CHAPTER - 2

HUMAN RESOURCE MANAGEMENT
: A CONCEPTUAL FRAMEWORK
INTRODUCTION

Managing human resource effectively has become a vital task to an organisation in modern times. The present day global competitiveness has compelled the industrial firms to realise the fact that their resources must be utilized better than ever before. The principal component of an organization is its "Human Resource". Human resource is of paramount importance for the success of any organization. It is effectively described in the words of Oliver Sheldon as under "No industry can be rendered efficient so long as the basic facts remain unrecognised that it is principally human, it is not a mass of machines and technical process, but a body of men. It is not a complex of matter but a complex of humanity. It fulfils its functions not by virtue of some impersonal force, but human energy. Its body is not an intricate maze of mechanical devices but a magnified nervous system".¹

Under the modern context management of Human Resource has become a very challenging job. It is by and large because of dynamic nature of human element. It was recognised in 1300 B.C. by Egyptian Literature. But the growth of modern management techniques began with the industrial revolution in England during the 18th and 19th centuries. This led to production on large scale and introduction of division of labour. The contributions of Rober owan, Charles Babbage, F.W. Taylar, Henery L. Grant, Elton Mayo, A.H. Maslow, Daughlas McGregor and other have brought forth a significant development of management thought.

Development of Human Resource

The development of personnel management in U.K. and USA was largely voluntary. In India, the origin of personnel management could be traced to the concern about labour welfare in factories since 1920's. It resulted in state intervention in the aftermath of the difficult conditions after World War I and the emergence of trade unions. The thirties of this century was to have profound influence on the development of personnel

management in India. Royal commission in 1931 had pinpointed the evils of the system of selection of labour through jobbers. So they recommended the appointment of labour officers to deal effectively with the personnel function viz. Recruitment. Which helps in removing the bribery and other malpractices associated with the system of appointment through jobbers. "The factories Act (1948), laid down qualifications and duties of welfare officers and made it mandatory for companies employing 500 or more workers to appoint welfare officers with requisite qualifications and training". But later on it was changed and fixed on the limit of 300 labourers. In bigger units, additional or assistant welfare officers are to be appointed. The qualification and condition prescribe that the candidate must be a graduate, must have training in social work/labour welfare and other social science from an institution recognised by the government.

During the 1960 the personnel function began to expand beyond the welfare aspect, with the three areas of labour welfare (L.W.), Industrial Relation (I.R.) and Personnel Administration (P.A.) developing as the constituent parts of the emerging profession of personnel management. Simultaneously, the massive thrust given to heavy industry. In the context of planned economic development, particular, since the Second Five Year Plan (1956-61) and the accelerated growth of the public sector in the national economy resulted in a shift in focus toward professionalization of management.

In late 1970 and 1980s another discipline evolved under the name of the "Human Resource Management" an import from the USA. "Which encompassing the methodological tradition of the personnel and industrial and organizational psychologists and the theoretical framework of the organizational behaviourists, Human Resource Management took on a broader focus than earlier work. This focus included concerns for the safety and health of the workers as well as individual satisfaction and performance. Industrial relations and planning for personnel needs also

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Fig. 2.1: Evolution of Human Resource Management

Source: Johbratton and Jeffery Gold, 1994
came within the domain of Human Resource Management". However the focus still remained on the entry level employees. This change of terminology, according to some commentators, "Signals a new way of undertaking the Personnel Management role. But there are also those who regard the term "Human Resource Management" as merely a glossy label which attempts to market the same personnel department as before".

**Personnel viz Human Resource Management**

Human Resource Management is substituted for Personnel Management, but is not a term which is more in tune with the age of high-tech and much broader and better oriented persons who work and create wealth. The goals of Personnel Management are attracting, retaining and motivating workers, on the other hand goals of Human Resource Management are concerned with competitiveness, profitability, survival, competitive advantage and work force flexibility. In the area of human resource practices, Personnel management is associated with practices that are more broadly conceived and team focussed. Since above description shows that Human Resource Management is radically different from personnel management. In last eighty years, both the personnel management and industrial relations approach have appeared and declined; Today what has popualy became known is Human Resource Management approach. Finally story conclude by saying "What is notable is that despite the major difference in orientation between these two versions, the common terms Human Resource Management can continue to be used happily by both sets of aficionados. This is perhaps because each give central weight to the "strategic" and the people are crucial elements while attributing different meaning of this component".

