CHAPTER ONE
INTRODUCTION & HUMAN RESOURCE MANAGEMENT
– AN OVERVIEW

1.1 Introduction:

Human Resource Management (HRM) is a strategic function that helps the managers to recruit, select, train and develop the employees for an organization. It is concerned with a set of functions, programmes, practices and activities designed and carried out for the effective management of human resources (Employees) and continual improvement in the performance of both the employees and the organization as well.

The scope of HRM covers the various functions such as –

i. HR planning

ii. Job analysis, job enlargement and job evaluation

iii. Recruitment and selection

iv. Placement and induction

v. Training and development

vi. Promotions and transfers

vii. Career planning & career development

viii. Wage and salary administration

ix. Fringe benefits and services

x. Performance appraisal

xi. Health and safety

xii. Leadership, motivation and communication

This chapter covers the theoretical background of the subject and contains the important areas and recent trends in HRM.

1.2 Research Background:

In the context of liberalization, privatization and globalization, the organizations are always in the search of right people and make sincere efforts to make them more competent, qualified, devoted and committed. In order to make the employees more efficient and productive, the organizations develop and implement the following best practices so as to have high performance of the employees and organizations as whole –

a. Safe, happy and healthy workplace;
b. Open and participative management;
c. 360 degree performance management system;
d. Fair evaluation systems;
e. Knowledge sharing activities;
f. Highlighting the top performers and displaying their profiles on company intranet and display boards;
g. Open house discussions, employees management meets and suggestion boxes;
h. Work recognition and reward ceremonies;
i. Surprise factor - In this practice, a gift or a well done certificate is offered not only to the top performers but to the others also surprisingly as a motivational tool.\(^1\)

Today, the approach of the industries has become positive towards the employees and hence, industrial units are prepared to develop and implement the best practices not only to improve the performance of employees but to retain them for longer period also. In addition to the above mentioned best practices in HRM, the organizations develop many other best practices to boost up the morale of employees like –

i. Organization of seminars, workshops, conferences and experts lectures;
ii. Library facility;
iii. Gym, Yoga & meditation centre;
iv. Health care centre;
v. Sports and cultural activities;
vi. Organization of get-together of employees and their family members;
vii. Career guidance lectures for employees wards;
viii. Performance based incentive schemes etc.

All these best practices motivate the employees to contribute in the enhancement of organizational performance by their higher performance. An introduction of best practices in the HR Management has become need of the time in this competitive world.

This study is related to the best practices in HRM and their impact on employees and organizational performance with special reference to selected large scale manufacturing industries in Nashik.

\(^1\)\text{www.empxtrack.com}
1.3 **Historical Background of Human Resource Management:**

The concept of Personnel Management came into existence by the end of 19th century. It was concerned with the employment, health measures and crèches for the women employees’ children. In the beginning the focus of personnel management was on the welfare aspects of the labors in the factories. The officers who used to perform the welfare tasks, they were called as ‘Welfare Officers’. The welfare activities were carried out by the women at that time. Many organizations were developed fastly and brought lot of changes in the needs and requirements of operations and working patterns during 1914 to 1940 and the tasks done by the women became complex. Hence, these tasks were shifted to men because of the complex nature after the development. The officers were called as ‘Labor Managers’.

After the Second World War during 1945 to 1980s, the personnel management’s approach was shifted to administration and legislation covering a wider range of services like salary administration, training and advice on industrial relations, but the main focus was on the tactical rather than the strategic level. The growth in the number of employees and organizational size were responsible for necessary changes in personnel management systems and practices. At late 1970s, the economies of the world changed gradually and the industries started to consider the labors as the most valuable resource of the organization. The scientific management, industrial welfare and human relations approach are responsible for the origin of Human Resource Management.

In the decade of 1980 the concept of ‘Human Resource Management’ was introduced and ‘Human Resource Management’ & ‘Human Resources’ have greatly replaced the term ‘Personnel Management’. Basically, HRM is a strategic approach towards the management of employees in the organizations, who are individually and collectively committed to contribute in the attainment of organizational goals and objectives.

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2. [http://mgmtys.blogspot.in/2010/10](http://mgmtys.blogspot.in/2010/10)
HRM considers the employees as an important asset of the organization and incurs the various expenditures on their development. These expenditures are considered as an investment whereas these expenditures were considered as the costs in personnel management. It has given the broader perspective to the workforce management in the organizations.

HRM is evolving rapidly. It is both an academic theory and a business practice that adopts the strategies and techniques of managing a workforce dynamically. HRM has its roots in the late and early 1900s, when workers' jobs became less labor oriented and more technology intensive. It has shown growth gradually in decade of 1990. Finally the tasks and operations of personnel management were shifted to the Human Resource Management and it is functioning now in a better way in the organizations than Personnel Management.

1.4 Human Resource Management – An Overview:
Definitions:
1) “HRM is concerned with the people who work in the organization. It concerns with acquisition of appropriate human resources, developing their skills and competencies, motivating them for best performance and ensuring their continued commitment to the organization to achieve organizational objectives.”

2) According to Pulapa Subba Rao, “HRM is managing (planning, organizing, directing and controlling) the functions of employing, developing and compensating human resources resulting in creating and developing human relations and utilization of human resources with a view to contribute proportionately (due to them) to the organizational, individual and social goals.”


**Objectives of HRM:**

1) To create, motivate and utilize competent workforce in the attainment of organizational goals and objectives.

2) To develop and maintain sound organizational culture and healthy relationships among all the employees.

3) To provide opportunities and facilities to the employees for their individual group development so as to enable them for organizational growth and development.

4) To ensure retention of competent employees by providing adequate and equitable wage, incentives, employee benefits, services and social security measures.

5) To maintain high employee morale by creating work environment of trust and caring and encouraging value system.

6) To provide opportunities for training and development, challenging work, recognition, communication expression and participation.

7) To create favorable atmosphere for maintaining stability of employment and provide facilities, reasonable working conditions and efficient leadership.

8) To contribute in the minimization of unemployment, under employment, inequalities in the distribution of income and wealth and to provide employment opportunities to the women and disadvantaged section of the society.

**Functions of HRM:**

The functions of HRM are broadly classified into two groups, namely –

(1) Managerial functions and (2) Operative functions.

