CHAPTER – I
INTRODUCTION

1.1 HISTORY OF MODERN INDUSTRY

India’s modern industry started developing by the end of 18th Century. It started with tea plantations and textile industry which began by 1872. In the two decades jute and cotton textile industry progressed rapidly.

The industrial scene gradually changed because of the policies adopted by the British Rulers. Because of the British rule there was a spread of education particularly in English and this helped the young Indians to go to Britain and get exposed to the industrial environment as well as training thereat. During this period the Indians acquired the technical knowledge to develop the industrial sector. They also get themselves acquainted with the management techniques followed by the Britishers.

In the early phase of British rule East India Company had a monopoly and by the end of 1833 this monopoly was abolished and it paved the way for number of British merchants to come to India. Along with them they brought the capital which was scarce in India as well as technology which was the main requirement for the industrial development. Particularly these British merchants were responsible for the development of large industries in India. Gradually the infrastructure development was started say building of roads, emergence of Railways which also boosted the industrial development. Particularly cotton textile industry had a boon during this period. After the
World War First there was a impetus to the steel and iron industry which are
core to the industrialization of any country.

During the second and third decade of the 20th century there was
speedy development of the industrial activity in India in which number of
industries grew, production improved as well as it had given boost to the
employment generation. However, the industrial activity continued to be
developed in certain pockets like Mumbai, Kolkata, Chennai and Ahmedabad.
For the first three centres it was mainly because of the port facility as the
British Merchants were interested in exporting the Indian goods which
included raw material, half finished and semi finished goods. These goods
were being further processed in U.K. and part of it after finishing, were re-
imported to India.

The production was dominated by the transport equipment, chemicals,
textile cloth, diesel engines; pump sets etc. which had a great demand. The
number of industries also grew at a rapid speed. This had a favourable impact
on the employment generation and gradually the migration from rural and
semi urban area to metropolitan cities started. Some of the then urban
centres like Pune, Ichalkaranji, Ludhiana, Surat, Coimbatore started
developing the industrial units.

After India’s independence in 1947 the Govt. of India realizing the
need for development of heavy basics industries like steel, coal, cement etc.
gave importance for the establishment of these Industries. Thrust was given
to use of local raw material. The Government of India initiated several steps
to strengthen the industrial development. It enacted various laws to
safeguard the interests of the employees and the workers. It provided suitable legislation support for the establishment of Employees State Insurance, introduction of the provident fund. The government provided several incentives for promotion of the industries in private sector and where the industry required high component of capital it also offered to financial support for the establishment of large scale industries. In the first ever 1948 resolution the Govt. of India laid down the industrial policy and outlined the sectors where private sector industries can grow and sectors where the public sector will figure. Particularly in the area of defense supplies, the government reserved it for public sector. During this period there was all-round progress on the industrial front i.e. production recorded increase, employment generation also showed substantial increase.

1.2 INDIA’S INDUSTRY POLICY SINCE 1956

By this time India’s economy was growing but not at the expected speed. It was realized that for faster economic growth there should be faster industrial growth which will provide adequate space for the economic development. India had adapted strategy of seeking development through Five Year Plans (F.Y.P.) since 1951 and naturally the focus of these plans was on industrial development all through the successive F. Y. Ps. There was inadequacy of legal framework for the development of the industrial sector. Govt. of India accorded required priority and passed several laws which enabled the industrial development. To have a systematic and scientific approach to the planning the Govt. of India constituted the Planning
Commission in 1950. In the year 1951, the Govt. of India passed the first ever
The Industrial (Department and Regulation) Act, 1951 which authorized the
Govt. of India to regulate the development of the industries. More particularly
it introduced the licensing of industries so as to achieve the development in
the identified sector. It was in the year 1956 the Govt. of India pronounced
its first ever comprehensive Industrial Policy Resolution which explained the
strategies the govt. wants to adopt on this industrial front.

**1956 Industrial Policy Resolution:** In order to achieve long term
higher economic growth thrust /focus was given to the development of heavy
basic industries. This policy was based on the suggestions for faster economic
growth offered by Mr. Mahalnobis- a noted economist. The resolution
widened the scope of public sector. In order to achieve socialistic pattern of
society the resolution highlighted the need for the government participation in
the industrial activities, particularly industries where higher capital outlay is
required. Industries which are of strategic importance like the defense
requirement were reserved for the public sector.

This 1956 Industrial Policy Resolution categorized the industries into
three kinds:

Solely owned Govt. industries: Like the arms and ammunition factories,
railway coaches and engines, transport and steel industries. Those were
initially 17 in number. These industries details were included in the schedule A
of the said resolution.

1) These industries were included in the schedule B. Those were
12 in number. These industries were to be State Owned
progressively and at the same time the private sector was also allowed to play a supplemental role in these industries.

2) This third category was solely open for the private sector investment and development of industry. However, there was one proviso that if needed the govt. may also participate in establishment of these industries. That is to say this third category was also kept open for the government sector.

The resolution also provided flexibility in the industrial policy for effecting changes / modifications in the larger national interest.

Historically there is no uniform economic development all over India. There is regional imbalance in the economic development. There are some states which have made rapid economic development but some states in the North Eastern Region are under developed. Therefore the government’s industrial policy was based on the ideology to remove / lessen the regional economic imbalance. The government also highlighted the need for widening the industrial base. It also focused the importance of the small and cottage industries. This dispersal was also required to achieve the fair distribution of income. The govt.’s main objective was based on achieving the self sufficiency.

**Industrial Policy during 1960s and 1970s**

In the year 1964 the Govt. appointed Monopolies Inquiry Commission (MIC) to review various aspects pertaining to concentration of economic power and operations of industrial licensing under the IDR Act, 1951. This
commission in its report revealed that the industrial licensing policy has created a situation wherein the large industrial houses have concentration in getting these licenses as a result of which there has been monopoly of these industrial houses.

In the year 1967, the govt. appointed another committee titled Industrial Licensing Policy Inquiry Committee which was headed by Mr. Dutt. This committee recommended that there is need to reorient the industrial licensing policy. It defined the large business houses as those with assets of more than Rs. 350 million. This committee further recommended that the large business houses may be given licenses only in respect of core and heavy investment sector. In 1969, the monopolies and restrictive Trade Practices (MRTP) Act was introduced to enable the Government to effectively control concentration of economic power. The MRTP Act, 1969 defined large business houses as those with assets of Rs. 200 million and above. Large industries were designated as MRTP companies and were eligible to participate in industries that were not reserved for the Government or the Small scale sector. This was with a view to ensure that the economic power is not concentrated in handful of industrialists.