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### Streotypes of Personnel Management and Human Resource Management

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*Source: Guest, 1987.*

### Meaning of Human Resource Management (HRM)

In the modern world, it is of utmost importance to utilize economically and efficiently the resources of all kinds. Resource component is categorized as human, material, time. The HR is an autonomous live resource which could deliver much higher returns. A great deal depends on how it is utilized. The human resource is the elastic component. It responds to organisational climate and training. It expands or contracts as these factors change. If human resource is badly managed, the organisational performance will inevitably suffer. The task of Human Resource Management is to forecast, to obtain and to creatively utilize human resource for organisational performance. Use of various resources in an industry is a must and human resource is one among them. Today industries, all over, not only have realised but have given much importance
to the management of human resource and its development for getting best out of it.

The following para may be quoted to give a simple meaning of HRM: "Effective management of human resource implies identifying right kind of people, socializing them in the right direction, training them, assigning tasks and roles that bring out their best, motivating them to put effort and perform well, creating conditions where the employees enjoy work and have a sense of fulfillment". As we know that organization's performance and resulting productivity are directly proportional to the quantity and quality of its human resource. Human resource comprises a large number of individuals of different sex, age, socio religious, groups and different educational and literary standards. Each individual has his own set of needs, goals and experiences, it is the responsibility of management to recognise this basic fact and provide appropriate opportunities and environment to the people at work to satisfy their need.

All together, Human Resource Management is one of the most important managerial functions encompassing within its amimits all aspects of the organisational interactions with people. It is based on the fact that people are a vital resource contributing to the fulfillment of the organisational goals and objectives and in values the planing and implementation of wide array of activities for building up a conducive work environment and ensuring the optimum utilization of human resource for the benefit of both the individual and the organisation.

**Definitions of HRM**

One of the early definitions of personnel management to receive wide acceptance was the one given by the Advisory Committee on Management established by I.L.O. (Indian Labour Organisaion) in 1939. This definition highlighted three important aspects of personnel management viz.

1. that it is part of the management functions

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2. that the officers are to function in an advisory capacity and
3. that they are to carry out administrative duties in the areas of employment, working conditions and employee well beings.

The institute of Personnel Management (London) had in 1943 evolved a comprehensive definition, According to it "Personnel Management is that part of management function which is primarily concerned with the human relationship within an organisation. Its objective is the maintenance of those relationships on a basis which by consideration of the well being of the individual, enables all those engaged in the undertaking to make their maximum personal contribution to the effective working of the undertaking". This definition pinpoints attention on the importance of human relationship within an organization, well being of the individual as an objective and making the maximum personal contribution for the success of the undertaking. The emphasis on the right type of relationship and the recognition of the importance of the human factor is widely accepted as the very essence of Personnel Management.

The changed conditions and needs reflected in the field, led to the revision by the Institute of Personnel Management (London) in 1963. The dynamic character of the field and its ability to change according to the changing needs has been fully reflected in the new definition. "Personnel Management is that part of management concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organisation the men and women who make up an enterprise and having regard for the well being of the individual and of working groups, to enable them to make their best contribution for its success". The emphasis has shifted from the individual to the group, the relationship, well being and contribution of the group being the most significant factor.

Personnel management is also known as Personnel Administration, Labour Management, Labour Administration, Industrial Relations, Human

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7 Jacob; K.K. : Personnel Management in India, Udaipur University, 1970, p. 53.
Capital Management or Employer Employee Relations. Some of the popular definitions of Personnel Management are given below:

- "Personnel Management is concerned with the most effective use of people to achieve organisational and individual goals. It is the way of managing people at work so that they give their best to the organisation".9 (Ivancevich and Guleck)

- In the words of Alfred York "Personnel Management is the recruitment, selection, development, utilization and accommodation to human resources by an organisation the human resource of the organisation consist of all individuals regardless of their role, who are engaged in any of the organisation activities".10

- Similarly Beach describes "Personnel Management as a frame of reference, and as a way in which the manager applies theory to his or her particular circumstances".11

The concept and practices of Personnel management right from the beginning as Labour welfare till its development as Human Resource Management have undergone enormous changes during the last three decades. Initially the accent was on work rather than on the workers. In course of time, however, there was a more realistic appreciation of the value of the human resource and attention was shifted to the development of this valuable resources in the wider interest of the organisations. In India, however, the realisation of the importance of human resource was late in coming. But now it is gaining increasing significance in modern organisation. HRM is not a buzz word. It has earned the recognition as an upcoming discipline in the developed countries. It has almost replaced the traditional concepts of Personnel Management, Industrial Relations and Training and Development. The word HRM was first recognised in USA in 1967, but it marked its beginning in India in 1980 & today all the roads lead to Human Resource Management. In the words of Schuler "Human

11 Beach : 1975
Resource Management is the use of several activities to ensure that Human Resources are managed effectively for the benefits of the individual, society and the business.\textsuperscript{12} In other words, it refers as "Policies and practices one needs to carry out the people or human resource aspects of management".\textsuperscript{13} Similarly it is defined as management of men in a matter of great responsibility, skill and initiative and it poses a constant challenge to the virtuosity and innovative abilities of individuals.