1) **Managerial Functions:**

Managerial functions enable the organization in performing operative functions. These functions are explained as under –

i) **Planning:**

Planning is determination of HR policies, programmes, practices and changes in advance in respect to HR requirements, recruitment, selection, training and development.
ii) Organizing:

In the words of Louis A. Allen, “Organization is the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively to accomplish objectives of an industrial organization. Simply stated, organization is the systematic arrangement of people working together towards a common purpose”.

iii) Directing:

After the planning and organizing, the plans, policies and programmes need to be executed for the attainment of organizational goals and objectives. This is possible through proper direction. The basic activities of HRM such as – motivating, commanding, leading and activating people are carried out in direction.

iv) Controlling:

Controlling involves checking, verifying and comparing of the actual results with the plans and standards set, identification of deviations, if any, and correcting of identified deviations e.g. Evaluation of training programmes, auditing of performance appraised records, performance appraisals etc.

2) Operative Functions:

The operative functions of HRM are explained as under –

1) Employment:

Employment is concerned with securing and employing right people for right work at right time or the attainment of organizational goals and objectives. It covers the functions viz. job analysis, HR planning, recruitment, selection, placement, induction and internal mobility.

   (i) Job Analysis:

   Job analysis is a detailed and systematic collection and study of information relating to the operations and responsibilities of a specific job. It includes -
   a) Identification of a job
   b) Collection of information relating to the tasks, duties, responsibilities and working conditions of the job.
   c) Preparation of job description, job specification and employee specification required for successful performance of the job.
(ii) **Human Resources Planning:**

According to Leon C. Megginson, “Human resource planning is an integrated approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organizational objectives and individual needs of organizational members.”\(^5\) It consists- 1) Forecasting of manpower requirement, 2) Assessment of present manpower and (3) Planning of staffing programmes.

(iii) **Recruitment:**

Prof. Edwin B. Flippo defines the recruitment as, “The process of searching for prospective employees and stimulating them to apply for jobs in the organization.”\(^6\) It includes – (a) Identification of existing sources of recruitment (b) Development of new sources of applicants (c) Stimulating the competent candidates to apply for jobs in the organization (d) Keeping a balance between internal and external sources of recruitment.

(iv) **Selection:**

The selection is the process of choosing most appropriate candidates out of the total candidates applied and offering them jobs.

(v) **Placement:**

“It is the determination of the job to which an accepted candidate is to be assigned. It is matching of employee specifications with job requirements”. A proper placement of employees reduces absenteeism, employee turnover and accidents rate and boosts up the morale of employees.

(vi) **Induction and Orientation:**

Induction or Orientation is a welcoming process. It a technique by which a new employee is rehabilitated into the new surrounding and introduced to the

practices, policies and purposes of the organization. Orientation Programme is organized to –

a) Acquaint the employees with the company history, philosophy, policies, objectives, products or services, plans and facilities, organizational structure, market share, culture etc.

b) Introduce the employees to the people with whom they have to work either as peers, supervisors or subordinates.

c) Shape the employee attitude by orienting him to the new working atmosphere.

2) Human Resources Development:

According to Pulapa Subba Rao, “HRM from the organizational point of view is a process in which the employees of an organization are motivated to acquire and develop technical, managerial and behavioral knowledge, skills and abilities and improve the mould the values, beliefs and attitudes necessary to perform present and future roles by realizing the highest human potential with a view to contribute positively to the organizational, group, individual and social goals.”

i) Performance Appraisal:

According to Cummings, “the overall objective of performance appraisal is to efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions.”

ii) Training:

Training is a process of imparting knowledge and skills to the employees. Training is a short term process by which non-managerial personnel is inculcated the


technical knowledge and skills for definite purpose whereas development is a long term process by which managerial personnel is imparted conceptual and theoretical knowledge and learning experiences.

iii) Management Development:

Management development is a systematic process of improving the performance of managers by developing their knowledge and managerial skills. It includes –

a) Identification of the areas in which management development is required
b) Conducting development programmes
c) Designing special development programme for promotions
d) Involvement of the experts and using their specialized services
e) Evaluation of development programme

iv) Career Planning and Development:

Career Planning is the determination of action plan and its effective implementation by the ways of – education, training, finding of job opportunity and getting work experience. Career development system helps to match individual career aspirations with organizational manpower requirements. It includes internal and external mobility.

Internal mobility: It is a vertical and horizontal movement of an employee within an organization. It comprises – transfer, promotion and demotion.

Transfer: According to Yoder and associates, “Transfer is a lateral shift causing movement of employees from one position to another without involving any marked change in duties, responsibilities, skills needed or compensation.”

Promotion: Promotion is an upward advancement of an employee to a job which usually involves greater responsibilities, higher pay, better terms and conditions and therefore, it has a higher status or rank.

Demotion: Demotion has been defined as, “The assignment of an employee to a job of lower rank and pay usually involving lower level of duty and

It is a punitive measure when there is serious misconduct by the employee. It is often a preliminary action to a dismissal.

v) **Organization Development:**

It is a planned activity designed to help the members of an organization to interact for the achievement of organizational goals and objectives by modifying their beliefs, attitudes, values, culture and organizational structure through the use of knowledge and new technology.

3) **Compensation:**

Compensation is a process of providing adequate, equitable and fair remuneration to the employees. It includes –

i) **Job evaluation:**

Job evaluation is defined as, “the overall activity of involving an orderly, systematic method and procedure of ranking, grading and weighting of jobs to determine the value of specific job in relation to other jobs.”

ii) **Wage and salary administration:**

Wage and salary administration is concerned with development and implementation of sound wage and salary policies and programmes to ensure that the employees are paid in a logical, equitable and fair manner.

iii) **Incentives:**

Burack and Smith say that, “An incentive scheme is a plan or programme to motivate individual or group performance. An incentive programme is most frequently built on monetary rewards (incentive pay or monetary bonus), but may also include a variety of non-monetary rewards or prizes.”

The incentives are given in addition to regular payment of wages and salary to motivate the employees for best performance.

iv) **Bonus:**

Bonus is the certain amount paid to the employees as per the statutory provisions laid down in the Payment of Bonus Act, 1965 and its latest amendments.


v) **Fringe benefits:**

The fringe benefits are offered by the employer to employees for non-working time in the form of voluntary schemes on social security to meet their life contingencies. These benefits motivate the employees and are provided not in form of wages, salary and time rated payments.

