everlasting truths.

Modern management will have to recognise the nature of technology, the variations in human participants, and the wide diversity in environmental relationships. Management of each organisation will be somewhat unique. All managerial actions will depend upon particular prevailing circumstances and-situational factors.

Management will have to adapt continuously in a changing environment. Systems approach as a way of thinking will become more popular in the managerial process, i.e., in performing primary functions of planning, organising, leading and controlling operations. Organisation structures will be designed not around functional specialisation but around projects and information decision systems in future.

**A mechanistic or bureaucratic approach to management is appropriate when:**

- (1) Environment is unchanging,
- (2) Emphasis is on efficiency,
- (3) Emphasis is on routine jobs, many rules and procedures.

**An organic or behavioural managerial approach is preferred when:**

- (1) We have fast changing environment,
- (2) We want flexibility,
- (3) Emphasis is on less specialised jobs, fewer rules, procedures, etc. and
- (4) Employees can exercise self-control and self-discipline.

**RATIONAL MODEL:**

Rational model, also known as rational system model, is based on classical theory of management, particularly scientific management and bureaucracy.

Features:

**Organisational Rationality:** Rational model emphasises rationality of behaviour of people in the organisation. This rationality should lie in the organisation and not in people. As people can be irrational, it is better to make the organisation as a system rational. An attempt to make people rational may fail because human nature resists change. On the other hand, organisation can be systematized by role prescription, official rules and regulations and control procedures.

**Impersonal Relationships:** Rational model emphasises impersonal relationships in organisational processes. The concept of impersonal relationships means that hierarchical relations in the organisation are free from personal involvement. Such relationships are needed in dealing with both organisational members and outsiders. Because of these impersonal relationships, people act without hatred or passion which brings rationality in their behaviour as well as in organisational processes.

**Reward and Punishment based on Role Boundaries:** Rational model legalizes reward and punishment for people by demarcating their role boundaries. For example, in the case of scientific management, differential piece-rate system, and in the case of bureaucracy, obedience to authority and regulations has built-in system of reward and punishment. Thus, the amount or work, skills in specific functions, role expectations not only indicate what a person should do but also point out what will happen he does not do it. **Formulation:** Every organisational process is carried on the basis of formalization. Formalisation implies that organisational positions in the organisation are important, not who occupy those positions. There is no place of informalisation in this model. This implies that in the case of change of organisational members because of any reason, organisational processes will not be affected: they will have continuity. **Organisational Hierarchy:** Hierarchy is a system of ranking positions along a descending scale from top to bottom in the organisation. In the organisation, offices follow the principle of hierarchy, that is, each lower office is under the control and supervision of the next higher office. Similarly, a person at the lower level is subject to control and supervision by his superior. Thus, no office or person is left uncontrolled. Organisational hierarchy serves as a line of communication and delegation of authority. Those who are at a higher level in the hierarchy enjoy more authority than those who are at the lower level.

**Suitability of Rational Model:** Rational model of managing human resources is perceived to be suitable because of the following reasons: There is fair amount of rationality in human behaviour in the organisation because of strict rules and regulations. These rules and regulations define boundaries of every role. There is emphasis on specialization of work and rigid departmentation. With the result, employees become efficient in their work and organisational productivity improves. Because of the above factors, rational model is followed to a very great extent in government departments, public sector organisations, etc.

**Inadequacy of Rational Model:** Though certain assumptions about efficiency in rational model have been made, these assumptions are mostly theoretical. In actual practice, these assumptions do not work. With the result, organisational efficiency does not remain to be high as it is perceived to be. This happens because of inadequacy of rational model. Inadequacy in rational model exists because of the following reasons: Rational model treats an organisation as a machine in which individuals are fitted like parts. The basic assumption behind this kind of fitting is that people are devoid of feelings and attitudes at the workplace. This assumption is contrary to human nature. Human beings have feelings and attitudes which affect their behaviour including their work behaviour. Because of lack of appreciation of

this feature, organisations practicing rational model do not achieve efficiency. Specialisation generates efficiency is true but it may be true to the operative level only. At other levels of the organisation, individuals are involved in decision-making process and a decision is made and implemented after considering a number of variables. Understanding of these variables requires the working of various departments of the organisation as well as external factors. Thus, individuals have to develop multiskills while rational model emphasises development of a specific skill. With the result, rational model has very limited scope in the present age of multiskilling. Throughout the world, there is emphasis on employee involvement, employee participation, employee empowerment, and creation of quality of work life based on basic human nature. In this scenario, more emphasis is being put on non-financial incentives but rational model puts emphasis on financial incentives. While non-financial incentives have paid rich dividend, financial incentives have failed to do so. The above discussion shows that rational model has very limited role to play in the present business environment. With the result, even those organisations which have orientation towards rational model in managing their human resources tend to modify some of its prescriptions and replace these with the prescriptions of other models.