The concept of Human Resource Management is based on the specialization. At this stage of specialization, human being in an organisation was not considered as a resource as such. The focus or priority orientation was according to the human side of the organisation, so with the back drop, HRM is simply defined as a profession, which is concerned with the function of developing and motivating human resources of a given organisational entity in a planned manner so as to attune the organisation towards achieving the purposed mission. In brief, the mission of HRM is to attain high standards in quality of work, work life and productivity through people.

On the other hand HRM is treated as an integral part of national objectives "The country incorporated in its objectives, economic revival, stimulating investment and creating investible surplus by eliminating waste, synchronising demand with the compulsion of development and best possible use of resources aimed at the maximisation of productivity".\textsuperscript{14} All together, it described as Human Resource Management lies, in integration of the people with the organisation so as to make cooperative actions easier and more meaningful, improve understanding between people, reduce useless frustration enabling the individuals to serve the organisational objectives without losing personal identity, to minimise unnecessary conflict between individual aspirations and organisational goals, precisely, it lies in making the work worth doing, the life worth living.

\textsuperscript{12} Schuler, Randalls : Op. Cit. P.
\textsuperscript{14} Pandey, S.N. : HRM 2000, (Indian Perspective), New Delhi, 1990, p. 189.
Objectives of Human Resource Management

In today's dynamic and competitive environment, the rapidity with which organizations respond to the market and to the change, its important developing individual ability to quickly adjust to change and thereby enabling the organization to deal effectively with the changed condition is vital. So Human Resource Management has a major role to play in an industry, under current changed conditions and environment. The basic objective of Human Resource Management is to contribute towards the realization of the organizational goals. The specific objectives of HRM may be enlisted as under:

a. To achieve and maintain good human relations within the organization.

b. To enable each person to make his maximum personal contribution for the effective working of the organization.

c. To ensure respect for human personality and the well being of the individual.

d. To ensure maximum individual development of personnel,

e. To ensure satisfaction of various needs of individuals for achieving their maximum contribution towards organizational goals.

In spite of these objectives, there are many more, which help to improve the productive contribution of the people to the organization. A broad classification of the objectives of HRM may be presented under the following headings:

1. **Social objective**: The HRM is required to fulfil some social obligations.
   The HRM must take adequate care to be socially responsible to the needs and challenges of society while minimizing the negative impact of such demands upon the organization.

2. **Organizational Objective**: It's a basic fact that the organizational effectiveness, by and large, depends on the working of the HRM. The basic goal of HRM is to enable each person to make his maximum
personal contribution to the effective working of the organization.

3. **Functional objective**: The Human Resource Management has to perform greater functional responsibility such as to achieve and maintain good human relations within an organization. Secondly maintain demands contribution at a level appropriate with the organizations needs. Resources are wasted when Human Resource Management is more or less sophisticated than the organization demand.

4. **Personal objective**: The HRM has to exert for achieving the following personal objectives. Firstly, to assist employees in achieving their personal goals at least in so far as there goals enhance individuals contribution to the organization. Secondly, to ensure respect for human personality and well being of the individual. Thirdly, to ensure satisfaction of various needs of individuals for achieving their maximum contribution towards organizational goals.

**Significance of Human Resource Management**

Human Resource Management has unique significance in every organization because it makes possible the effective use of human resource along with material resource. Effective Human Resource Management has significant value in an organization in terms of following:

1. It helps in attracting and retaining competent and capable personnel in the organization. The planning function of human resource management ensures recruitment of different types of personnel in the short, medium and long run.

2. It helps to identify the best people for available jobs through recruitment and selection procedure. It also ensures that they are placed in suitable positions.

3. Through, performance appraisal and training, it enables individuals to develop skill, knowledge and attitudes different from those they currently possess.
4. It also motivate personnel to excel in their work.

5. It provides maximum opportunity for personal development.

Human Resource Management is also important from the point of view of society because it helps to:

- Maintain a balance between job seekers and available jobs.
- Provide suitable and most productive employment.
- Improve employees working skill and capacity.
- Provide harmonious relation among different work group.
- Reduce income disparities through standardization of wages in the organization.

**Strategies of Human Resource Management**

The principal concern of personnel professionals is the contribution that the Human Resource Management function can make to help the organization in order to fulfil its mission, goals and strategies. The mission is usually top management, statement or description of the organization over all performance. Goals are statements regarding what specific market, financial and production standards, an organization desires to attain. Strategy is the means by which these goals are achieved. So there are following strategies emphasized for an effective Human Resource Management.