1970 Industrial Policy

This policy categorized the industries in four categories.

**Category I:** ‘Core Sector’ comprising of basic, critical and strategic industries.
**Category II:** “Heavy Investment Sector” it included projects involving investment of more than Rs.50 million.

**Category III:** It included projects in the ‘Middle Sector’ consisted of projects with investment in the range of Rs.10 million to Rs.50 million.

**Category IV:** ‘Del-licensed Sector’, in which investment was less than Rs.10 million and was exempted from licensing requirements.

**The Industrial Policy Statement – 1973**

In order to have a balanced spread of industrial activity and to avoid concentration of the industrial activity in the large industrial houses, this policy statement gave thrust to small and medium entrepreneurs over the large houses and foreign companies in setting up of new capacity particularly in the production of mass consumption goods. New undertakings of up to Rs.10 million by way of fixed assets were exempted from licensing requirements for substantial expansion of assets.

**The Industrial Policy Statement -1977**

This Statement emphasized decentralization of industrial sector with increased role for small scale, tiny and cottage industries. It also provided for close interaction between industrial and agricultural sectors. As the power is the vital requirement of the industrial activity top most priority has been accorded to power generation and transmission. This statement enlarged the list of items reserved for small scale industries. The list was stepped up from 180 items to 500 items. For the first time, within the small scale sector, a tiny
unit was defined as a unit with investment in machinery and equipment up to Rs.0.1 million and situated in towns or villages with a population of less than 50,000 (as per 1971 census).

Basic goods, capital goods, high technology industries important for development of small scale and agriculture sectors were clearly delineated for large scale sector. It was also stated that foreign companies that diluted their foreign equity up to 40 per cent under Foreign Exchange Regulation Act (FERA) 1973 were to be treated at par with the Indian companies.

The Policy Statement of 1977 also issued a list of industries where no foreign collaboration of financial or technical nature was allowed as indigenous technology was already available.

Fully owned foreign companies were allowed only in highly export oriented sectors or sophisticated technology areas. For all approved foreign investments, companies were completely free to repatriate capital and remit profits, dividends, royalties, etc. Further, in order to ensure balanced regional development, it was decided not to issue fresh licenses for setting up new industrial units within certain limits of large metropolitan cities (more than 1 million population) and urban areas (more than 0.5 million population).

**Industrial Policy Statement -1980**

This policy statement focused its attention on promotion of competition in the domestic market, technological up-gradation and modernization of industries. Following socio economic objectives were spelt out in clear terms in this statement.
i) Optimum utilization of installed capacity,
ii) Higher productivity,
iii) Higher employment levels,
iv) Removal of regional disparities,
v) Strengthening of agricultural base,
vi) Promotion of export oriented industries and
vii) Consumer protection against high prices and poor quality.

The statement also announced steps to revive the efficiency of public sector undertakings. It recommended development of the management cadres in functional fields like operations, finance, marketing, information system etc. The policy recommended the stepping up capacity upto to five per cent per annum.

Special incentives were granted to industrial units which were engaged in industrial processes and technologies aiming at optimum utilization of energy and the exploitation of alternative sources of energy. In order to boost the development of small scale industries, the investment limit was raised to Rs.2 million in small scale units and Rs.2.5 million in ancillary units. In the case of tiny units, investment limit was raised to Rs.0.2 million.

**Industrial Policy Measures during the 1980s**

The first three decades industrial development policy enabled development of basic industries and building up of a broad based infrastructure in the country. The Seventh Five Year Plan (1985-1990), recognized the need for consolidation of these strengths and initiating policy
measures to prepare the Indian industry to respond effectively to emerging challenges.

A number of measures were initiated towards technological and managerial modernization to improve productivity, quality and to reduce cost of production.

The public sector was freed from a number of constraints and was provided with greater autonomy. There was some progress in the process of deregulation during the 1980s. In 1988, all industries, excepting 26 industries specified in the negative list, were exempted from licensing. The exemption was, however, subject to investment and locational limitations.

The automotive industry, cement, cotton spinning, food processing and polyester filament yarn industries witnessed modernization and expanded scales of production during the 1980s. With a view to promote industrialization of backward areas in the country, the Government of India announced in June, 1988 the Growth Centre Scheme under which 71 Growth Centers were proposed to be set up throughout the country. Growth centers were to be endowed with basic infrastructure facilities such as power, water, telecommunications and banking to enable them to attract industries.

**Industrial Policy Statement- 1991**

The Industrial Policy Statement of 1991 stated that “the Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology
through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increased competitiveness for the benefit of common man”.

It further added that "the spread of industrialization to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments”.

This policy aimed at achieving the objective of sustained growth in productivity, increase gainful employment and achieve optimal utilization of human resources to face the international competition and to achieve a key position in the global industrial scenario. The principle objective of this policy statement to relieve the industrial organizations from the bureaucratic controls.

In respect of 18 industries the licensing was compulsory. These include, coal, and lignite, distillation and brewing of alcoholic drinks, cigars and cigarettes, drugs and pharmaceuticals, white goods, hazardous chemicals. The policy of reservation granted to small scale sector was continued. There was liberalization in respect of norms for setting up industries in cities with more than one million population.

The rate of growth of internal savings in India is quite low. As a result there is difficulty in capital formation. Therefore Indian govt. had to open its doors for Foreign Direct Investment in the industrial as well as infrastructural development sector. The inflow of FDI also paves the way for arrival of latest technology in India.
India is a developing country and as stated earlier there is need to step up the productivity. There is need for the introduction of technology upgradation in Indian industries. Therefore, the Government provided automatic approval for technological agreements related to high priority industries and eased procedures for hiring of foreign technical expertise.