#### SOCIAL SYSTEM MODEL

Social system model, also known as human relations model, of managing human resources is based on human relations approach emerging primarily from Hawthorne Experiments and contributions made by various behavioral scientists. Features: The basic features of social system model are as follows:

**Social Factors in Output:** Social system model treats an organisation as a social system. Therefore, social factors operating at the workplace affect employee work behaviour; it is not merely affected by rules and regulations prescribed by the organisation as envisaged by the rational model. People are socio-psychological beings having feelings and emotions; they are not merely physical beings. Therefore, their output will be higher if the work environment is conducive for satisfying their social needs.

**Informal Relationships:** An organisation works on the basis of both formal and informal relationships and not merely on formal relationships. While formal relationships emerge out of organisational prescriptions through rules, regulations, and other modes, informal relationships emerge because of the social interaction of employees at the workplace as well as outside it. These social relationships affect pattern of authority, communication, and leadership processes. With the result, formal authority structure, formal communication lines, and formal leadership processes work differently from what have been prescribed by the organisation. In such a situation, the organisation can be more effective by managing informal relationships effectively.

**Conflict:** Social system asserts that organisations are designed in such a way that conflict is inherent in their working. Conflict arises in an organisation because it has different groups of people, and each group tends to perceive its goals differently. Thus, owner may perceive that their goals are different from employees'; managers may perceive that their goals are different from workers', and so on. Since conflict in the organisation is inherent, its effectiveness depends on the degree to which goals of various groups of people are integrated.

**Suitability of Social System Model:** Social system model of managing human resources offers improvement over traditional rational model. Because of the following reasons, this model is more suitable: Social system model takes humanistic approach in managing human resources. Human

beings are treated as human beings in organisations and the model offers precepts for satisfying socio-psychological needs of people at the workplace. The model suggests that employee productivity can be increased by— offering non-financial benefits which do not involve much cost on the organisation but its productivity increases substantially. The model is prescriptive in nature describing what the organisation— is and how it works as against rational model which is normative in nature and prescribes what the organisation should be and how it should work. Because of its prescriptive nature, social system model offers insights for adopting human resource management practices. Inadequacy of Social System Model: In spite of the various insights offered by social system model for managing human resources, it is not free from certain limitations. Because of these limitations, certain inadequacies can be identified in this model which is as follows: Social system model does not present integrated approach for— managing human resources, in that it does not take into account the external variables affecting human resource management practices. As we shall see in the next chapter, there are various environmental influences on HRM practices. If these influences are not taken into account, HRM practices may not be that effective. The model emphasises human beings in organisations but it does not— take human resource as a strategic resource on which organisations Chapter-I Introductory 39 can create and sustain their competitive advantage. In the present competitive global business environment, creating and sustaining competitive advantage is the prime concern for all forwards-looking organisations. In spite of the above inadequacies, the social system model offers insights for HRM practices at least for those organisations which operate in lesser competitive pressures.

**HUMAN RESOURCE DEVELOPMENT MODEL** Human resource development model, also known as human resource management model, derives its insights from systems and contingency approach, behavioural science, and contemporary human resource management practices.

**Features:** The main features of HRD model of managing human resources are as follows:

**Organisation as Open System:** HRD model treats an organisation as— an open system. Thus, the organisation interacts continuously with its environment. In this interaction process, the organisation is affected by its environment though, to some extent, it can affect its environment. Because of organisation-environment interaction, no organisation is free to choose its own practices, including HRM practices. These practices have to be aligned with environmental needs. To the extent, an organisation meets these environmental needs, it is effective.

