Chapter 4

Evolution of Personnel Management

“IT is truly enough said that a Corporation has no conscience, but a corporation of conscientious men is a corporation with a conscience”

----- Henry David Thoreau

4.0 Introduction

In the last chapter, the central theme was on the evolution of the concept of management. In this chapter, efforts are made to throw a light on the evolution of Personnel Management, an important offshoot of general management, recently introduced in the mid of twentieth century in U.K. USA and other western countries. As mentioned in the last chapter, different management Gurus interpreted the concept of management according their own views. Basically they were all thinkers. Many of them were having practical experience in various plants at different levels.

Management is as old as humanity itself. Management is a developing science. The success of any business depends upon proper and effective application of management principles. Hence management plays a very important and pivotal role in all business concerns. Specially in the era of tough global competition, the success of any business largely depends upon the management skills of high quality. Naturally it has now evolved certain basic principles and elements in the form of process of management which have

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universal application in each branch of human activities including profit making and non-profit making organizations. However management is the integrating force consisting of some basic functions, for accomplishing the objectives of an organization. Today it has become economic tool of industrial society.

4.1 Definitions of the term management
There are number of definitions of the term management in the management literature. Management can be defined as the process by which managers create, direct, control, maintain and operate their organizations through coordinated, systematic and cooperative human efforts.

Peter F. Drucker, famous and well known management guru and also authority on this subject has defined this concept as an economic organ of industrial society which means taking action to ensure the desired results. The Researcher has coined his own definitions of this concept. According to him the spelling of the word management is MANAGEMENT. If a vertical lines are drawn after letters E and after N in the spelled word, it is noticed that management means to manage men tactfully.

While dealing with different functions of management, one fact is common i.e. ‘The Human Being’ or ‘the Man Power’ which is a common thread in every process. For dealing with all these processes the first step is that the manager has to design the process. Such management process is the art of
getting things done through others. In practice, it is not so easy to get the work done from others, who may co-operate or may not co-operate with the activity.

4.2 Role and functions of management
Every management is required to play a specific, dynamic and effective role in any type of organization. The progress of any organization depends upon the leading and participative role of top managers. They have to regulate productive activities by organizing all factors of production in manufacturing units while extending qualitative services in other non-manufacturing units consistently and continuously. It is not easy. It requires talents and managerial skills with effective leadership. These roles can be defined as the organized set of behaviors identified with the position. All these roles in one form or other deal with people and their interpersonal relationships.

4.2.1 The roles of Managers - divided in three parts.
   a. Interpersonal Role.  b. Informational Role.  c. Decisional Role.

a. **Interpersonal Role** – Managers spend a considerable time in interacting with other people, both within their own organization as well as outside. All these interactions require an understanding of interpersonal relations.

b. **Informational Role**: - As a head of the firm department the manager has to collect lot of information from different sources. He has to process and disseminate the information
to different heads and take the review by collecting the progress reports from different departments.

c. **Decisional Role:** Managers are continuously involved in productivity improvement and naturally face the technological and other challenges one after another. He has to take several decisions on the spot. He has to negotiate with union leaders and settle the agreements in time. He has to resolve disputes and look after the marketing of the products.

**4.2.2 Functions of management**

The functions of a manager are interrelated and interdependent so that a significant change in one function affects the functioning of others. These functions are the manager’s tools to achieve the organizational goals and objectives.

**Planning**

Planning is considered to be the central function of management and determines the organization’s direction. It is the thinking process, organized foresight, the vision based on facts and experience, that is required for intelligent action. Thus planning means looking ahead, which facilitates best utilization of available resources in a systematic manner. Management planning attempts to achieve a consistent coordinated structures of operations focused on desired ends. It includes forecasting, formation of objectives, policies, programs, schedules and budgets. An effective planning program incorporates the effects of both external as well as internal factors. The external factors are availability of
resources, both capital and material, changing technology etc. The internal factors are limited growth opportunities, changing patterns of work force, complex organizational structures etc. Thus planning is an intellectual process which pervades all managerial activity and is directed towards efficiency.