These benefits are listed as under –

a) Disablement benefit
b) Housing facilities
c) Insurance, medical, maternity and welfare facilities
d) Educational facilities to the employees and their children
e) Car facility
f) Canteen facilities and subsidized meal
g) Credit facilities
h) Legal clinic
i) Company stores
j) Management training & company scholarships

vi) **Social Security Measures:**

The management of a company provides the social security to its employees against the social evils as per the social security legislations enacted by the government. These measures include –

a) Workmen compensation to those workers or their dependents that are suffered in industrial accidents
b) Maternity benefits to women employees
c) Sickness and medical benefits
d) Disablement benefits or allowance
e) Dependent benefits
f) Medical and personal accident insurance
g) Retirement benefits in the form of provident fund, gratuity, pension etc.

4) **Human Relations:**

Human relations refer the interactions between the employees and management, trade unions and management and among the employees. Mee feels that “Human relations are the medium through which both employees and the company mutually co-operate for the maximum satisfaction of the economic, social and

psychological wants of all people having relations with an organization which has the objectives of increasing productivity.”

5) **Organizational Health, Human Resource Accounting, Audit & Research**
   a) **Organizational Health:**

   It may be reflected through the outcomes of employees contribution in the achievement of organizational goals and objectives and employee satisfaction. The result of employee job satisfaction can be audited by labour turnover, absenteeism, low morale, commitment and so on.

   b) **Human Resource Accounting, Audit and Research**

   i) **Human Resource Accounting:** It is a measurement of cost and value of human resources to the organization. The HRM is said to be effective when the contribution and value of employees is high than the costs incurred on them.

     ii) **Human Resource Audit:** It is a scrutiny, examination and evaluation of policies, programmes, practices and systems to determine the effectiveness of HRM and also to decide what should and what not should be done in future to have desired results.

     iii) **Human Resource Research:** HR research is a purposive and systematic investigation being carried out to identify, analyze the problems in development and implementation of policies, procedures, programmes and practices and suggest the solutions also.

Now, the chapter discusses about the selected functions of HRM. The scope of this research study covers the following dimensions of HRM –

A) Recruitment and selection  B) Training and development
C) Performance Appraisal  D) Rewards and recognition
E) Health and safety  F) Employee development

A) **Recruitment and Selection:**

**Recruitment:**

Yoder and others define as, “Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ
effective measures for attracting the manpower in adequate numbers to facilitate effective selection of an efficient working force.”

In short, recruitment brings the employer and employment seekers together.

**Factors Affecting Recruitment**

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**Sources of Recruitment:**

The sources of recruitment are broadly classified in to two groups as- Internal Sources and External Sources. These are listed as under -

Sources of recruitment

**Internal sources**
- Present permanent employees
- Present temporary/casual/part-time employees
- Retrenched/retired employees
- Dependants of present / deceased / disabled employees
- Employee referrals

**External sources**
- Campus recruitment
- Employment exchanges
- Private employment agencies / consultants
- Advertisement
- Professional inst.&associations
- Casual applicants
- Trade unions
- Similar organizations
- Walk-in
- Consult-in
- Head hunting
- Body shopping
- Mergers& acquisitions
- E-recruitment

Selection:

Selection is the process of choosing the most appropriate candidates from the pool of qualified candidates and giving them the jobs.

**Steps in the Scientific Selection Process:**

1. Receiving of applications/Bio-datas/CVs/Resumes
2. Preliminary Interview
3. Application Blank
4. Written examination / Psychological Tests
5. Final Interview
6. Background Investigation(Reference Check)
7. Final selection by Interviewers
8. Medical Examination
9. Appointment / Job Offer Letter
10. Placement

Recent Trends in Selection:¹⁵

The following are the recent trends in the selection techniques/procedures –

i) Selection by Invitation: The management observes the performance of key executives of the competitive companies. The management invites the top performers to join the organization by offering attractive pay packages and benefits. The criterion of top performance of the executives is the base for their selection invitation.

ii) Leasing: Today, the technological advancements have created a demand for highly skilled employees. The small organizations may not afford to employ skilled employees because of high pay and insufficient work for such experts. Hence, the consultancy organizations employ the experts and depute to the needy companies on lease as they require. In this, the consultancy organizations are the principal employers and needy organizations take the required employees and pay the agreed fees to the consultancy firms. The leasing firms pay the salary to the employees and derive surplus from its fees.

iii) 360° Selection Programme: Generally, the selection tests and interviews are conducted by the superiors. The employee knowledge, skills and performance affect the superiors, subordinates and the employees at the same level. Hence, the organizations started involving the subordinates and the employees at the same level in the process of selection tests and interviews. This programme is called 360° selection programme.

B) Training and Development:

Training is a continuous process of imparting new knowledge and skills so that the trainees (employees) can get well acquainted with the rules, systems, working patterns and procedures.

Development is a long process which covers the activities not only to improve the performance on the job but to bring behavioral change for personality development also.

Training Methods:

The training methods are classified into two types – on the job and off the job-

Training Methods

On the job methods
- Job instruction
- Job rotation
- Coaching
- Training by supervisors
- Vestibule
- Demonstration
- Simulation
- Committee assignments
- Internship

Off the job methods
- Lectures
- Conferences
- Group discussions
- Role-playing
- Programmed instruction
- Project work
- Case studies
- Laboratory training
- Audio-visual methods
- Computer based training and E-learning

These methods are briefly discussed as under –

(A) On-the-Job Training Methods –

i) **Job rotation**: This method refers to the movement of the trainee from one job to another so that the trainee can understand the problems of employees on the other jobs and can get the experience of doing other jobs also.

ii) **Coaching**: The trainee is placed under the particular supervisor who gives feedback to the employee/trainee on his performance and gives some suggestions also for improvement.

iii) **Job Instruction**: In this method, the trainer explains the trainee the knowledge, skills and methods of doing the jobs. The trainer appraises the trainee, provides the feedback and improves his performance.

iv) **Training by supervisors**: The experienced supervisors guide the employees in respect of handling the machines, doing the jobs, rules and instructions and working efficiently.

v) **Vestibule**: In this method, on-the-job situations are created in a company classroom with the help of equipments and machines which are identical with those at the place of work.

vi) **Demonstration**: Under this method, the trainer describes and displays the content by actually doing the activity himself and going step by step explanation of ‘why’, ‘what’ and ‘how’ he is doing the task.

vii) **Simulation**: It duplicates, as nearly as possible, the actual conditions on a job. This method is widely used in the aeronautical industry. This is most useful in such situations where actual on the job practice might in a costly error, a serious industry or the destruction of valuable materials.

viii) **Committee assignment**: In this method, a group of trainees is assigned a task to solve the actual organizational problem jointly.

ix) **Internship**: The candidates entering the industry in skilled trades are provided the theoretical and practical knowledge through apprenticeship training. Apprenticeship training provides the students an opportunity to gain practical experiences in the industrial organization.