**Human Resource as Strategic Resource:** HRD model treats human— resource as strategic resource of the organisation. A strategic resource is one which is used to create and sustain competitive advantage. Competitive advantage exists when there is a match between the Chapter-I Introductory 40 distinctive competencies of an organisation and the factors critical for success within its industry that permits the organisation to outperform the competitors. Human resource can be used as a means for creating competitive advantage which may be in the form of lower cost of production, development of products/services for special needs, special means for marketing, and so on. This can be done only when human resource is treated as strategic resource and is managed that way.

**Complex Nature of Human Beings:** Human nature is quite complex,— and managing human beings based on simplistic models is like avoiding reality. Therefore, understanding the complexity of human beings is important. Complexity in human beings can be appreciated in two forms. First,

there are many variables which affect human behaviour. These variables are quite unpredictable. Second, a particular behaviour of human beings cannot be said to be occurring as a response to a particular variable. Thus, there is lack of establishing cause-effect relationship. Even if cause-effect relationship is established, it is not necessary that all human beings will behave in the same way. Therefore, HRM practices cannot be adopted on universal basis but these have to be situation-specific. Suitability of Human Resource Development Model HRD model of managing human resources is of recent origin and is considered superior to other models because of the following reasons: HRD model of managing human resources takes into account various factors which influence HRM practices both at macro level and micro level. This model is more in tune with reality of human nature which is complex. In other models, complexity of human nature has not been given adequate consideration. Chapter-I Introductory 41 The model is based on contemporary HRM practices. Therefore, it presents practical approach for managing human resources. Inadequacy of Human Resource Development Model In spite of suggesting most appropriate HRM practices, HRD model is not free from inadequacies which are as follows: HRD model is complex one as it suggests consideration of contextual variables in adopting HRM practices. Since these variables, themselves, are quite complex, understanding of these variables requires high-level of analytical skills in HR professionals. Every organisation may not attain the level of sophistication in which HRD model can be applied. HRD model requires high-level professionalisation in organisations. If organisations are not up to this level, application of HRD model, particularly people-sensitive issues, may produce adverse results.

#### HRM MODEL FOR INDIA

The five approaches for the purpose of evaluation: (i) comparative approach, (ii) outside authority approach, (iii) statistical approach, (iv) compliance approach and (v) management by objectives (MBO) approach. It may be stated that irrespective of the approach, the data for assessment are provided by HR research. In the comparative approach the auditors identify another company as the model. The results of their organization are compared with those of the model company. Often, the auditors use standards set by an outside consultant as benchmark for comparison of own results. This approach is called the outside authority approach. The third approach is the statistical approach. Here, statistical measures of performance are developed based on the company's existing information. Examples of such measures are absenteeism and turnover rates. These data help auditors assess the performance. In the compliance approach, auditors review past actions to determine if those activities comply with legal requirements and company policies and procedures. Process of HR Audit Figure shows the HR audit process. The audit covers four areas, and, to do so, one or more strategies are adopted. The audit is conducted with the help of data provided by HR research. The audit report provides feed-back to the HR deptt.

Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees. HRM is often referred to simply as human resources (HR). A company or organization's HR department is usually responsible for creating, putting into effect and overseeing policies governing workers and the relationship of the organization with its employees.

The term human resources was first used in the early 1900s, and then more widely in the 1960s, to describe the people who work for the organization, in aggregate.

HRM is really employee management with an emphasis on those employees as assets of the business. In this context, employees are sometimes referred to as human capital. As with other business assets, the goal is to make effective use of employees, reducing risk and maximizing return on investment ([ROI](#))

### **System Approach**

It is inter-related set of elements function as a whole is called system or system is a combination of different components or parts for being a complex organ. An organization is a system where as HRM is a sub-system. If HRM is taken a system other components that come under HRM are elements or sub-systems of HRM system. HRM system is a system which transforms employees into productive human resources. The input components are transformed into refined output throughout managerial process. Various sub-systems like; employment, training and development, compensation, maintenance, personnel resources are activated in HRM system. HRM system should adopt environmental changes like; political, economical, socio-cultural , and technological goal. HRM system is the open system that consists of input, processing/transformation and output relationship

#### **INPUT:**

It is used as primary resources for organizational output.

##### a. Human Resource:

It is active means of production. It is mobilized from one job to another.

##### b. Non-human resource:

It consists human resources to achieve goal. Machines, capital, market, information building etc are the non- human resources.

Both the resources are utilized to achieve the goal through different managerial process.

#### **PROCESS/TRANSFORMATION:**

Inputs are processed level achieve the desired level of output. It is a mechanism on which input components are transformed into output.