Organising
Proper organizing is the creation of structure of duties and functions for the attainment of the objectives of the organization. In the process of organizing the management intends to divide work, responsibility and authority among departments and competent individuals whose functions are smoothly coordinated to give efficient output. It follows, therefore, that organizing function is concerned with :-

1. Identifying the tasks that must be performed and grouping them wherever necessary.
2. Assigning these tasks to the personnel while at the same time defining their authority and responsibility.
3. Delegating such authority to these employees.
4. Establishing a relationship between authority and responsibility.
5. Coordinating these activities.

Directing
The directing function is concerned with leadership, communication, motivation and supervision so that the employees perform their activities in the most efficient manner possible. The leadership element involves issuing of
instructions and guiding the subordinates about procedures and methods. The communication must be open both ways so that the information can be passed on to the subordinates and the feedback can be received back from them. Supervising subordinates is a skill. To certain extent it depends upon interpersonal relations. If these relations are properly and effectively managed, subordinates would be able to prove improvement in their respective assignments and assure the superiors that the directions are being properly carried out.

The leadership style varies from unit to unit depending upon the characteristics of a leader, followers and the relevant situation. A leader must lead and not drive. To guide people is a skill, and to motivate them is a very specialized skill. Thus leadership is the quality of the behaviour whereby it can guide others, in an organized way.

**Controlling**

Controlling has been accepted as a basic managerial function to ensure the quality and speed of the activity.

In essence, control involves sequentially:

1. Setting up standards of performance.
2. Determining methods for measuring such performance.
3. Measuring the actual performance applying these standards.
4. Comparing these measurements with the pre-established standards.
5. and last but not the least taking corrective action, when necessary, to correct any deviations between the measured performance and expected performance.

4.3 Personnel Management

4.3.1 The origin of Personnel Management is found even before the period of industrial revolution but in another form. In the last century industrial revolution started demanding skills, knowledge and attitudes from working population. When the factory system was established a concept of management emerged which contributed to the development of the most productive economy in the history of the world.

4.3.2 When labour was treated as a commodity and when no employer was interested in his employees, as early as in the 1800 in U.K. Robert Owen of New Lanark\(^8\) (1771-1858) was paying attention to the welfare of the employees. He was also asking his fellow manufacturers to take care of the employees. Most probably he was the first one to pioneer this aspect, i.e. the management of people. His ideas were far ahead of his time. His emphasis was on the relationship between environment and employee efficiency. According to him, sometimes employees behave rudely not because of their nature but due to their nurture. He also pointed out that when few employees became vicious; it was not because they were born vicious but because they lived in vicious environment. He made improvement in working conditions in

the plants and also improved the housing facilities. Most important part of his activities was that he established a school for the children of workers. In short, his special interest in the welfare activities for workers seemed to be the origin of personnel management. Robert Owen was a visionary and dreamer. His consistency in taking care of employees and his committed efforts to realize his dreams in practice can be treated as the beginning of personnel management.

4.3.3 Even before Owen, in England Boulton and Watt (1770-1848) in their own foundry in Birmingham showed some interest in the welfare of their workers. They instituted an employees sickness benefit scheme which was managed by workers as early as 1800. Another pioneer of workers welfare scheme was B.S.Rowntree\(^9\) (1871 -1954) who enunciated a new philosophy of industrial welfare. He conducted many experiments in promoting the welfare of workers. He also instituted in 1906 a pension fund for the workers in the company with a view to provide economic security to workers after retirement. Thus in U.K. Personnel Management had its origin in the concept of welfare as propounded and practiced by some of the enlightened entrepreneurs, who were actually laying the foundations for the evolution of modern personnel management. In the words of Edward Flippo\(^10\) “Personnel Management is the planning, organizing, directing and

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controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and societal objectives are accomplished.” This definition is a comprehensive one and covers both the management functions and the operative functions. The purpose of all those functions is to assist in the accomplishment of basic objectives. Another simple definition by Dunn and Stephens\textsuperscript{11} is “The personnel management is the process of attracting, holding and motivating people involving all managers, line and staff.” An analysis of this definition will show that personnel management is principally concerned with three activities.