The public sector undertakings were overstaffed and this was required to be reduced to reasonable level. The productivity was low, technological upgradation was required to be introduced and the rate of return was also required to be stepped up. Hence the Govt. initiated steps for restructuring the boards of Public Sector Undertakings. Gradually professionalism was to be introduced to make the PSUs competitive globally. So also there were number of large sick industrial public sector undertakings incurring continued losses. The government had to take review of these sick units and for this purpose of the Govt. established Board of Industrial and Financial Reconstruction (BIFR). Those non viable public sector industrial units were allowed to be closed down. In respect of certain public sector undertakings in order to reduce the staff attractive voluntary retirement schemes were introduced and the organizations got rid off the excess staff. The government accorded free hand to the Boards of P.S.U.s and this greater autonomy helped to these boards to make the organizations healthy.

**Industrial Policy Measures Since 1991**

After 1991 the government of India adopted policy of globalization, liberalization and privatization. This policy shift needed several steps to
introduce several measures and procedural simplifications to the industrial policy. Since this period there is review of these policies on an on going basis. The entire approach of the govt. was to reduce the controls imposed through the medium of licensing and various approvals. The number of industries requiring licensing has been reduced to only six. The new policy reserved only 3 industries for the public sector. Following are the few other initiatives taken by the Govt. of India so far as industrial sector is concerned.

- As stated earlier the government opened its doors for the entry of Foreign Direct Investment. The approach of the government towards FDI became quite liberal and transparent. In the year 2004 the Govt. introduce the Special Economic Zones (SEZ) wherein even 100% FDI has been allowed. In respect of banking sector FDI upto 74% have been allowed. In oil exploration and petroleum product marketing, natural gas and LNG pipelines, FDI upto 100% is allowed. In 2005 the govt. allowed 100% FDI in printing of scientific and technical magazines, periodicals and journals. In 2009 the telecom sector was liberally opened for FDI upto 74%.

- After the globalization there is free flow of imported goods in the Indian market. The government had to rethink on the reservation for the small scale sector and the government had to switch over to de-reservation of the items of manufacture to
the small scale sector. From 821 items reserved for small scale sector the government has brought down this number to 506 during March 1999 to April 2005. This list was further brought down to only 108 items reserved for small scale sector. The investment limit in plant and machinery of small scale units has been raised by the Government from time to time. To enable some of the small scale units to achieve required economies of scale, a differential investment limit has been adopted for them since October 2001. Presently, there are 41 reserved items which are allowed investment limit up to Rs.50 million instead of present limit of Rs.10 million applicable for other small scale units.

- In order to enable the small scale industrial sector to have access to capital market and to encourage the technology upgradation and to resort to modernization, the government allowed the industrial undertakings to participate upto 24% of the total share holding in the small scale industrial sector.

- In the year 2003 the Govt. of India constituted Competition Commission of India so as to prevent practices having adverse impact on competition in market.
The Govt. of India was very much concerned about the regional imbalance of the economic development in the country. Since very beginning conscious efforts are being made to reduce the gap of development in these underdeveloped regions. More particularly the North East region was having lop-sided industrial development. Therefore, govt. announced a policy in 1997 which provided incentives and concessions for promotion of industrialization in the North Eastern Industrial Policy. These concessions include income tax exemption for initial 10 years period, development of industrial infrastructure, and various subsidies on investments made. This policy benefited the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram and Nagaland and Tripura.

The government started disinvestment process of Public Sector Undertakings by issuing part of its holding in the PSUs thereby partially achieving privatization. Upto December PSUs have been divested to an extent of Rs.478 billion.

In regard to some of the specific industries like Electricity generation, govt. initiated special steps. In 2003, it de-licensed the power generation and permit captive power plants for which Electricity Act was enacted. The government facilitated increased private sector participation in key infrastructure
sectors such as, telecommunication, roads and ports. Foreign equity participation up to 100 per cent has been allowed in construction and maintenance of roads and bridges.

- MRTP provisions have been relaxed to encourage private sector financing by large firms in the highway sector. Evidently, in the process of evolution of industrial policy in India, the Government’s intervention has been extensive.

- In order to promote these industries the Government not only levied high tariffs and imposed import restrictions, but also subsidized the nationalized firms, directed investment funds to them, and controlled both land use and many prices.

The unemployment situation in India is also a causing concern for couple of years. There are limitations so far as employment generation in Agricultural sector. In the industrial sector the large scale industries have preferred modernization and therefore the automation of the manufacturing process has resulted in to low generation of jobs. However, the small scale industrial sector has been successful in creating new jobs in a big way compared to the large scale industries. In order to face the global competition the Indian manufacturers have to concentrate on ensuring the lost cost of production and at the same time to ensure high quality of the product which will withstand the competition from the imported goods/articles. Therefore, it
is expected that the small scale industrial sector also takes note of this and try to introduce modernization and be capable of meeting the competition.

Looking back to the industrial policy resolutions between 1948 to 1956 it has been observed that the thrust was on achieving self sufficiency in industrial production. This basic strategy guided industrialization until the mid-1980s. Till the onset of reform process in 1991, industrial licensing played a crucial role in channeling investments, controlling entry and expansion of capacity in the Indian industrial sector.

During this period the Indian industries received government support by protecting the domestic industries from the foreign industries. By imposing higher tariffs and quantitative controls government extended cover to the domestic industries. During this period the industries failed to give proper attention to the quality of the production as well as the cost of production. There was very little investment on Research and Development, use of technology etc.

With the adoption of the globalization, liberalization and privatization the Indian industries have in real sense came out of this protection and has now becoming more quality conscious, technology oriented as well as giving tough competition to the imported goods and services. It is worth while to note at this stage that some of the industrial houses like Tatas, Kalyani’s have made inroads in the foreign market and have established their manufacturing plants in the European countries. They have acquired renowned manufacturing companies from the West and have established good market share in the globalized competitive scenario. Now Indian manufacturing
companies are participating in the mergers and acquisition bids of the foreign manufacturing companies and are in number of cases are successful.

Thus it can be seen that there is very good potential for the Indian industrial sector. The only requirement for this is to ensure quality production, cost reduction as well as improving the products on an ongoing basis. There is a bright future for the Indian industries.

1.3 INDIAN PHARMA INDUSTRY – AN OVERVIEW

Over the past few decades the Indian Pharmaceutical industry has improved considerably. This was possible because of the presence of the multi national pharmaceutical companies like Glaxo, Smith Cline and French, Abbot, Raptacos, Nicholas, etc. These multi national pharmaceutical giants have a well developed Research and Development Wing which concentrates on the product development, and also on cost cutting, improving the quality of their product on an ongoing basis. As they had no financial constraints they were able to introduce improved infrastructure, and technology. Of late, as a pressure from the globalization, there are number of acquisitions and mergers in the pharmaceutical companies. No doubt the approach and the attitude of the Indian pharma sector towards the business have also undergone a sea change and they are well prepared to face the global competition on this front.