1. **Recruitment and Selection strategies**: The appropriate recruitment and selection strategies chosen by an organization will depend on factors such as the type of employees needed, the amount of money available for recruitment and selection, whether the organizational goals, include expanding its product and services, labour market, conditions and affirmative action obligations.

2. **Personnel Planning Strategies**: The personnel planning strategies includes formal versus informal planning, short versus long term planning, centralized versus decentralized planning and integrative
versus piece meal planning.

3. **Training and Development Strategies**: The selection of specific training and development strategies include such as the caliber and skill levels of hired employee, the degree to which organizations product and services are changing. The philosophy of top management towards employees career development, and the costs associated with training and development.

4. **Performance Appraisal Strategies**: Performance Appraisal strategies depend on the extent to which the organization has experienced employee performance problems, management concern with equal employment opportunity issues, and the extent to which elaborate selection predictors have been developed that require careful validation.

5. **Compensation Strategies**: Compensation strategies depend on whether the organization is growing, remaining stable, or declining.

6. **Employment Relations strategies**: Employment Relations strategies include cooperative versus antagonist postures towards unions, pro active versus reactive posture, towards unions, organizing campaign, low versus high job security, informal versus formal discipline policies and indifferent versus paternalistic orientation towards employees.

Once the strategic posture of an organization has been identified, the next stage is to determine the personnel strategies that will enable the organization to achieve its mission, goals and objective. Following personnel strategies might be appropriate:

(i) Use of broad and multiple career paths that encourage employee creativity and initiative.

(ii) Establishing performance appraisal system, which are future orientated and stimulate the tasking of risks.

(iii) Compensation programmes emphasizing external equity in order to
attract high caliber employees. These packages should be flexible, contain many, perquisites and long term incentives and encourage high levels of employee participation and assumption responsibility.

(iv) Training and development programmes should focus on broad development of individual and quality of work life.

Planning of Human Resource

The proper use of manpower is a key problem being faced by all management. In many enterprises, problems of productivity can be directly traced to improper use of available human resource. Prosperity, growth and efficient use of capital of any organization largely depends on the availability of human resource with the required skill and knowledge. The problem is how the company should achieve maximum prosperity by using the resource at hand. To solve this problem, little attention is paid in the past to systematic planning. But in recent years, great attention is paid in planning of human resource.

A. Strategic Planning: Through Human Resource Planning the management of human resources becomes a top level, strategic concern. The overall strategic planning process in an organization attempts to anticipate changes and their effects on the organization. Harrison in 1995 defines the strategic level contribution of HRM as "The over all and coherent long term planning and shorter term management, control and monitoring of an organisation's human resource so as to gain from them maximum added value and to best position them to achieve the organizations corporate goals and mission". Strategic planning is the process of identifying organizational objectives and the actions needed to achieve those objectives. Strategic planning involves such areas as finance, marketing and human resource to determine the capacities of the organization to meet its objectives.

The strategic planning process can be thought of as a narrowing process. The process begin, with identification and recognition of the

philosophy and mission of the organization. Once the philosophy and mission of the organization are identified, the next requirement of "Environmental scanning". Environmental scanning is the process of studying the environment in which the organization exists to pinpoint about the external process in it. After the pressures in the outside world of the organization are examined, an internal assessment is made of what the organization can do. Next is forecasting organizational capacities and future opportunities in the environment to specify organizational objectives and strategies. Finally, specific plans are developed to identify how strategies will be implemented. The strategic planning process is circular since the environment is always changing and the steps in the process must be repeated over and over again. Using this overview as a base, the human resource planning can be discussed.

B. Human Resource Planning: In planning for human resources, an organization must consider the allocation of people to jobs over long periods not just for the next month or even the next year - Human Resource Planning is the process of analyzing and identifying the need for availability of employees. As planning is an open road to great accomplishments, Human Resource Planning consists of analyzing and identifying the need for and the availability of human resource required for an organization to meet its objectives. Human Resource Planning is tied to the overall strategic planning efforts of the organization. It is the attempt to forecast the future supply and demand for human resource needed by the organization.

Human Resource Planning involves two major components: Planning and Forecasting the organization's short term and long term human resource requirements, and analyzing the jobs in the organization to determine the skill and abilities needed. These two components are essential if the other human resource activities are to be performed effectively. They indicate:

1. What types of employees and how many of them are needed today as well as tomorrow?
2. How employees will be obtained? and

3. What training and development programme the organization may need?

Human Resource Planning tries to foresee any expansion or reduction in operations and technological changes that may affect the organization. Because of its focus on organizational needs, Human Resource Planning must be part of overall planning process in an organization. External factors are job mobility factors, population shifts, economic cycles and conditions, geographic concerns, educational levels of workers, technological changes, changes in social values, political changes, international events and government legislation. Internal factors include opening or closing of facilities, shifting of products or services offered. Human Resource Planning is especially important in emerging highly technological fields such as computer design and telecommunication.