1. attracting people, by offering suitable monetary and non-monetary rewards,
2. retaining them in the organization by improving work environment,
3. motivating them by following progressive practices and human policies conducive to bring about personal satisfaction to the employees.

4.4 Evolution of Personnel Management in India

While the evolution and development of personnel administration in U.K. and in U.S.A. was largely voluntary, in India, personnel administration had to be prodded along by government intervention and coercion. Personnel Management in India owes its origin in legal compulsions.

Prior to recommendations mentioned in the report of the Royal Commission of Labour in 1931, the area concerning the management of the people in any organization was either the part of Financial Management or any other authority in the management hierarchy of the concerned organization. Hence, Personnel Management in India has a short history of eight to ten decades. Within this span, however the growth and development of this profession has passed through three distinct phases namely, 1). The Legal Phase 2) The Industrial Relations Phase, 3) The Human Resources Development Phase.

4.4.1 The Legal Phase:- The Royal Commission of Labour in 1931 suggested the appointment of the Labour Officers to deal with the workers specially to settle their disputes and grievances. Later on, the Factories Act of 1948 and the rules framed there under, laid down the appointment procedure, duties and qualifications of the Welfare Officers. The emphasis during this period was mainly on the welfare aspect of the workers. Several welfare officers were mainly concerned with the working areas or at the shop level areas wherein the observance and implementation of factory rules compelled them to act as arbitrators in labour disputes.

4.4.2 The Role of Welfare Officer:- The Factories Act 1948 envisaged Labour Officers were expected to perform following duties.
1 Appointment of operators.
2 Implementing, safety, health and welfare programs along with redressing of workers' grievances.
3 Advising the management in formulating labour policies.
4 Implementing workers education and other welfare and cultural activities.
5 Interpretation and explanation of company policy to the workers
6 Maintaining harmonious industrial relations in the plant.

In view of legal compulsions, the entire approach of organization towards personnel was to comply with the law and keep the welfare officers busy with routine welfare and other related activities.

4.4.3 The Industrial Relations Phase:- After the numerical growth in the industries and subsequent growth of trade unions, the number of disputes started growing in the industries. The welfare officer had to face frequent strikes including go slow activities and also had to attend court cases and manage negotiations with union leaders as and when required.

4.4.4 The Human Resource Development Phase:- The innovative aspect of personnel departments in the industries of western countries at the end of second World War
compelled the managements at corporate level to empower the employees for their total involvement for enhancing quality. The personnel department had to shoulder all these responsibilities and review the existing strategies for the bright future of the organization.

4.4.5 Changing Nomenclature:- During independence period in India, an officer dealing with labour problems was known in Indian labour literature as labour welfare officer. The designation was changed in western countries due to expansion of his duties and he was designated as Personnel Officer. Due to growth of severe global competition, the responsibilities of Personnel Officer became more wide as he had to look after the maintenance of qualitative manpower development and also to assist business development to certain extent in addition to his original duties. For manpower development the most essential requirement was organizing continuous training programs for the employees from corporate level to shop level after identifying their training needs. This additional responsibility was entrusted on the shoulders of Personnel Manager from 1980. In this changed situation, many multinationals started to create separate posts of HR managers in their plants and branches. The responsibilities of each post were separated. The post of Personnel Manager was specialized in maintaining sound industrial relations, improving strategies of bargaining practices at plant level, while the HR Manager was supposed to look after the implementation of welfare schemes, organizing training programs for employees, and take care of
safety measures. In those days in many medium scale units, all these responsibilities were borne by the Personnel Manager who was assisted with a limited staff.