The Indian pharma industry at present produces huge amount of drug which are required for various streams. This could be achieved because of the availability of the skilled technical and scientific man power.
Because of the population growth over the past few decades, the Indian pharmaceutical industry has a tremendous market. Because of the various steps taken there is increase in the economic conditions of the people and they can afford to buy good quality medicines. The over all health care sector is improving fast. There is good penetration of the pharma products in the length and breadth of India. There is a greater awareness even among the rural public about the health care and their disposable income has also improved to go for it.

Today the Indian pharma industry is growing at about 8 to 9 percent annually. The Pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectables. There are approximately 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units).¹

**Current Scenario**

India's pharmaceutical market grew at 15.7 per cent during December 2011. In terms of pharma products by volume India ranks the third in the world. According to McKinsey, the Pharmaceutical Market is ranked 14th in the world. By 2015 it is expected to reach top 10 in the world.

The Indian pharmaceuticals market will grow to US$55 billion in 2020; and if aggressive growth strategies are implemented, it has further potential

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to reach US$70 billion by 2020. While, Market Research firm Cygnus’ report forecasts that the Indian bulk drug industry will expand at an annual growth rate of 21 percent to reach $16.91 billion by 2014. The report also noted that India ranks third in terms of volume among the top 15 drug manufacturing countries. Further it has been predicted that Healthcare grew from 4 per cent of average household income in 1995 to 7 per cent in 2005 and is expected to grow to 13 per cent by 2025. ²

**Diagnostics Outsourcing / Clinical Trials**

According to the estimates, the Indian diagnostics and labs test services, in view of its growth potential, is expected to reach Rs159.89 billion by FY2013. The Indian market for both therapeutic and diagnostic antibodies is expected to grow rapidly in the coming years. Further, more than 60% of the total antibodies market is currently dominated by diagnostic antibodies.

Some of the major Indian pharmaceutical firms, including Sun Pharma, Cadilla Healthcare and Piramal Life Sciences, had applied for conducting clinical trials on at least 12 new drugs in 2010, indicating a growing interest in new drug discovery research.

**Generics**

India tops the world in exporting generic medicines. The Indian generic drug market is to grow at a CAGR of around 17 per cent between 2010-11 and 2012-13.

² McKinsey & Company’s report, ”India Pharma 2020: Propelling access and acceptance, realizing true potential,”
**Research & Development**

Compared to the multi national pharma companies, the Indian pharma companies have less investment in Research and Development. However, of late, it has been observed that after the globalization, the domestic companies investment in R & D is rapidly increasing and is paying good dividend to them. However, compared to multi national companies it will continue to be low at any point of time because of the financial position of these multi national companies. R&D intensity for the pharmaceuticals sector was much higher than that for other sectors.

**Demand**

As stated earlier there is a bright potential for the pharma industries products. India has a vast population growth and still it has not reached a developed stage. There are number of villages where there is no potable drinking water is available. Hygienic conditions in the rural areas are poor. Epidemics are often seen in the rural area. The seasonal variations in the climate also gives rise to several physical disorders. All these lead to a ever growing demand for the pharmaceutical products. The demand is significant. Low disposable income, chronic lifestyle related diseases, are also some of the causes for frequent health problems.

According to CARE research demand triggers for the growth are:

- Between 2010 and 2015 patent drugs worth US$171 bn are estimated to go off-patent leading to a huge surge in generic products.
• High margin pharma export business is expected to grow at a higher rate than domestic market given increased in outsourcing activities.

• Increased M&A activities is set to consolidate the market which widens geographic reach, strengthens distribution network and venture into new therapeutic segments.

There are currently approximately 175 United States Food and Drug Administration and nearly 90 United Kingdom – Medicines and Healthcare – Regulated Agency, approved pharma manufacturing plants in India which can supply high quality pharma products globally.

With the increasing awareness about the health care in the rural areas and penetration of the drugs there at a vast potential for the pharma product is there and this will constantly keep growing.

Bio-pharmaceuticals is another potential high growth segment for Indian pharma growing at double digit driven by the vaccines market.

1.4 MAJOR PHARMACEUTICAL COMPANIES

Indian pharmaceutical companies are not only meeting the domestic demand but also exporting it to over 220 companies. The export destinations are US, Kenya, Malaysia, Nigeria, Russian, Singapore, South Africa, Ukraine, Vietnam. At present the biggest export earnings come from United States (approximately 22%).
For most of the pharma companies, domestic business contributes in the range of 20-50% of the overall revenue.

Table 1.1: Leading Indian Players by Sales

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales in US $ Mn</th>
<th>Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cipla</td>
<td>6,368.06</td>
<td>March 2011</td>
</tr>
<tr>
<td>Ranbaxy Lab</td>
<td>5,687.33</td>
<td>December 2010</td>
</tr>
<tr>
<td>Dr Reddy's Labs</td>
<td>5,285.80</td>
<td>March 2011</td>
</tr>
<tr>
<td>Sun Pharma</td>
<td>1,985.78</td>
<td>March 2011</td>
</tr>
<tr>
<td>Lupin Ltd</td>
<td>4,527.12</td>
<td>March 2011</td>
</tr>
<tr>
<td>Aurobindo Pharma</td>
<td>4,229.99</td>
<td>March 2011</td>
</tr>
<tr>
<td>Piramal Health</td>
<td>1,619.74</td>
<td>March 2011</td>
</tr>
<tr>
<td>Cadila Health</td>
<td>2,213.70</td>
<td>March 2011</td>
</tr>
<tr>
<td>Matrix Labs</td>
<td>1,894.30</td>
<td>March 2010</td>
</tr>
<tr>
<td>Wockhardt</td>
<td>651.72</td>
<td>December 2011</td>
</tr>
</tbody>
</table>

Source: Pharma Industry Annual Reports, 2010-11

Trends

Keeping in view the vast potential offered by the Indian pharma market the multi national pharma companies have increased their field force over the past few years. Indian companies are also entering into strategic tie-ups with MNCs to strengthen their product range. The focus of all the pharma companies is on the rural market. In order to meet the global demand and competition there are number of acquisitions and mergers in the fastest growing Indian pharma market. Following are the few examples of Mergers and Acquisitions:

Major Recent M & As

- **Sun-Merck JV**: Sun and Merck have formed JV to develop, manufacture and commercialize new combinations and formulations
of innovative, branded generics in the Emerging Markets. Under the JV, Sitagliptin and Sitagliptin+Metformin have already been commercialized in the Indian markets.