##### a. Acquisition:

Recruitment, selection and placement of people in the organization. It ensures right number of people at the right place at right time. Recruitment generates potential candidates, selection chooses the best candidates and placement or socialization makes these selected candidates familiar with organizational rules and regulations.

##### b. Development:

\*Employee training: It is given to the lower and middle level employees for the development of their skill, knowledge and ability to work.

\*Management development: It is educational and other academic activities provided to top level managers to develop their future potentials.

c. Motivation:

It inspires people for better performance evaluation, reward and punishment, compensation management, discipline, etc.

d. Maintenance:

It is a process of retaining the employees for the longer period of time. It is the keeping those people having better performance retention of competent or capable employees in the organization is maintenance. It consist of labor relation and employee welfare.

**OUTPUT:**

It is the final product or service which is produced through managerial function by using inputs.

Output components are ;

a. Quality of work life:

It refers to good relationship among employees and total working environment. Each and every members are able to satisfy the needs of the organization through transformation process. It makes employees participate in organization process actively and efficiently. It consists of autonomy, recognition, belonging process and development and external rewards.

b. Productivity:

It is the ratio of input and output how much and how will the amount of work is being produced. Productivity can be increased y capital investment, innovation, learning and motivation to introduce new technologies. Efficient relationship between input and output is productivity i.e. higher productivity means less cost of production and vice-versa.

c. Readiness to change:

Ability to adjust in dynamic environment HRM system ensures that the employees can tackle the change that occurs i the organizational environment. Everyone is prepared for any sort of changes according the work life. Employees should be competitive.

d. Employee satisfaction:

It belongs to employees attitude towards the job and desire of commitment. Employees will show additional performance if they are satisfied with the pay and other are satisfied with the pay and other benefits provided with.

**Contingency Approach**

The contingency approach is a management theory that suggests the most appropriate style of management is dependent on the context of the situation and that adopting a single, rigid style is inefficient in the long term. Contingency managers typically pay attention to both the situation and their own styles and make efforts to ensure both interact efficiently.

The contingency approach contrasts with other forms of leadership, such as trait-based management, whereby personality and individual make-up predict patterns of management and responses to given situations over time. Another management approach is style-based app

Contingency theory is beneficial to organisations because of the potential for learning from specific situations and using these lessons to influence future management of the same or similar situations. The ability to adapt to external pressures and changes is also an advantage. Contingency theory may also produce more well-rounded leaders who are able to develop their skills in multiple areas.

**Development of HUMAN RESOURCE in india**

HRD programmes create a team of well-trained, efficient and capable managers—



## HUMAN RESOURCE •

**DEFINITION:** Human resource management is concerned with practices involved in the acquisition, development, motivation and maintenance of the employee or people. Human resource development (HRD) means to develop available manpower through suitable methods such as training, promotions, transfers and opportunities for career development. & subordinates.

**INTRODUCTION •** The term “Human resource management” has been commonly used for about the last ten to fifteen years. Prior to that, the field was generally known as “Personnel administration”.

**ORIGIN OF HR •** Its origin is dated back to 1800 B.C., when wage and incentive plans were included in the Babylonian code of Hammurabi. • The world’s first management book, titled “Arthashastra” written by Kautilya, during Chaldeans in 400 B.C., codified many aspects of human resource practices in Ancient India.

**EARLY PHASE •** HRM in India could be traced back in the period after 1920, when emphasis was on worker welfare. • In 1931, the royal commission on labour suggested the appointment of labour officer to protect workers interests Keep some form of attendance and personnel records. → Handle recruitment and termination → Prevent their information of and break-up the leadership of trade unionism →

Maintain discipline → **FIRST PHASE •** Immediately after independence the focus was on four reasons: Industrial harmony • In this period, the human relations movement of the west also had its impact on Indian organizations → Participative management → Labour welfare → **SECOND PHASE •** In 1960s, Indian industrialization got a fillip with the rise of the public sector. Hence 3 more functions were added Establishment officers

**THIRD PHASE •** In 1970, the people management function was neatly divided into two: Information system → Training and development → Industrial relations → Focus on organisation objectives

**FOURTH PHASE •** In 1976, birth of worker training institute and attitudinal development.

**FIFTH PHASE •** In 1985, organisation shifted towards making HR department separately • HRD and personnel function were clubbed together → Personnel officers →

**SIXTH PHASE •** Early 1990s: It became the part of corporate strategy formulation and strategy implementation team → HRM was not a selective management anymore →

**SEVENTH PHASE •** In the mid of 1990s, sub specifications like: → Motivation and stress were considered to bring change in HRM → HRM was seen as strategy .