4.5 **Evolution of Personnel Management**

The evolution of Personnel Management can be divided in three periods as mentioned below

1.:- 1948 to 1960
2.:- 1961 to 1980
3.:- 1981 till today.

4.5.1 **1948 to 1960:** During this period Trade Unions were dominating the labour field in all types of industries. As a result disputes increased everywhere. Instead of amicable settlement of disputes, unions preferred to file the cases in the court of law. The general picture was that the management was forced to face continuous strikes in all parts of our country. In such a tense situation, the Labour Officer often become a scapegoat. In this disturbing period, many corporate bodies, central and state governments, started thought of organising specialized training programs for these officers. The purpose was to update their knowledge, and to sharpen the required skills to enable them to face any type of situation boldly with a positive approach. Shortly afterwords a number of training institutes at central and state level were started to train the Labour Officers. Even certain corporate bodies like Tata opened their institutes to train their officers.
4.5.2 1961 to 1980:- The traditional duties of Welfare Officer were now converted into a professional job. This practice was continued till 1980 and from 1980 onwards due to shift in government labour policies, corporate bodies started to change their approach towards labour. They took somewhat lenient view and implemented schemes like workers participation in management. During this period, Union Government, CII, other management federations like National Productivity Council under the guidance of International Labour Organization set up several technical and non-technical Training Organizations like ITIS at District level. Government of India took lead to set up Central Training Institutes and Workers Education Scheme at national level to create general awareness among employees regarding their rights and duties and also to train the workers at grass root level so that common people should get more and more employment opportunities in the future.

4.5.3 1981 onwards:- The winds of change started blowing on the Indian continent during this period. Indian people started facing the heat of global competition in every sphere of life. The speed of change was so fast that everyone including Government and industrial organizations started thinking of new strategies to strengthen their competitiveness for their survival and growth. With the development of science and technology coupled with radical changes in the thinking process of people all over the world started giving way to set up a new class of world society in which different
barriers among nations started breaking at a galloping speed. Naturally at corporate level, policies started changing specifically in relation to labour, manufacturing and marketing areas. Till this period labour was treated as a commodity. There was totally a lack of human touch between management and labour. This police approach was converted slowly into liberal polish approach. It was a transition period from conflict to cooperation between management and unions. Management started thinking about labour in a positive way. Hard and tough policies towards labour started crumbling at corporate level. Instead of termination of workers for minor omissions and faults, constructive and practical policies were preferred at corporate level by recognizing the growing importance of manpower and realizing the need to upgrade the skills of workers on the background of speedily growing world competition.

**4.5.4 After 1981**, the Indian economy became an integral part of the global economy. Certain new positive changes like introduction and implementation of Quality Management Tools, like Kaizen, Total Quality Management, cost consciousness, customer care changed the mind set of employees at both levels – corporate and shop levels. Such changes could not be implemented without the highly skilled as well as productive and proactive workforce, having commitment and team spirit. But this was possible only because the power of global competition melted down the fighting nature of Indian trade unions slowly. Such changes
were not at all willingly accepted by Union leaders. But intensifying global competition, compelled the union leaders to change their approach and attitude from conflicts to willing acceptance of cooperative spirit with commitment for the survival and growth of the industrial units. On this background, Personnel Managers had to play a very pivotal and constructive role. They shouldered added responsibility due to the introduction of ISO standards in Indian industries. They had to look after the training of employees by using new innovative techniques like HR tools. Many corporate bodies shifted this responsibility of organizing training programs on HR manages. Many management training institutes were established at national level for conducting two year professional courses to meet the needs of the fast growing industrial units in India.