(B) **Off-the-Job Training Methods**:

i) **Lectures**: Lectures are considered as one of the important ways of training to very large number of trainees within short time.

ii) **Conferences**: In this method, the participating members discuss the points of common interest to each other. Basically, a conference is a group – centered activity conducted in the form of formal training which focuses on small group discussions, presentation of subject matter, active participation of the members involved, generation of new ideas and solution to a problem.

iii) **Group discussion**

iv) **Role playing**: This method is used to encourage the human interactions and thereby develop the human relations. The trainees play the role of certain characters such as- the production manager, superintendent, quality control inspector, foreman, worker and the like to identify the gap between thinking and doing. The role playing involves action, doing and practice.

v) **Programmed instructions**: In this method, the subject matter to be studied is presented in a series of logically arranged units from simple to complex.
vi) **Project work**: The trainee identifies the topic, collects the information, analyses and interprets the information, draw the findings and conclusions, suggests the suitable solutions and prepares a report. It is called as ‘Project Report.’

vii) **Case studies**: A case is a long description of an organizational problem and it is given to the trainees with the object to teach the trainees how to identify the problem, analyze the information, develop alternative decisions and evaluate the alternatives. The individuals or small groups can analyze the case.

viii) **Laboratory training**:
- Sensitivity training – It is a group training method based on experimental approach to training. It provides the trainees an opportunity to actually experience some concepts of management just as a manager.
- T-Groups: The groups are considered necessary to change the behavior. This method involves a small group of trainees. They meet with a passive trainer and get insight into their own and others behavior. It is process oriented, not content oriented which focuses on communicating, observing, revealing, listening and interactions.

ix) **Audio-visual methods**: e.g. video tapes, CDs, DVDs, films, power point presentations, television etc.

x) **Computer based training and E-Learning**: Computers provide exercises, problem solving jobs, tutorial instructions, interesting tasks, score tests through CDs, DVDs and internet to determine the level of training proficiency. The training aids of E-learning are – e-mail, tele-conferencing, video-conferencing, internet, websites etc.

C) **Performance Appraisal**:

Performance is the contribution of an individual to his/her job in the form of accomplishment of job tasks. It is always measured in the terms of results. Performance appraisal is the process of evaluating the employee contribution in both the forms – quantitative and qualitative in terms of organizational and job requirements.

**Objectives of the performance appraisal**:

1) To enable the organization to identify training needs and aspirations of the employees and meet them.

2) To generate significant, reliable and relevant information about the performance of employees.
3) To provide inputs for determination of salary increments, promotion, demotion, transfers and termination.

4) To provide performance feedback and guidance from immediate superior to an employee for improving the performance.

5) To help the employees to overcome their weaknesses and strengthen the strengths so as to achieve the higher performance.

6) To help the organization to identify the employees for the purposes of motivation, training and development and also to create a performance driven culture.

**Methods of Performance Appraisal**

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Trait Methods:

1) **Graphic Rating Scales**: This method requires the rater to rate the employee on different factors like – Job knowledge, punctuality, attendance, quality of work etc. Graphic rating scales include the written descriptions as well as numerical ranges e.g. 5 – Excellent, 4 – Very Good, 3 – Good, 2 – Average, 1 – Below average.

2) **Ranking Methods**: There are 3 methods of ranking namely – alteration, paired comparison and forced distribution. The first two methods are used where only few employees to be ranked whereas the third method is used where thousands of employees to be ranked.

   - **Alteration**: The appraiser ranks all the employees from the most valuable to the least valuable on the basis of their performance.

   - **Paired Comparison Method**: The appraiser ranks the employees based on paired comparison. The employee in a group is compared with every other employee in the group. The employee, who is rated better maximum number of times, is the best employee in the group and one is rated better least number of times, is the least valuable.

   - **Forced Distribution Method**: In this method, the employees are categorized as ‘Top’, ‘Standard’ and ‘Bottom’ and placed under a forced distribution curve. A certain number of employees have to be placed under every category. This method helps the organization to identify the last category i.e. non-performers. It improves the overall productivity and performance levels in the organization.

3) **Checklists**: In this method, the rater has to answer ‘Yes’ or ‘No’ to all questions in the lists which assess the employees behavior and performance. Generally, weights are given to each question based on which the final appraisal score is calculated.

4) **Essay Method**: Under this method, the appraiser prepares a detailed note on employee’s performance. The guidelines and questions are given to the appraiser on the basis of which, the performance of the employees is analyzed and described.

5) **Group Appraisal**: In this method, an employee is appraised by a group of appraisers consisting of immediate supervisor, manager or head of the department and consultants / experts. The HOD or Manager acts as the chairman and the immediate supervisor acts as the co-ordinator of the group. This method is used mostly for the purposes of promotions, demotion and retrenchment appraisal.
6) **Field Review Method**: In this method, a trainer employee from the personnel department interviews line supervisors to evaluate their respective subordinates. The questions are asked and answered verbally. The supervisor has to give his opinion about the progress of his subordinates, level of performance, strengths, weaknesses, outstanding abilities, promo ability and the possible action plans.

7) **Confidential Reports**: Under this method, superior appraises the performance of his subordinates by making the observations and judgments and prepares a confidential report covering the various dimensions of subordinate’s performance such as – strengths, weaknesses, intelligence, attitude, sincerity, punctuality, commitment, attendance, conduct, character etc.

**Behavioral Method:**

1) **Behavioral Check-list Method**: A checklist is prepared with the statements that describe the behavior for employees performance. The appraiser check whether the employee behaves as per statements or not and his performance is rated based on the behavioral skills.