- **Lupin-Lilly JV**: They entered into collaboration to promote and distribute Lilly’s Huminsulin range of products in India and Nepal.

- **Cadila_Bayer JV**: The venture will sell brands from both companies in Indian markets.

- **Biocon-Pfizer JV**: This collaboration will give Pfizer exclusive rights to commercialize Biocon products globally including co-exclusive rights with Biocon in Germany, India and Malaysia.

- **Universal Medicines – Aventis**: Aventis has acquired Universal Medicines for over US$ 100mn.

Basing on the changing macro factors and economic growth Emkay Research has expected the growth estimates of the pharma companies to decrease. It cut down the domestic growth estimates for Cadila, Cipla, Dr. Reddy, IPCA, Torrent and Unichem for FY12 and FY 13 by 2% to 5% and retained the growth estimates for Lupin, Ranbaxy, Sun, GSK and Pfizer.
### Table 1.2: Indian Pharma – Domestic Growth Expectations

<table>
<thead>
<tr>
<th>Company</th>
<th>FY12 Domestic Growth</th>
<th>Earlier growth estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cadila</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Cipla</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Dr. Reddy's</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Glenmark</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>IPCA</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>Lupin</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Ranbaxy</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Sun Pharma</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Torrent</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Unichem</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>GSK</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Pfizer</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

**Source:** Emkay Research

### 1.5 GOVERNMENT INITIATIVES

The government of India has taken various initiatives to improve the health conditions in the rural areas by providing pure drinking water, construction of toilet blocks, creation of general awareness amongst the rural public about the health consciousness. These initiatives have met with a great success. It has opened number of primary health centres in number of villages. Govt. of India has also permitted 100% Foreign Direct Investment in the health and medical services in automatic route.

The National Rural Health Mission (NHRM) had allocated US$ 10.15 billion for the up gradation and capacity enhancement of healthcare facilities.

The government has made heavy investment to modernize the medical facilities and in that construction of hospitals has been given a lion share.
Apart from the All India Institute of Medical Sciences (AIMS) there are 13 government medical colleges are getting required funds to modernize their organizations.

FDI inflow in medical and surgical appliances stood at US$ 472.6 million during the same period. And the drugs and pharmaceuticals sector has attracted FDI worth US$ 5.0 billion between April 2000 and November 2011.

1.6 DEFINITION OF HUMAN RESOURCE MANAGEMENT

Various management specialists have given definition of Human Resource Management in various ways. A few widely accepted definitions are quoted here below.

"The Process of analyzing and managing organizations human resources needs to ensure satisfaction of its strategic objectives”

- Management – Hellriegel/Slocum

“The policies and practices involved in carrying out the ‘people’ or human resources aspects of a management position, including recruiting, screening, training and appraising.”

- Human resource management –Gray Dessler

Business approach for the definition of human resource management as follows.
"A model of personnel management that focuses on the individual rather than taking a collective approach. Responsibility for human resource management is often devolved to line management. It is characterized by an emphasis on strategic integration, employee commitment, workforce flexibility, and quality of goods and services."

Also, it has defined as "All methods and functions concerning the mobilization and development of personnel as human resources, with the objective of efficiency and greater productivity in a company, government administration, or other organization."

### 1.7 HISTORY OF HUMAN RESOURCE MANAGEMENT

Employees are the biggest resources to any organization. Satisfied employee is an asset to the organization. Although the term Human Resource Management has been relatively of recent origin, the major functions of the department were in the past performed by the Administrative / Personnel Department. However with the usage of the terminology Human Resources Management the scope of the erstwhile Admin. and Personnel has been fairly widened.

Human Resource Management is the organizational function that deals with issues related to people such as compensation, organization development, employee motivation, communication and training. Human Resource Management is concerned with the acquisition, retention, utilization, compensation and labour welfare of human resource.
In good old days the Administration Dept. / Personnel Relations Dept. were looking after only the recruitment, promotions, transfers, wage bill management, retirement benefit, industrial relations etc. However, in the changed scenario the Human Resources Management encompasses strategic decisions like H. R. Planning, defining the roles of various functionaries, selection, their induction, orientation, training, deciding the compensations, motivation, updating the staff on various vital issues, attending to the health care needs of the staff etc. This H. R. department plays a key role in the overall business of the organization. Human Resources Department is the most appropriate name. The department provides the required man power which is fully motivated and puts in full potential to translate the organizational goals. The HR to day has a welfare approach to human relations. It creates an atmosphere in the organization which is conducive for healthy relations amongst the various functionaries. It develops healthy work culture in the organization. It takes care of the employees requirements even going beyond the office set up, only with a view to ensure that the employee concerned will not have to divert his attention. The department will take every care of the employee about housing, payment of insurance, health care, schooling of the children, travel arrangements etc. The HR department will also ensure that the attrition rate of the organization is low. It also defines the career path of each employee and will provide adequate training to bring the full potential of the employee concerned.

In the mean time there was emergence of the labour unions which had gathered strong foothold all over the world. The maintenance of cordial
industrial relations was essential. And hence the employees’ grievances redressal was also a priority. The bargaining power of the employees and workers had gained strength. The managements also formed industry level association and tried tackle this labour problem at a higher platform. The role of maintaining smooth industrial relations and ensuring that the employees offer his/her full potential to the organization was a task assigned to the HR department. Since the HR Management is getting due importance in the overall management of the organization they are very well equipped to handle the labour relations efficiently and effectively.

The HR concept in the present form was introduced in the U. S. A. At that time the focus of HR was on employees’ welfare. It was an approach to help the immigrants in adjusting the social and organizational culture in the United States. It also had a thrust on the training input which focused on achieving higher productivity.

**Industrial Welfare**

In the initial stage the first focus of the Human Resources Management on the industrial welfare. Initially there were male factory inspectors. In 1878 the hours of work for children and women were finalized and were accepted by the industries all over.