4.6 In last two decades, industries in USA, U.K. and other European countries opened their branches in India. No one can stop the fast developing IT culture in all corners of our country. Our import export trade has also slowly increased. Specialized industrial units are growing in private and public sectors in all parts of our nation. Naturally aspirations and expectations of youngsters are also changing. Every day dawns with a number of challenges covering each sphere of industrial life. In such fast changing circumstances, Personnel Managers - young and old – must try to update the knowledge and skills for their own as well as of employees for bright prospects in the coming years. As one author has mentioned “The best way to inspire people to a
superior performance is to convince them by everything you do and by your every day attitude that you are wholeheartedly supporting them”.12 (Harold S. Green, Former Chairman of IIT.) This carving message is for our blooming personnel managers to achieve their target with a missionary zeal in the present competitive age.

4.7 Recent Trends in Personnel Functions

4.7.1 Now we have entered in to a new millennium in which Quality, Speed and Delivery are the buzz words. Everything is moving fast. Change is the only constant phenomenon. Many multinational companies of the yesteryears find themselves stanching and frustrated in unmanageable crisis in the present global competitive age. We live in a world of profound transition and changes which are more radical than that what we saw in the 20th century. The emergence of knowledge as the management key resource will certainly necessitate new management theories and practices in future. A new revolution is under way. Although it has started in business enterprises with business information, but it will engulf all institutions of society in the due course of time. There is going to be a great revolution in technology, techniques, software, speed and last but not the least in the perception and aspirations of employees as well as employers. There will be tremendous change in the working processes of IT industries and other related units.

The next decade will be of knowledge workers. Hence future challenge would be to make all workers especially more productive and proactive knowledge workers. Above all, it is on their productivity, that survival and prosperity of the organization will depend. During the next decade in business, work will follow where people are, and not people will go where the work is. Value addition would be the key theme of the next decade. Outsourcing will lead an organization in future with some positive expectations. With galloping changes in technology and global competition, the success of any organization has become progressively more dependent on the ability and creativity of both managers and employees in addition to the innovative products and services in the market.

The real issue in the globally competitive market will not be only the introduction of superior technology or appointment of highly qualified people, but more importantly on priority basis, it will be effective management of customer relationship encompassing both internal and external customers. The organizations will have to create and maintain environment, where employees feel valued, where they have freedom to grow and to develop to their full potential in the interest of the organization. Only such organizations will be able to sustain in the competitive world, which will look after employees delight and through them customer delight and high levels of productivity. In view of all
these, the recent trends in the personnel and HR management are traced below.

4.7.2 Paradigm shift from personnel to HR Management with reference to Indian sub continent.

In Indian continent, after 1960 onwards, the main thrust was on starting new industries, in all parts of our country with the main objective to reduce unemployment and poverty,. Side by side the number of trade unions started increasing. Multiplicity of unions supported by different political parties was the trend noticed everywhere which created several problems later in Indian industries. Every one, -specially workers- was aware of his rights but majority of them were not aware of their duties. Many of them were not taking duties seriously. Absenteeism, chit-chatting while on duty, material/time wastages were routine problems observed everywhere in majority of industrial units in India. The Personnel Manager and his colleagues were many times busy in issuing charge-sheets, conducting inquiries and attending court cases etc. The after effect of all such changing economic and political situation in the country was that the number of industrial disputes started growing abnormally. In general in Indian subcontinent, industrial relations were disturbed. Average productivity level in all industries was going down.

Naturally different employers, their federations and associations discussed this serious issue in their routine annual conferences. They shifted their labour policy from hire
and fire or police approach to polish approach like round table discussions with union leaders. Management started taking lead in organizing seminars or other such related educational activities for their respective labour force. It was realised that workers need to be treated with somewhat soft approach while dealing with their problems.

This was a major shift from conflict to cooperation and from disputes to discussion. During that period Government of India introduced new schemes like workers participation in management, promotion of works committees meetings as recommended by Industrial Disputes Act 1947 and many other cultural and welfare activities. Workers and their union leaders started experiencing the change in management policy at rank and file level and the process of granting certain status and respect to workers was already started by respective managements.