**EIGHTH PHASE •** In 1999: 1920 – 1990s

**HISTORY ABOUT THE TERM HR •** History and origin of HR is not very old • The term came into use only in the early seventies. • According to Prof. Len Nadler, the term HRD was first applied in 1968 in the George Washington University. • In 1969, it was used in Miami at the American society or training and development conference. • But by the middle of 1970’s it was gaining more acceptance.

**HISTORY ABOUT THE TERM HR IN INDIA •** In India, Larsen and Toubro limited was the first company to design and implement the HRD concept in 1975 among the private sector companies with an objective of facilitating growth of employees, especially people at the lower levels. • In public sector government company, it was BHEL which introduced this concept in 1980. • The development of human resources in UK and USA was largely voluntary. • But in India, it emerged because of governmental interventions and compulsions. it focuses the developmental aspects of human resources with a pragmatic and a flexible approach.

## EVOLUTION OF HRD IN CHRONOLOGICAL SEQUENCE

1) **THE COMMODITY CONCEPT :** Human resource was referred as ‘a commodity’ to be bought and sold. Wages were decided on the basis of demand and supply forces. Government also did not care much about the work force at that time

2) THE FACTOR OF PRODUCTION CONCEPT : Labour is treated as any other factor of production, money, material, land, etc.

3) THE GOODWILL CONCEPT : Welfare measures like safety, first aid, lunch room, rest room, etc. these measures proved to be a source of boosting up the morale of workers, and enhancing their performance

4) THE PATERNALISTIC CONCEPT: Management must assume a fatherly and protective attitude towards employees. Paternalism does not mean merely providing benefits but it signifies to satisfy various needs of employees just as parents meet the requirements of the children.

5) THE HUMANITARIAN CONCEPT : To improve the productivity, physical, social and psychological needs of workers must be fulfilled.

6) THE HUMAN RESOURCE CONCEPT: Employees are the most valuable assets of an organisation. There should be a conscious effort to realize organizational goals by satisfying needs and aspirations of employees

7) THE EMERGING CONCEPT: HRD Employees should be accepted as partners in the progress of a company. They should have a feeling that the organisation is their own. To this end, managers must offer better quality of working life and provide opportunities to people to exploit their potential fully.

There should be opportunities for self fulfilment in one's work. The focus should be on

#### ISSUES IN HR FUNCTIONS OF ORGANISATIONS FROM 1920 – 1970S

- Inadequate training and inappropriate selection of employees
- Poor working environment for workers
- Poor moral and lack of involvement of workers in the management decision making process
- Irrelevant job description of employees
- Employees turnover
- Inadequate evaluation of the skills and level of performance of workers
- Poor work ethic amongst public sector employees

#### LATE ARRIVAL OF HRM IN INDIA

- Late arrival of factory system
- Low status of industrial worker
- Professionalization of human resource management
- Social responsibilities of business
- Change of government attitude

(these problems in HR functions are not found in all organisations, because of good HR development or good manager with managerial skills)

#### PROBLEMS WITH CURRENT HR PRACTICES IN INDIA

- Low motivation
- Recommendations
- No performance appraisal
- Promotion based on seniority
- No proper training corrupt practices followed
- Caste biased
- Poor decision making
- Poor objectives

#### FACTORS AFFECTING THE ROLE OF HRM

- Globalization
- Technological advances
- Workforce diversity
- Change in political and legal environment
- Change in economic environment
- Ethics

#### IMPORTANCE OF HR DEVELOPMENT IN INDIA

- GROWTH OF ORGANISATION: It is associated with the development of its workplace
- DEVELOPMENT OF WORK CULTURE: Improving the efficiency of employees, better communication, development of mutual cooperation and creativity of all members.
- DEVELOPING POTENTIALITIES: HR manager focuses on enabling people to self-actualize through a systemic approach leading to development of their talents
- GROWTH OF EMPLOYEES: Helps employees to know their strengths and weaknesses and enable them to improve their performance.

**Study Material : Human Resource Management – Dr. Radha**