**Recruitment and Selection**

With the advent of the rapid industrial growth there was need to recruit and select the human resource in the organization to meet the
growing demand for human resource. Therefore, selection of the appropriate staff / labour became the key role of the HR Department. Over the years this task has been improved to a great extent. Now instead of having traditional approach for recruitment now because of the usage of the scientific process the recruitment of appropriate staff has become a challenging task for the HR department. Newer techniques like aptitude test, test of reasoning, Group Discussion, psychological tests and negotiation with the individual for compensation aspects have been introduced. Now instead of releasing paper advertisement for recruitment there is an approach of conducting the recruitment exercise at the professional colleges’ campuses or through the placement bureaus which provide suitable candidates as per the prescribed requirement of the respective companies. This approach has been in use in almost all the large companies. The staff so selected through all the procedure definitely a better choice. Not only that the work of the HR department ceases on recruitment but it starts once the staff joins the organization. The moment the staff joins the duties he/she is subjected to induction training wherein he/she is exposed to the organization culture and the policies, practices and procedures relating to his area of work. The training input has also been enriched by addition to various new courses like leadership development, stress management, customer relations etc. The whole exercise of the training is aimed at bringing out the hidden talent of the employee and to shape his personality to accept the newer challenges. Now with the advent of the computerization and information technology now the recruitment interviews are on line exercise. CVs / bioda is sent by mail, time
for on line interview is fixed and the interview is put through. All this reduces
time as well as costs. The rule of the hour is that one must be computer
savvy to lead a trouble free life in the new environment.

Legislation

Over the years there are number of labour legislations have been
enacted so as to protect the rights of the employees and employers. The HR
department is also addressing to the compliance of the various labour
relations concerned with it.

Flexibility

Because of the advent of information technology now new concepts
are being introduced e.g. work from home facility. In respect of certain
employees the managements of some companies are allowing the staff to
work from home. This flexibility in their working hours and the place of work
also facilitates the employees to do justice on both the domestic and office
front. Flexible working hours are also introduced in some companies. In the
back offices the workers are allowed to work with flexible working hours.

New tools of motivation

The HR department has become a super specialization in the
organization. Newer and newer tools are found out to ensure that the moral
and motivation of the staff is always at high level. E. g. now the employee’s
insurance also covers the family insurance including the parents, employees
are given special recognition awards which may include overseas tour also. In some organizations there are regular Yoga classes, well equipped gymnasium, well furnished retiring rooms and canteens. Every efforts is being made by the HR department to maintain the highly motivated staff at all levels upon which the success of the organization depends.

**Information Technology**

Following are some of the IT systems which help the HR department to function efficiently and effectively.

- Systems for e-recruitment;
- On-line short-listing of applicants;
- Developing training strategies on-line;
- Psychometric training;
- Payroll systems;
- Employment data;
- Recruitment administration;
- References;
- Pre-employment health checks.

These systems enable the HR department to conduct the operations of the department smoothly.
1.8 THE IMPORTANCE OF HUMAN RESOURCES MANAGEMENT IN MODERN ORGANIZATIONS

As has been stated earlier the success of the organization is not solely dependent on the market realities and ever lasting competitive advantages. Successful companies are those which accept the concept of satisfied employee is an asset to the organization. The healthy management approach to the human resources development brings greater success to the organizations.

The employees individually and through team efforts contribute to a great extent to the success of the organization and it is in this context the HR department plays a pivotal role for maintaining cordial relations amongst the employees. Today’s organizations not only map their goals but also plan the career path of its employees. Of late in some organizations there is a greater attrition rate. In the IT sector in the initially this attrition rate was quite high and over the years it has been stabilized to a lower level. In real sense the HR department is the link between the employees and the organization. HRM is very crucial for the whole function of an organization because it assists the organization to create loyal employees, who are ready to offer their best.

Now the middle level employees are also made a party to decision making which adds the sense belonging to the organization. The communication both vertical and horizontal has been attended to professionally so as to enable the employees to keep well informed of the latest happenings in the organization.

The main goals / responsibilities of HRM are:
To retain low employee turnover rate by inspiring people to work for the company

To attract new employees

To contribute to employee development

The HR department also faces several challenges in accomplishing their tasks which is of varied nature. The department is put on constant vigil. Without human efforts no organization can achieve results. Human resource become unending source of ability, power, skill, efficiency, knowledge, creativity for accomplishment of organizational objectives and also play crucial role in management process.

1.9 OBJECTIVES OF H. R.

- Increase morale and good human relation within the organization.
- Maintain the quality of work life.
- Maintain policy and behavior in an organization.
- Increase job satisfaction so that organizational goals achieve economically.
- To achieve organizational goals provides well-trained and well motivated employee.
- Promote effective utilization of human resources that is the primary goals of Human Resource Management.
All these objectives help to achieve individual, organizational, social goals.

1.10 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

The importance of human resource management as has been in the earlier paragraphs is vital to every organization for its achievement of set goals. This importance can be categorized on four fronts:

1. Motivating and retaining the required talent by effective human resource policies such as human resource planning, recruitment, selection, placement, orientation, compensation and promotion etc.

2. Proper utilization of the available human resources.

3. Developing the necessary skills through training and development, performance appraisal etc among the employees.

4. Establish the willing co-operation of employees through motivation and participation.

Effective and efficient human resource management bring out the full potential of the employee as well as build a team spirit in the organization. It improves the quality of work life and organizational culture. It creates a better and healthy work environment. This is achieved through establishing inter personal relationship amongst various groups in the organization, providing each and every employee growth opportunity, and ensuring proper distribution of work.
Social Importance

Well managed Human Resource management improves the dignity of labour in the organization which is very vital to the society of which the organization is a part of it.

a) Providing better employment that fulfils the social and psychological satisfaction to people.

b) Maintaining a balance between the available jobs and job seekers.

National Importance

With the proper allocation of work, healthy inter personal relationship enables the organization to utilization of full potential of the employee and at the same the use of natural, physical and financial resources in a better manner. In a way this is serving a national cause for sustainable development.

1.11 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Human Resource Management function mainly goes through by 2 things: By Whom i.e. Human Resource Department or Human Resource Manager.