When personnel manager was busy in his routine activities, like conducting negotiations and inquiries, simultaneously his work pressure was increasing day by day. To give him certain relief in his routine activities, his functions were bifurcated by creating another post of HR Manager, who was supposed to be responsible to organize all additional activities efficiently under the guidance of senior managers or personnel manager depending on corporate policy. As a matter of fact such process was already started slowly but consistently in many major public and private sector units long back. This change in the policy was expected to
enhance productivity, quality and efficiency at shop level. This responsibility was shifted to HR Manager. Automatically the status of HR Manager was upgraded. He was supposed to be responsible to conduct several educational and cultural activities for labour force regularly and continuously. In many companies, this HR post was separated and also upgraded, by granting certain status so that the officer sitting on that chair should have job satisfaction.

4.8 Human Resource Management—an Overview

4.8.1 Every business needs people and better the people are, better is the business. Organizations are not mere bricks, mortar, machineries, or inventories. They are people. It is the people who set and manage organizations. Human Resource Management is concerned with ‘people’ management. As every organization is made up of people, it becomes essential to develop their skills, to motivate them to achieve higher level of performance, and to ensure commitment for achieving organizational objectives.

4.8.2 HRM is based on the following four principles.

1. HR is the most important asset of an organization.
2. HRM is concerned with total involvement of all employees with a sense of common purpose.
3. The success of the organization is based on proper implementation of corporate policies consistently, continuously and courageously through people.
4. The three HR pillars- i.e. -1. The positive corporate culture, 2. The favourable organizational climate, 3.an
effective and efficient management behaviors with learning attitude are essential to achieve organizational excellence.

The basic approach of HRM is to perceive the organization in its totality. Its emphasis is not only on production and productivity but also on the quality of life. It seeks to achieve the total development of HR based on socio-economic development of the society.

4.8.3 Definition, Objectives and the Role of HRM:-

One of the main thrust areas of HRM in the 21st century is to shift from strategy of ‘control’ to strategy of commitment. An employee is not merely “a pair of hands” to be hired that will contribute and enhance the physical productivity of the organization. He has ‘a head’ and hence the focus of an organization should not merely be the brawn but the brain as well. Management guru Peter Drucker has very aptly remarked that in the knowledge society of the modern world, work has shifted from the tangible to the intangible, thus making the most important investment for any business enterprise. Today’s business expects that effective HRM should offer sound and professional guidance to the organizations about the complexities of human behavior at workplace.

HRM is expected to play a proactive role to synergize the bundle of individual talent with organizational objectives. Such type of goal congruence of the individual and the organization is the very essence of Human Resource
Management. The HR philosophy of the company should be very sensible to invest appropriately in the workforce and gear them up to meet the challenges of consistently changing business environment that is fraught with risk and uncertainties.

4.8.4 Challenges before Human Resource Management

There are number of challenges in the field of HR specially in India. Major few of them are as follows:-

a. Corporate Downsizing or Rightsizing: - The healthy financial performance of an organization requires perfect staffing and this might result in loss of workforce, also called ‘Downsizing’. Some of the issues which are really very important during the downsizing process are communication, employee participation and management of survivors. This is very difficult task for HRM.

b. Retention of employees: - In the changing economic scenario, the challenge before HRM is how to retain employees. Specially when efficient and talented workforces leave the company because they are getting higher payment outside, the HR challenge is how to convince the senior management for their retention.

c. Another important challenge before HR is how to change the mindset of employees specially in the process improvement. The management expectations
are ever increasing to improve productivity standards. In such situation, the HR Manager is answerable at corporate level.

d. The trend of outsourcing HR activities is becoming more prevalent as its economic benefits are too attractive to ignore. However if appropriate analysis of the consequences of outsourcing are not taken in to account while making outsourcing decision, the effect may be harmful to the organization.

For facing these challenges, the HR Manager should be first well disciplined and well equipped with knowledge and must have a learning attitude.