Human Resource Information System (HRIS) is a part of Human Resource Planning. Basically it is concerned with the information regarding human resource, absenteesum turnover, job and dissatisfaction and other problems. These computerized informations are never imagined only twenty years ago. "Today all these activities just mentioned, and many more, can be accomplished with a human resource information system packages. With the right area wide network and data base server, PCs can be configured to handle the HRIS needs of almost all organization, regardless of size".\textsuperscript{16} HRIS uses a computer, its attendant hardware and software, and a data base. Most of the records and data sources listed can be stated in numerical term. These numbers can be then combined or manipulated in HRIS to provide different information necessary for planning, controlling making decisions or preparing reports.

The computer has simplified the planning procedure. It has also became an invaluable aid to the human resource planning from payroll processing to record retention. An HRIS manager must clearly understand

the record keeping and record requirements, before designing the system. This HRIS consists of following steps:

a. **Personnel Profile**: Name, age, sex, race, marital status, address and phone numbers of workers / officers / manager etc.

b. **Career Profile**: Performance appraisal, job title changes, salary changes, promotions, transfer, career paths.

c. **Skill profile**: Education, training, license, degrees, skills, hobbies and interests.

d. **Benefits Profile**: Insurance coverage, disability provisions, pensions, vacation, holidays, and sick leave.

**C. Manpower Planning**: A big need behind the manpower planning is the institutional constraint of large scale unemployment in the country. In the present context the pressure is increasing for manpower in organized sector, government sector and public sector. There is increasing stress and strain on the recruitment system. At the same time, the source of recruitment will continue to be limited through the employment exchanges, as they may continue to have difficulties in sponsoring the best talent due to procedural constraints.

In recent years the Manpower Planning is getting great significance. As pointed out by Coleman "Manpower planning is the process of determining manpower requirements and the means of meeting those requirements in order to carry out the integrated plan of organization". On the other hand, it is also described as "Manpower Planning" is the process including forecasting, developing and controlling by which a firm ensures that it has the right number of people and the right kind of people, at the right places, at the right time doing work for which they are economically most useful. Thus Manpower Planning consists of projecting future manpower requirements and developing manpower plans for the implementation of the projections, these plan are adjustable according to

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the needs of the organization. These planning helps in the selection and development of employees. It helps in procuring personnel with necessary qualifications, skills, knowledge, work experience and aptitude for work. It helps in formulating managerial succession plans as part of the replacement planning process. It also helps in identifying areas of surplus personnel.

**Human Resource Policies**

Human resource policies constitute guide to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization values, philosophy, concepts and principles. It is described as personnel policy is a statement or commonly accepted understanding of a decision making criteria or formulae, prepared or evolved to achieve economy in operations by making decisions relatively routine, facilitating the delegation of such decisions to lower management levels. Thus it provides a framework where decisions are taken individually without interference of higher authorities. It clearly lays down the objectives of the organization in the field of Human Resource.

But on the other hand, HR policies guide to management thinking, and they help the management to achieve the organisational HR objectives. Top HR officials the vice president or the HR department heads are generally responsible for policy making, in critical HR matters, such as equal employment or management development. The policies may be drafted by an HR committee for approval by the chief executive officer.

Finally, by going through both aspects, we can say that the policies in the management of personnel cover such a wide variety of subjects that any itemization would serve only as a "Laundry List". It is enough to say that it is a comprehensive coverage of policies embraces any area in which action or decision is taken by either employees or management in relation to the working environment, the right and responsibilities of employees and management and the action of both parties.
Policy Writing: HR policies should be in writing and should be communicated to all employees. To ensure that employees are familiar with HR policies, many organizations, particularly large firms and government agencies publish an HR policy manual. While a policy manual may contain statements of general guidelines, employees often perceive the manual as a "rule book" prescribing very specific actions permitting in very specific situations. A well written and well used policy manual can be a valuable aid not only in orienting new employees to the workplace but also in settling differences between supervisors and subordinates.

A number of guides for policy writing have been well established and are worth enumerating. A statement of purpose or rationale helps gain understanding and acceptance of the policy. Then word choice should also be selected. Wording should avoid irritating expressions that antagonize denote inferiority or cast aspersion avoiding of legalistic language as much as possible and use understanding tone. Then outline forms are used for management reference and application, which are short paragraph types, some use of underlining and adequate spacing encourage reading. Lastly, short sentences are used rather than long ones. As it is easier to read and understand.