Human Resource Department mainly concerned with the structure and staffing of the department for the purpose of executing human resource function where as policy is a document, approaches, and methodology to utilize the human resource. The management of Human Resources consists of
several interrelated functions. These functions are common to all organizations. It is mainly divided into two categories:

a) Managerial Function

Managing people is the important aspect of every manager so like other managers; a human resource manager performs the various functions such as:

- **Planning & Budgeting:** The HR Manager has to undertake planning of all the aspects of the department’s functions like recruitment, promotions, placement, compensation, setting of goals and this planning has to be undertaken keeping the overall goals set out by the management for the organization.

- **Organizing** – Under this head the HR Manager has to organize the work schedules and ensure proper utilization of the staff at all levels.

- **Staffing** – The HR Manager has to pay attention to proper staffing in a sense right person for the right job and that there is no mismatch whatsoever. This work involves good communication both formal and informal and counselling wherever and whenever needed.
- **Directing** – This work involves providing guidance at all levels, providing leadership, supervising and effective use of communication channels.

- **Co-coordinating** – The HR Manager has to ensure that there is proper coordination among the various individuals, groups and departments. In the absence of proper coordination there will be adverse impact on the achievement of corporate goals.

- **Controlling** – The HR Manager has to be at times depending upon the situation, take corrective action irrespective of the persons involved. In the absence of control the organization will land in a mess.

**b) Operating Functions**

These functions are concerned with specific activities of procurement, developing, compensating & maintaining an efficient work force.

**c) Procurement function**

Concern with the right kind and right number of people required to accomplishment the organizational objectives. It consists of the following activities-
- **Job Analysis** - Job analysis identifies the nature of job and what type of people required performing this job effectively. Job description and job specification are prepared with the help of information provided by job analysis.

- **Recruitment** - Recruitment is the process of identifying prospective employees, stimulating, encouraging them to apply for a particular job or jobs in an organization.

- **Selection** - Selection is the process of examining the applicants with regard to their suitability for the given job and choosing the best from the suitable candidates.

**Human Resource Planning**

Human resource planning is the process of estimating the present and future manpower requirements of the organization.

- **Placement** - The selected candidates are assigned to a specific job known as placement.

- **Orientation/Induction** - Orientation is the process of introducing new employees to an organization that includes introducing new employee to an existing employee, in their specific jobs and departments.
e) Development Function

Human Resource Development is the process of improving the knowledge, skill, and values of employees so that they can perform the present and future job more effectively. The activities are as such-

- **Performance Appraisal** - Performance Appraisal is a systematic evaluation of present potential capabilities of personnel. It is a process of collecting, analyzing and evaluating data relative to job behavior and results of individuals.

- **Training** - Training is an organized procedure for improving the knowledge and skill of the employees for doing a particular job or for a definite purpose. Through training people learn and acquire new skills and job knowledge.

- **Career Planning and Development** - Career planning and development involve the planning for the career of employees and implementing these plans. It is only possible through promotions and transfers.

f) Compensation Functions

Provides appropriate remuneration to employees for their contribution to achieve organizational objectives. It consists of the following activities-
- **Job Evaluation** - Job evaluation is a process of determining the relative worth of a job.

- **Salary Administration** - Salary Administration is to determine the salary structure for various jobs in the organization.

g) **Maintenance Function**

Maintenance function is concerned with promoting the physical and mental health of employees by providing various facility and social security.

1.12 ROLE OF HR IN THE GLOBALIZATION

Now when the Government of India adopted the policy of globalization, liberalization and privatization the role of HR has undergone a drastic change. Now the HR Manager has to take into account the whole globe as his canvass. There are Indian IT and Automobile companies who are recruiting personnel from all over the world. And it is in this context the HR Manager has to acquire the knowledge of HR practices world over. Even it starts from usage of language in different countries, prevailing systems and procedures, labour laws in different countries, and acclimatizing the newly recruited overseas staff to the Indian conditions. Vice versa after the globalization there are number of Indian companies which have established their manufacturing units in various countries and they also post Indian staff to man the various operations overseas. In that context also the HR Manager has to ensure that the staff deputed outside India has proper knowledge of their place of posting, the work culture thereat, mannerism, use of language and safety
measures to be taken etc. In the absence of thorough knowledge about these aspects there is likelihood of difficulty in retaining good quality employees in the organization. The HR manager has to acquaint himself the business terminologies used in various countries so as to ensure that there is a proper communication. It is a difficult task to understand the culture of the country of origin of the overseas employee and deal with him suitably. It requires tremendous skill to achieve perfection in such situations. Every type of organization has different set of HR practices. E.g. HR practices in IT industry differ from that of HR in automobile sector or insurance and banking sector. Therefore, the HR manager has to study thoroughly the industry in which he is working and develop his own skills to tackle the situations therein. In relation to training needs he has to identify the training needs of an individual and then arrange suitable training module and at the same time he has to ensure that there is no mismatching of the training and actual utilization of the employee concerned. If it is not achieved then the whole exercise turns out to be futile and is burden some to the organization.

Now every organization has become a dynamic organization. Day in and day out there are constant changes and for achieving success one has to be alert in keeping himself updated on all fronts. More particularly after the globalization this aspect has assumed greater importance.

The HR manager has also to assess the performance appraisal of every employee at a pre determined periodical interval. He has to devise a scientific approach like self appraisal, peer review of the self appraisal and direct
interaction with the concerned employee. This is a difficult task and the HR manager has to ensure that this vital task is attended rationally.

**1.13 COMPETENCIES FOR A HR MANAGER**

With a view to performance effectively along with the changing times, the HR professionals should cultivate the following qualities, attributes in them. Only then they will be successful in their assigned task.

- Flexibility
- Team work
- Communication
- Decisiveness
- Leadership
- Strategic planning
- Network building
- Client service orientation
- Organizational awareness
- Self confidence
- Sharing of expertise
- Global and cultural understanding
- Multiple language competencies

Apart from the above qualities and attributes the HR personnel should possess communication skills, and ability to comprehend statistical data relating to their sphere of activity. It has become all the while necessary that
the top management should be able to measure their performance in quantitative terms. Therefore, setting up of department’s objectives and goals and periodical self appraisal vis-à-vis the performance should be undertaken.