2) **Critical Incident Method**: In this method, the appraiser observes and notes how the employee behaves in the critical incident and how it impacts on his performance. This record reflects the positive or negative traits of an employee. At the end of the appraisal period, this record forms the basis for evaluation of an employee’s performance.

3) **Behavioral Anchored Rating Scale (BARS)**: BARS concentrates on the behavioral traits demonstrated by the employees instead of their actual performance. The manager and the employees are actively involved in the appraisal process.

4) **Behavioral Observation Scale (BOS)**: Under this method, the appraiser measures how frequently each of the behavior has been observed. The appraiser observes the behavior and gives feedback to the employees’ continuously. It is used by Infosys, Satyam Computers and Dr. Reddy’s Lab.

5) **Assessment Centre**: Under this method, the employees from various departments are brought together for 2-3 days to work on individual or group assignment which they would be doing after promotion. The assessment centre evaluates the potential of candidates to be considered for promotion objectively. All assesses get an equal opportunity to show their talents and potential and grab the promotional opportunity on merit basis.
6) **Psychological Appraisal**: This is done to assess the employees potential in the areas of intellectual abilities, emotional stability, analytical, interpretation and judgement skills, social approach, ability to foresee the future etc. This appraisal consists of the techniques like – in-depth interviews, psychological tests, consultations and discussions with the employees, superiors, subordinates and peers.

**Result Methods:**

1) **Productivity Measures**: The employees are appraised based on the ratio of output to the input they used. e.g. sales to employee salary, production to employees wages etc.

2) **The Balanced Scorecard**: This method is used to appraise the employee’s performance towards achievement of organizational goals and objectives. The use of balanced scorecard involves defining a strategy and deciding what each employee should to achieve the objectives in the light of strategy. Hence, the individual responsibilities are assigned and online feedback is also provided to the employees. The HR scorecard is a part of balanced scorecard.

3) **Human Resource Accounting**: Human resource accounting evaluates the performance of employees from the points of the cost and their contribution. The cost of employee includes cost of manpower planning, recruitment, selection, placement, induction, training, development, wages/salary and benefits etc. Employee’s contribution is the money value of employee service which can be measured by labour productivity or value addition by the human resources.

4) **Management by Objectives (MBO)**: MBO is more commonly used for managers and professionals. The goals are set in the focus of organizational goals with the active participation of the employee and his superior. This includes well defined goals, time span and action plan to achieve the goals and feedback.

D) **Rewards and Recognition**:

Organizational rewards are given to those employees who contributed in the achievement of organizational goals and objectives. Most organizations connect the reward system to the commitment and performance of an employee. The basic purpose of reward system is to boost up the morale of employees and improve their job satisfaction. A good reward system identifies the best performers and rewards them.
The performance based rewards are given in the forms of – commissions, incentive, piece-work, pay plans, group bonus, performance based pay etc. and are being more preferred in today’s competitive days.

### Types of Rewards

**Intrinsic**
- Participation in decision-making
- Job Freedom (Autonomy)
- More responsibility
- More interesting work
- Opportunity for personal development
- Diversity of activities

**Extrinsic**

#### Financial
- Piece work
- Commission
- Incentive pay
- Performance bonus
- Overtime and holiday premiums
- Merit pay plans
- Profit sharing
- Stock options

#### Membership based
- Basic pay
- Dearness allowance
- House rent allowance
- Protection programmes
- Pay for time not worked

#### Non-financial
- Preferred office furnishing
- Flexible work schedules
- Preferred for lunch hours
- Assigned parking spaces
- Preferred leave
- Impressive job titles
- Own secretary
- Preferred work assignment
- Business cards
- Conveyance facilities
- Medical care

**Source:** Modified Version of David A. De Cenzo and Stephen P. Robbins, op. cit., p. 414.
### Types of Non-Monetary Rewards

<table>
<thead>
<tr>
<th>Treats</th>
<th>Social Acknowledgement</th>
<th>Knick-Knacks</th>
<th>Office Environment</th>
<th>On-the-Job</th>
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<td>Informal recognition</td>
<td>Desk accessories</td>
<td>Redecoration</td>
<td>More responsibility</td>
<td>Vacation Trips</td>
<td>Trophies</td>
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<td>Festival bashes</td>
<td>Recognition at office</td>
<td>Company watches</td>
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<td>Movie tickets</td>
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<tr>
<td>Tea/Coffee breaks</td>
<td>Friendly meet, smiles &amp; e-mail, SMS</td>
<td>Diaries/planners</td>
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<td>Special assignments</td>
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<tr>
<td>Picnics</td>
<td>Advice &amp; suggestions</td>
<td>Calendars</td>
<td>Office with a window</td>
<td>Representing the company at public functions</td>
<td>Coupons redeemable at stores</td>
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<tr>
<td>Dinner with the boss</td>
<td>Membership of recreation clubs</td>
<td>Wallets</td>
<td>Safe and happy work environment</td>
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<td>Dinner for the family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Long service awards</td>
<td></td>
</tr>
</tbody>
</table>

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E) **Health and Safety:**

A healthy employee is free from illness, injury or mental or emotional problems that impair normal human activity. A safety is concerned with physical well-being of an employee instead of mental or emotional well-being.

**Industrial Accident:**

According to the Factories Act, 1948, “an industrial accident is an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours.”

**Statutory provisions under the Factories Act, 1948:**

The Factories Act, 1948 insists the following measures should be adopted in an industrial undertaking for maintaining employees health and safety –

a) Cleanliness  
b) Disposal of wastes & effluents  
c) Ventilation and temperature  
d) Dust and fumes  
e) Lighting  
f) Drinking water  
g) No overcrowding. There should be at least 500 sq. of space for every worker.  
h) Adequate latrines and urinals should be separately provided for male and female employees.  
i) First aid appliances

**Effective ways of maintaining employees’ health and safety:**

1) Implementation of health and safety programmes

2) Health and safety organization: In India, the Factories Act states that the appointment of a safety officer should be made in every factory where 1,000 or more workers are ordinarily employed.

3) Safety engineering: It refers the use of engineering procedures that eliminate work hazards.

4) Health awareness programmes, health check-up camps etc.