B. Purpose of Policy: Personnel policies cover the principles and rules of conduct governing the dealings of the organization with its employees and set the tone for the administration of personnel programme in a manner conducive to the attainment of the objectives of the organization. A need for sound Human Resource Policy stem from the fact that in order to achieve the over all objectives of the enterprise, an atmosphere has to be created in which optimum and spontaneous cooperation of the employees can be achieved.

Statements of policy constitute criteria for making decisions. It renders decisions making easier, more routine. It permits decision on problem without detailed analysis. These policies give a clear idea of what management and employees can expect. It help to avoid confusion and
misunderstanding, reduce the effects of pressure by either management personnel or employees.

C. Policy Vs Procedure: "Where as policies indicate 'what' and 'why', procedure point out 'how' an action is to be carried out. Procedures put policies into effect, outlining in detail the methods, processes and movements. They tell where an action is to take place and at what stage". 18 Personnel procedures refer to the detailed manner of applying policy to a particular administrative context. Policies are general instructions, procedures are specific applications. Administratively "procedures classify the way in which policies are to be carried out and enable an organization to maintain controls since they affix obligations for performing various tasks. They need periodic review because of sifting condition and because they are subject to 'creeping changes' to a much greater extent that are policies". 19

Personnel practices refer to the manner in which personnel programmes are implemented in keeping with the procedures laid down for attaining the objectives as stated in personnel policies. Personnel practices are the most important, because the impact on the employees is mostly felt of the level of implementation. High sounding policies, elaborate procedures will not have any meaning for employees unless personnel practices are in line with the policies and procedures.

Human Resource Programmes

Shaped by human resource policies "Human resource programmes represent coordinated human resource efforts specifically intended to initiate, disseminate and sustain efforts towards strategic organizational change necessitated by the strategic business needs". 20 In recent decades well formulated human resource programme is as much as economical as production or sales programme. It helps to improve the altitude of the employees towards their jobs. It is generally accepted that improvement in attitude improves productivity and thereby increase profit. As described by

Milton Brown "A human resource programme consists of the entire broad course of action governing employees at all levels (including management), in a firm. Like any other programme of management, it can be thought of as a 'stable plan of action that continues over an extensive period of time'." 21

Performance Appraisal

Human Resources are today universally known as the more valuable asset in any organization. They are no longer considered as problems and costs but instead recognized as a resource, opportunity and strength. But still this Human Resource is least utilized. Only a small portion human potential is tapped and put to work.

The performance appraisal system is one of the most critical fields of human resource management. Despite the increasing research is done in this area, it is still untouched. In the past, the performance appraisal system was used as simple confidential rating of the employee, by his boss. Of late, there has been a change in thinking. In most of the organizations, performance appraisal system is being used for developing employees. These are not mere reporting of an individual's performance once a year but should also serve as an instrument of motivation.

Performance appraisal is a process supporting the use of human resource in an organization. It is possibly management most powerful tool in controlling performance and productivity of human resource in the organization. A few experts have defined merit rating or performance appraisal as the process of evaluating employees performance on the job in terms of requirements of the jobs.

Performance appraisal is concerned mainly with three things:

1. **Administrative Decision**: i.e. promotion, transfer and allocation of financial rewards.

2. **Employees Development**: i.e. identification of training and development needs and performance feedback, and

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21 Brown, Milton: op. cit. p. 86.
3. **Personnel Research**: i.e. generation of manpower information besides salary and wage distribution.

In other words, "Performance appraisal or employees appraisal is the systematic process of measuring and evaluating employees with respect to their performance on the jobs and their potential for development. According to "Dale Yoder" - Performance appraisal refers to all formal procedures used in working conditions to evaluate personalities and contributions and potential of group members".22

**A. Purpose of Performance Appraisal**: Performance Appraisal is the systematic periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities for a better job. It is a central activity of human resource management because it provides details about the past and present performance of the employees which helps in taking decisions regarding recruitment, selection and promotion etc. Appraisal of employees serves several useful purposes. Some of the objectives are broadly given here:

1. So far appraisal system has been primarily used to provide valid information for organization to make personnel decisions such as providing inputs to system of reward comprising of promotions, additional responsibilities, appreciations, merit increment, extension in service, reappointment in service etc.

2. Performance appraisal can meet the vital need of the employees by providing them informations relating to their performance on jobs and were they stand. It also serves as a 'feedback' and guidance for self improvement.