The industrial health and safety programme should focus on the following:

1) A professional staff of physicians and nurses
2) Adequate facilities for emergency care and injuries sustained during the course of work and medical check-ups
3) Proper first-aid treatment
4) A careful post-employment medical examination of those who are exposed to particular occupational hazards.
5) Proper first-aid treatment of employees for non-occupational ailments e.g. for cold, sore throat, skin disorders, headaches etc.
6) Educational services which promote the health of employees
7) The maintenance of adequate and confidential medical reports
8) Co-operation with public health authorities in adoption of measures for the prevention of communicable diseases
9) Supervision and advice on sanitary conditions in the factory premises.

F) Human Resource Development (HRD):

HRD is a dynamic concept. It believes that the employees have lot of potential only they need to identify and enhance the same by making systematic and proper efforts so as to achieve not only the individual but the organizational goals and objectives also.

Definitions:

1) Dr. Leonard Nadler defines the HRD as, “HRD means an organized learning experience, within a period of time with an objective of producing the possibility of performance change.”

2) Dr. Rao T. V. defines the human resource development in the organizational context as, “a process by which the employees of an organization are helped in a continuous and planned way to –

   i) Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;

   ii) Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organizational development purposes;

   iii) Develop an organizational culture in which superior – subordinate relationship, team work and collaboration among sub-units are strong and contribute to the professional well-being, motivation and pride of employees.”

**Objectives of HRD:**

1) To create a climate that helps every employee to discover, develop and use his/her capabilities to the fullest extent in order to achieve both the individual and organizational goals.

2) To provide an opportunity and comprehensive framework for the development of human resources in an organization.

3) To prepare the employees to play their present job roles and expected future roles efficiently.

4) To develop the potentialities of the employees and prepare them for higher level jobs.

5) To develop the constructive mind and an overall personality of the employees.

6) To impart the basic knowledge and skills to the new entrants.

7) To boost up the individual and group morale and to develop the sense of responsibility, belongingness to the organization, team spirit, team work and human relationships.

8) To ensure smooth and efficient working of the organization.

**Techniques of Human Resources Development:**

The techniques of HRD include –

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1) Employee training 2) Executive & management development
3) Organizational change & development 4) Potential appraisal
5) Performance appraisal 6) Team work
7) Role analysis 8) Career planning and development
9) Quality circles 10) Employee counseling
11) Communication policies, systems and practices 12) Monetary and non-monetary rewards
13) Social, cultural and spiritual programmes 14) Workers participation in management programmes
15) Employee benefits and services 16) Grievance redressal cell

1.5 Recent Trends in HRM and Tools for Organizational Development:

1.5.1 Recent Trends in Recruitment: 23

In the context of today’s dynamic business world, a variety of modern recruitment sources are used by the organizations in addition to traditional sources.

These modern sources are discussed as under –

i) Walk-in: The organizations advise the competent candidates to attend the interview directly without a prior application on a specific day, date, time and place with original certificates and mark-sheets. The suitable candidates from among the interviewees are selected for appointment after shortlisting through the tests and interviews.

ii) Consult-in: The big companies encourage the potential job-seekers to approach and consult them personally regarding the jobs. The potential candidates are selected through the selection process.

iii) Head-hunting: The companies request the professional institute to search for the suitable candidates for the senior executive position. These institutes search for the best candidates and advise the companies for filing up the vacancies.

iv) **Body- shopping** : It is mostly used for computer professionals. The professional and training institutes develop the candidates for possible employment. The prospective employees contact these institutes for recruiting the candidates.

v) **Business alliances** : Business alliances like – mergers, acquisitions and take-overs help in recruiting the candidates. The company with surplus human resources offers the services of their employees to other needy organizations.

vi) **E- Recruitment** : Job vacancies are advertised through World Wide Web (WWW) Internet. The candidates send their applications and CVs through e-mail or internet.

1.5.2 **Employee Empowerment:**

Employee empowerment is the process of enabling employees in the organization to set their own goals, make decisions and solve work related problems by giving them power, resources, authority and responsibility. The empowered employee becomes ‘Self-directed’, - ‘Self-controlled’ and makes use of his potential to fullest extent. e.g. Hindustan Lever is actively implementing a new system of HRD in which there is no supervisor. The employees themselves are responsible for the output and quality control.

**Measures for Empowering Employees:** 24

The organizations have adopted the following measures to empower their employees–

1) Delegation of authority 2) Education & training to the employees
3) Participative decision-making 4) Creation of self-managed work-teams
5) Encouraging supportive approach 6) Job enrichment
7) Providing objective feedback of the performance
8) Less formalities
9) Encouraging the employees to take risk

10) Work recognition and rewards for the outstanding contribution by the employees

11) Building a culture of trust etc.

1.5.3 Quality Circles:

A quality circle is a small group of employees doing same type of work who voluntarily meet regularly for several hours each week to identify, analyze and resolve work related problems to enrich quality of work life of employees by improving the performance of an organization. Usually, the employees are members of a circle from the same department. The supervisor acts as the circle leader, while the human resource staff member guides the circle in the process of problem solving as a facilitator.

The organizational structure of quality circle consists of – Non-members, members, leader/Dy. leader, facilitator, steering committee, and top management. In 1961, Dr. K. Ishikawa initiated the idea of quality circles and appealed to the workmen and supervisors to form quality circles for analyzing and solving work related problems.

1.5.4 Total Quality Management (TQM):

Total Quality Management (TQM) is a management strategy that aims to maximize competitiveness of the organization through creation and maintenance of high quality of products, services, people and environment. It stands for continuous improvement in the quality of organizational processes. Basically, TQM is quality oriented philosophy and it has been widely used in manufacturing, government, education and service industries.

W. Edwards Deming initiated the quality revolution in Japan in 1946 and brought it to the United States in the 1980’s, Armand V. Feigenbaum developed a similar set of principles at General Electric in United States at around the same time. Joseph Juran, Philip B. Crosby and Kaoru Ishikawa also contributed to the quality movement known as ‘TQM’. TQM originated in the 1950s and has become more popular since the early of 1980s. Some of the leading companies have implemented TQM, namely – Food Motor Company, General Motors, Procter and Gamble, Philips Semi-conductor, SGL Carbon, Motorola, Toyota etc.
Definition:²⁵

“TQM is a management approach of an organization centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction and benefits to all members of the organization and to society.”