3. By identifying the areas of training needs, strength and weakness of an employee, appraisal system can help in adopting appropriate training and development programmes.

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4. it is also to consider employees suitability for different types of assignments, transfer and placement. It can be utilized to make inventories of talent within the organization and spotting the potential.

Besides serving the traditional purpose of administration it is also useful for (a) Improving job performance (b) Developing the employees potential (c) Building better relationship with employees and (d) improving organizational effectiveness.

In the past, the emphasis used to be on the evaluation of merit of an individual, his worth as a person. The approach resulted in an appraisal system in which the employees merit like initiative, dependability, personality etc. were compared with others and ranked or rated. But now the traditional trait oriented appraisal is losing ground.

In recent time, emphasis is being given to measuring the results of the employees performance. Now a days trend is to measure what the man does (Performance appraisal) rather than what he is (merit rating). Performance appraisal is now carried out by two methods mainly management by objectives and behaviourally anchored rating system.

**A Management by Objectives (MBO) :** Management by Results", Accountability Management, "Performance results", and individual Development Evaluation (PRIDE), work planning and review, etc. are different names of Management by Objectives. Management by objectives was first suggested by Peter Drucker in 1954 but it was adopted by Douglas McGregor. In India it was introduced in sixties by transitional corporations. Since than, it is being utilized by many industries. In recent years MBO has gained considerable popularity due to increasingly dynamic environment, growing importance of the individual in organization, emerging techno-structure, need for result oriented performance appraisal, increasing attention on long range planning and executive development.

Modern method of performance appraisal implies evaluation of managerial performance in terms of verifiable objectives. The process involves appraising how efficiently manager set attainable objectives and
how well these are attained. The focus here is thus on result accomplishment and not on the personal qualities and attributes. This process is known as Management By Objectives (MBO). It is a dynamic system which seeks to integrate the company's need to classify and achieve its profit and growth in sales with the managers need to contribute and develop themselves. MBO is a way of thinking about management, it is not a technique or principle of management but a way of managing a system of goal oriented management. It is a system of performing managerial function in a logical and effective manner.

B. Behaviourally Anchored Rating system (BARS) : A BAR system is designed to overcome the problems of category method by describing examples of good or bad behaviour. These examples are anchored or measured against a scale of performance levels. BARs requires extensive time and effort to develop and maintain.

The Organization Structure

Organization as the mechanism or structure through which people work in a concern has undergone considerable analysis and revaluation during the past ten years. A definition by Allen's will serve to guide in analyzing various concepts of organization. "The process of identifying and grouping the work to be performed, defining and delegating responsibilities and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives".23

This definition conceives of organization as a coordinating function in management and within this a strong emphasis on the management of personnel.

Earlier studies show organization rather inorganically and certainly rather statically as rigidly structured with fixed tasks. Assisting for years with job analysis, the staff personnel department has been concerned also with organization as related to transfer and promotion, to wage and salary administration, and to, training and development. With increase in research on and understanding of 'organisational behaviour'. The organizational

structure has become an important aspect of an organization. Recent developments indicate that role of personnel administration in 'organization' should become progressively greater.

Since an organization is composed of people, since 'organization' in a structural sense is a tool for use in the management of personnel, and since administration functions through an organization structure, it would be well to examine and evaluate some concepts of organization. Three distinct types of organization structure exist as a result of the varying kinds of authority relationship established among units and individuals. Some structures are based upon line authority, others on functional authority and still other on a combination of line and functional authority.

A. **Functional Type of organization structure**: In functional type of organization, each manager has authority over the personnel within all other departments with respect to their performance of the function for which he is responsible. It was strongly advocated by the Sir Frederic W. Taylor as "The functional type of structure, is intended to provide personnel with the opportunity to achieve maximum functional specialization". In a functional type of structure, the personnel manager would have primary authority and responsibility for hiring, training, disciplining and the handling of other functions relating to the management of personnel functions relating to the management of personnel within all departments. But unfortunately this functional structure has lots of disadvantages such as taking orders from several bosses, the division of authority among a number of functional specialists requires the employees to obey order from different specialist bosses, which leads to confusion and inadequate control. Due to this very disadvantages, the functional structure was not running properly through the functional type of organization structure has some practical value.

B. **Line type of organization structure**: The line type of organization structure, is traditional type of structure, which is sometimes called

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the scalar organization. It enjoys clear authority to be moving from the highest to the lowest level within the structure. The line type of structure is best suited to the needs of the small organization, whose operations generally may be divided into the function of production, sales and finance only. In the organization, one of the basic concepts in unity of command, means and employee should report to only one person and should receive orders from only one person. A department manager, in a line organization must have broad and diversified qualification because he must be able to cope with a variety of problems with out assistance from functional specialists.