TQM in HRM:²⁶

The line manager may carry out the following activities with the help of HR department for ensuring the development of the employees and the organization also –

- Simplified jobs, job rotation and inter-departmental understanding & cooperation
- Training and development
- Feedback and counseling
- Effective appraisal systems for performance and potential
- Participative techniques- Quality circles, suggestion scheme, productivity survey, quality of service and work-life
- Career development
- Motivation, Work recognition and reward systems

1.5.5 Total Productive Maintenance (TPM):²⁷

TPM implies productive maintenance through total participation. The word ‘total’ stands for 3 meanings. These meanings are –

i) Total effectiveness
ii) Total maintenance system
iii) Total participation of all employees

Features of TPM:

1) TPM aims to maximize equipment effectiveness.

2) It adopts a thorough system of productive maintenance for the equipment’s entire life.

3) It is implemented by various departments like – Production, Engineering, Operations, maintenance etc.

4) It involves every employee from top management to operators.

5) It is done through motivation management.

1.5.6 Gemba Kaizen:

In Japanese, Gemba means workplace where the products or services are produced. Kaizen means continuous improvement which involves both the managers and employees. Managers at all the levels play a vital role in gemba management by focusing on reduction of cost, improvement of quality and fulfillment of changing demands of the customers.

The following activities are carried out in gemba management for the purpose of cost reduction –

i) Improve productivity  
ii) Improve quality  
iii) Reduce inventory  
iv) Shorten the production line  
v) Reduce machine down time  
vii) Reduce lead time

v) Reduce machine down time  
vi) Reduce space  

5 Steps of Kaizen (5 S’s):\textsuperscript{28}

1) SEIRI (Sort) : Differentiate between necessary and unnecessary and discard the unnecessary.

2) SEITON (Straighten) : Keep the things in proper order before they are used.

3) SEISO (Scrub) : Keep the work-place clean.

4) SEIKETS (Systematize) : Develop a habit to be clean starting from your own.

5) SHITSUKE (Standardize) : Get engaged in establishing standards and be self-disciplined.

Kaizen involves the following activities –

1) Measurement of progress towards the goal achievement
2) Recognition of problems and needs
3) Raising standards
4) Listening to the customers
5) Gradual improvement in all processes, operations, activities and departments
6) Working together in pursuit of achievement of quality and service goals
7) Development of employees so as to make them competent to meet rising standards

1.5.7 Outsourcing:

Business Process Outsourcing (BPO) is the assignment of critical but non-core business processes or functions of an organization to an external service provider. The organizations tend to outsource their 'back-office’ processes and activities. These back office processes mainly include the areas of customer service and care, telemarketing, digitalization, content development, software development, claims processing, accounting and finance, mortgage processing, HR & administration etc.

HR Outsourcing: A number of HR activities are routine, specific and non-core. Hence, they can be outsourced. Basically, outsourcing of HR activities was started in the early 1950s and since then the organizations have been outsourcing the HR functions such as - recruitment, training, payroll, compensation and benefits etc.

The following HR functions can be outsourced depending upon the requirement and convenience of the organization –

- Job design and job analysis
- HR planning
- Recruitment
- Training
- Salary and benefits administration
- Leave administration

The HR functions, which mostly cannot be outsourced, are listed as under -

- Selection, placement and induction
- Motivation
- Human relations and industrial relations
- Negotiations with the trade unions and employees

Leadership  

Employee empowerment, participative management and quality circles.

1.5.8 Benchmarking:

Benchmarking is the process of identifying, understanding and implementing outstanding/best practices from within the same organization or from other organizations for enabling the organization to improve the performance. This consists of analysis and comparison of practices and procedures to those of the best to find out the ways in which an organization can improve its performance. It may be classified as – product benchmarking, Process benchmarking, performance benchmarking, strategic benchmarking and HR benchmarking.

Benchmarking is a quality approach and continuous process. This process was introduced by Taiichi Ohno in Toyota. In India, Hindustan Lever, Citibank, RPG Group, Wipro etc. have adopted this practice.  

1.5.9 Reengineering:

Reengineering is defined as, “The fundamental rethinking and redesigning of operating processes and organizational structure, focused on the organizational core competencies to achieve dramatic improvements in organizational performance.”

1.5.10 Rightsizing of Workforce:

Right size of the workforce is concerned with the appointment of exact number of employees with necessary knowledge, skills and abilities to perform existing jobs in the organization. An exact number of employees required are determined on the basis of job analysis, job specification and job description. The level of information technology, computerization, general levels of ability, skills, intelligence and knowledge of persons and financial position of the company in employing professionals determine the number of employees required to do existing jobs.

In the public sector, more employees are appointed than the exact requirement due to political pressures and favoritism. It results in overstaffing and thereby high labour cost and high cost of production. The public sector has focused on downsizing through various schemes like – voluntary retirement schemes and golden handshakes.

1.5.11 Downsizing:

Downsizing refers to reducing the overall size and operating costs of a company, mostly through a reduction in the total number of employees.\(^{32}\) It is the purposeful reduction of the size and scope of a business unit to improve its financial position by reducing the costs. A reduction in the total workforce is one of the important ways of downsizing.

1.5.12 Six Sigma:

Sigma in six sigma signifies the standard deviation or variation. It is a process of improving the product design, production and administrative processes in such a way that minimizes wastes, defects and resources by maintaining the higher level of customer satisfaction. It is a wider term than TQM programmes. TQM aims at the detection and correction of defects whereas six sigma redesigns the processes to ensure the defects will never create in a whole process. It is an attempt which makes value addition in the quality in terms of high quality products and services at reasonable costs for the customers and it provides maximum value to the organizations in the forms of zero defects and increased profits.\(^{33}\)

Hill (1999) of Allied Signal defines six sigma as, “It is a customer focused, continuous improvement strategy and discipline that minimizes defects and variation towards an achievement level of 3.4 Defects PerMillion Opportunities (DPMO) in product design, production and administrative processes.”\(^{34}\)

Steps in the process of six sigma:

1) Definition of the problem  
2) Measurement and analysis

\(^{32}\) \(\text{www.wisegeek.com}\)


3) Improvement and control  4) Standardization and integration

1.5.13 Employer’s Brand:35

Due to scarcity of talent in today’s competitive environment, the industries have been defining the strategies to attract the talent from the local and global labour market. Employer brand is one of such strategies which help for creating, attracting, developing, utilizing and retaining the employees for a particular employer.