The straight line as a form of organization has many advantages as relationships are more readily understood at all levels. Firstly, it is simpler to follow the 'chain of command and to proceed through direct channels'. Secondly, action is faster as long as there are not too many levels in the organizational hierarchy. Finally subordinates at each level feel complete authority and responsibility for what goes on within their respective areas.

As the activities of the line department increase in scope and complexity, a straight line type of structure generally proves to be less satisfactory. Management of various levels must become familiar with a widely divergent number of fields, such as Finance, Personnel, Purchasing, Engineering. Over all controls and uniform conditions are difficult to maintain with this as there is waste of time and duplication of efforts.

C. Line and staff type of organization structure: Almost as old as the line organization, the staff line form is evolved as the volume of staff work increases, the establishment of staff department may become necessary. The line and staff type of structure that is created through the addition of staff units has characteristics of both the line and the functional structures. The line departments that are directly concerned with the accomplishment of organizational objectives provide the basic framework. The addition of staff department permits personnel from these departments to provide
the line managers, with specialized assistance in those fields that the line manager do not have time to master. As described by Mr. R.S. Davar "By line and staff organization structure is meant an organization pattern where individual specialists and groups of specialists advice the line manager regarding certain specialized aspects of their activities".25

In theory, where a staff line organization prevails, both authority and responsibility remain with the line. The staff cannot command the line. But the accountability is with staff. As authority in the legal or rightful power to command or to exact action from others. Henri Fayol also define authority as "The right to give orders and power to exact obedience".26 Responsibility too means the obligation of a subordinate to perform a duty which has been assigned to him by manager. One thing which must be remembered is that a managers can delegate his authority to his subordinate, his responsibility still remains for the performance of his own duties. The manager can not through delegation shift his responsibilities to his subordinates in this sense. Finally staff is accountable for the work given to him by his seniors.

The line has difficulties in relations with a staff organization. Similarly, staff too has its problems with the line. While developing a sound organization, it is important to understand not only the nature of the authority delegated but also the authority relationships which exist between manager and their subordinates. The staff can be a tremendous aid to the line in assisting line problem solving. In rendering service, and in contributing to the development of an effective organization.

**Execution of HR organization**

In an organization, every one is concerned with personnel function, so in big organization a separate special department is introduced to help the line management to secure the optimum use of personnel. With the increase of number of employees in the organization, need of segregation

of HR department is inevitable. The HR department helps the management in securing, using and developing appropriate manpower to achieve the organization objectives. Peter Drucker once said "Business is a human organization made or broken by its people". The message suggested that the human resource function is crucial in an organization. Any organization which ignores it would do so at its own hazard.

The primary task of the HR department is to ensure that the organization human resources are utilized and managed as effectively as possible. HR administration helps the organization to design and implement policies and programmes. Which enhance human abilities and improve the organization overall effectiveness. Human resource departments are, in effective firms having highly competitive environments, today playing vital role in the organization. In the words of J.R.D. Tata on the role of HR department "The main role of the personnel division, since its inception, has been to provide functional guidance to the managers and line executives and to advise and assist them. The members of the personnel division have always made a sincere attempt to convince managers of the wisdom of the line of action recommended. It is a tribute as much to the managers as to the officers of the personnel division that a fine spirit of cooperation has been developed between them. It is only in such an atmosphere of understanding and mutual respect that the personnel officers can perform their often delicate and difficult tasks".

The more role they play, the more likely they will be effective in improving the organization productivity, enhancing the quality of work life in the organization, complying with all the necessary laws and regulations related to managing human effectively, gaining competitive advantages and enhancing workforce flexibility.

The above description clearly indicates that the Management's basic job is the effective utilization of human resource for the achievement of organizational objectives. Thus the human resource management contributes to the realization of the organizational goals. In order to achieve

these goals, the HRM undertakes the activities including manpower planning, recruitment, selection and placement of personnel, training and development of employees, performance appraisal, motivation, remuneration and fringe benefits and social security and welfare of employees. Broadly speaking the HRM incorporates three major aspects namely - Welfare, Personnel and Industrial relations. For the purpose of effective management of personnel, the personnel managers are expected to perform various managerial, operative and advisory functions. Under managerial functions the planning organizing, directing and controlling functions are undertaken while under operation functions. The Personnel Department performs the functions of Employment, Development, Compensation, Maintenance, Motivation, Personnel records, Industrial Relations and Separation. It has also to play the advisory role in the matter relating to personnel for top management and Departmental Heads. The role of Human Resource Management has become very vital in the present context and almost in every enterprise, the personnel Department is performing this responsibility.