“Employer brand is defined as an emotional bond among employer, present and prospective employees and various organs of the labour market that creates and builds an organization’s reputation as the most preferred employer.” It builds an image of the employer in the labour market and helps the organization not only to attract the best talent but to retain also to face the global challenges in the changing business environment.

1.5.14 Competency Mapping:36

Competency is the combination of knowledge, skills, mind-set, attitude, commitment and behavior required to perform present and future organizational jobs effectively. The characteristics of an individual are also considered as the competencies. Competency Mapping was firstly used in the UK for the development of occupational performance standards. It is used since 1960s.

Competency mapping is the process of identification, evaluation of employees’ competencies and organizational requirements and establishing perfect collaboration among them. It matches the employees’ competencies with the organizational requirements. Hence, it includes development and sustainability of competencies on the basis of changing organizational needs and expectations.

1.5.15 Knowledge Management:

Knowledge management is an effective tool which creates and updates the organizational knowledge to have maximum returns from its knowledge assets.


The ‘data’ refer the information in raw form. The organized data is called as ‘Information.’ ‘Knowledge’ is the processed information in actionable form. The knowledge becomes ‘wisdom’ when it is used for a good reason.

Data → Information → Knowledge → Wisdom

**Definition:**

Kael Wiig – a consultant coined the term knowledge management 1986. “Knowledge management is a systematic, explicit and deliberate building, renewal and application of knowledge to maximize organizational knowledge related effectiveness and returns from its knowledge assets.”

**Process of knowledge management:**

This process involves the following stages –

1. Identification
2. Collection
3. Selection
4. Storage
5. Share
6. Apply
7. Customer Acceptance
8. Create

**1.5.16 Talent Management:**

Talent is the sum of abilities, skills and knowledge. Hence, the talented employees are those who possess knowledge and innovation, creative abilities, dynamic skills and competencies and positive contributory behavior.

In today’s globalization period, there is a great demand for talented people. Even talented employees also aspire to assume higher position. The competition resulted in the development of talent management.

**Strategies for Talent Management:**

The following strategies help the organizations to develop, retain and utilize the talent of employees in challenging tasks in a better way –

1) Happy and healthy work environment  
2) Freedom/autonomy to experiment and adopt different working styles  
3) Challenging nature of work  
4) Special pay, benefits and allowances

5) Promotional opportunities 6) Schemes for career advancement
7) Recognition of work 8) Relationship management
9) Empowerment 10) Opportunities for learning and development

1.5.17 E-HRM:

Many companies use the information technology for the efficient computerized HR management. There are number of computer applications installed by the majority of companies to help HRM through computerized employee records, payroll, training programmes, performance appraisal and compensation and benefit administration. The companies like – Coca-Cola, Infosys, Microsoft, Hindustan Lever etc. are performing most of their HR functions on-line.

The application system of information technology in HRM is referred to as Human Resource Management Information System (HRMIS). HRIS concentrates mainly on the development of areas such as – e-recruitment/application tracking, e-training, e-payroll, e-self-service, e-time and labour management.

E-Recruitment:

E-Recruitment is a web-based application that manages organization’s employment related functions electronically through internet and World Wide Web (WWW).

These activities include –

- Information about the vacancies to the competent people
- Receiving of online applications
- Search for potential candidates
- Screening, filtering of applications and short-listing of the candidates
- Storage of applicant’s details
- Matching CV to job specifications
- Preparation of interview schedule and communication to the candidates.

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E-Selection:
E-selection is becoming popular day-by-day because of the following reasons–

- It conducts the various online tests.
- It conducts the preliminary interview through e-mail and final interview with the help of audio and video conferencing.
- It saves the time and cost for carrying out the selection tests.

E-Performance Management:
The software companies have developed several software packages to measure employee’s performance. Many big companies prefer online performance appraisal system by using these software packages. The software provides a number of statements on every facet of the performance. The appraiser selects the statement and gives proper rating to the statement. The system gives a detailed report quickly after answering all the questions in software. The computer systems, telephone network, internet and video conferencing are used for the effective implementation of the software packages.

E-Training:
Many companies have started to provide on-line training. E-training refers the presentation of content through all electronic medias including internet, intranets, extranets, satellite broadcast, audio/video tape, video conferencing, interactive TV and CD-ROM. E-learning includes computer-based learning, web-based learning, virtual classrooms and digital collaboration.

E-Compensation Management:
The computerized systems have been introduced almost in all the organizations for the various activities in compensation management like – E-Payroll, E-benefits, E-HR records, E-HR information and E-audit.

E-Payroll modules collect the data of attendance, calculate various deductions and generate periodic pay automatically for the work done.

1.6 Challenges in HRM in the Dynamic Business Environment:
The challenges in HRM in the context of liberalization, privatization, globalization and information technology are as under –
1) Management of diversified human resources
2) Acquisition and retention of competent work-force
3) Placement of right people for right jobs
4) Management of cross-cultural diversity and handling gender issues
5) Outsourcing HR activities
6) Organizational restructuring and rightsizing
7) Fulfillment of rising needs and expectations of the employees
8) Maintaining balance between work and life
9) Continuous training and online performance appraisal systems
10) Use of information technology in HR functions for their quick and automatic performance
11) Objectivity in performance appraisal
12) Career and personal counseling to the employees
13) Development of multi-skilled human resources
14) Focus on employee welfare and reduction in the employee turnover
15) Proper deals with the trade unions and keeping industrial relations peaceful
16) Fostering a performance driven culture
17) Development of multi-disciplinary approach

1.7 Conclusion:

Due to liberalization, privatization, globalization and technological advancement, there is a great demand for multi-skilled and competent workforce in the industrial world to face the challenges arisen in the dynamic business environment effectively. HRM is the management of people working in the organization. HRD is the soul of HRM and it is concerned with the development of human resources with latest knowledge, skills, talents and competencies so as to achieve not only the organizational and group but the individual goals also.

The chapter has dealt with the conceptual background of HRM and discussed the core areas and recent trends in the subject in a comprehensive manner.
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