The HR Manager should be able to pin point on the basis of the results shown by the organization and what is the HR contribution to it. He should be thorough in obtaining proper data, comprehend it and work out the analysis using various statistical tools.

Over the past two decades, and advancement of technology, and globalization, the HR manager throughout the world are required to be on their toes and are required to keep themselves upto date with the changes that are coming very fast. The success of the HR Manager largely depends on the alertness and quick responses that he will be able to give in a given situation.

1.14 HURDLES FACED BY THE HR IN INDIA

The history of Human Resource Management goes back to the world famous Kautilya’s Arthshastra. During the 4th century B.C. there were simple but logical procedures and the workforce was divided into four categories called 'Shrenis’. Currently, India occupies a strategic place in the new globalized order and the complexity of the HR management has grown substantially. Globally it has been perceived that India has a pool of highly skilled, low cost, knowledgeable and low cost employees.

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3 http://www.chillibreeze.com/articles_various/hurdles-faced-by-hr-1211.asp
The entire thrust of the Human Resource Management is directed to accomplish the mission and the goals set out by the organization. The HR Managers in India is faced with several challenges as the time changes. A few major challenges faced by the HR Managers in India are enumerated hereunder.

**Managing Globalization**

In order to perform well the HR manager is expected to study the workforce before effecting any changes in the systems and procedures. He has to be constantly bear in mind that any change in the systems and procedures will have multiple effects on the employees and each one may have his individual perception. Despite this he has to achieve the set goals by the organization. There should be voluntary and whole heartedly acceptance of the changed systems and procedures by the workforce at his command. In the today’s world because of the knowledgeable workers the rationale of any change in the systems and procedures need to be explained to them in order to muster their whole hearted participation in its implementation.

i) **Developing Leadership Skills**

Merely having knowledge, experience and expertise is not enough it is all the while essential for the HR to inculcate amongst the staff of the organization the team spirit as well as leadership qualities to face the challenges that are changing with the time.
ii) **Managing Change**

Usually for any change in the existing systems and procedures there is always resistance from the staff. Therefore while introducing the changed systems and procedures in any organization care needs to be taken and it should be skillfully implemented. For this purpose taking those who are to be affected by the proposed changes should be involved in the implementation of the change with logical reasoning and clarifying all the doubts put forth by the employees concerned. If the change is convinced to them the implementation will be smooth.

iii) **Developing Work Ethics**

The most crucial task the HR Manager has to address is relating to the development of core values amongst the work force and loyalty to the organization. This is by no means an easy task. More particularly when we witness that there is a deterioration of the value system all over the world. Through a well designed training programme the HR Manager should imbibe in the work force qualities like team building, charity, empathy, loyalty, ethics which will be adding to their own personality and will project better image of the organization that they work in.
iv) **Retaining Talent**

Because of the globalization there is a faster growth in all the sphere and new job opportunities are coming up very fast. As a result of this situation there is the most difficult task that the HR Manager has to attend is to retain the highly talented employee in whose building and shaping up the organization has heavily invested remains with the organization and does not leave the organization for better prospects. Therefore, through constant rapport with such employees of high value need to be taken proper care of. Hence the prime task the HR Manager should address himself lies in ensuring low attrition rate in the organization and the talented staff is retained in the organization.

v) **Managing Fast Changing Technological Trends**

Today’s world is very dynamic. Day in and day out there are continuous changes in the environment and the HR manager has to maintain the space to follow the changes and grasp it and develop his strategies to combat with the changes. Technology is putting forth challenges before the HR Manager and there is a need to be well equipped to face these changes.
vi) Developing Accountability

In today’s world most of the staff is highly educated and they are having very good awareness about the management principles. One of the important management principles is the authority and responsibility should go hand in hand. When the organization puts in its investment in the form of training and development and the staff is shouldering responsibilities naturally there has to be clear cut defined accountability of the staff at all levels. Hence the HR Manager has to develop proper accountability system in the organization. In the absence of it there will be chaos. This is needed to ensure that there is no flaws in the final product that the organization delivers. Proper accountability system is in place ensures that there are no rejection, customers’ complaints etc.

vii) Stress Management

In today’s dynamic world every body whether in the workplace or at home the dynamism has added stress to the individuals. As a result of this stress and tensions not only there is impact on mindset of the employees but also there is physical impact on the health of the employee. Therefore, the HR Manager will have to ensure that in the training input there should be well designed programme on Stress Management. Numbers of organizations are conducting training sessions on Meditation or depute the staff to various Vipashyana courses. One more aspect is very important
which relates to the stress and tension is the job guarantee. Unlike in the past there is no guarantee of the job security. Over the years the trade union organizations are becoming weaker and the employees are entering into individual contracts. Therefore sacking the employees has become very easy. Therefore, there should be an environment in the organization which assures everybody that if the performance is well there should be no fear of job security. A peaceful atmosphere leads to better performance. This is particularly being witnessed in the IT professionals. Their work time is not certain, they have the shift duties and because of the mergers and acquisition there is always hanging sword on everybody’s head.

viii) **Managing Inter functional conflict**

In today’s dynamic world there are frequent changes in the organizations. Every organization has its own culture built over a period of time. Whenever there is any change there will be repercussions on the employees. In the process groups are formed within the organization and therefore it is the duty of the HR Manager that in such process that the conflict if any arises is settled amicably and immediately.
ix) Managing Workplace Diversity

With the growing organization number of situations arise wherein the HR Manager has to adjust to the new situation. He has to manage a diverse work force. The work force come from various ethnic group and has different identity, cultures are different and to fit them in the organizational culture is a gigantic task.

The above list is not exhaustive but illustrative. There are several factors like retrenchment, downsizing, outsourcing of work, managing knowledge workers, financial constraints etc. wherein the HR Manager has to take into account various factors while discharging his duties.

1.15 HUMAN RESOURCE MANAGERS: THEIR ROLE IN A CHANGING ENVIRONMENT

In times to come the role of HR will undergo a sea change and to meet the challenges of tomorrow the Manager HR will have to keep himself prepared to face these challenges. He will have develop above detailed competencies.

The working class will be getting higher flexibility in days ahead as they will be working in altogether a new type of office namely virtual office where there will be flexible working hours. There is likely to be a shift from working hours to output and the results achieved. Now through the use of satellites physical movement for the purpose of conferences / seminars will be restricted. Now the conferences will be on VIDEO conferencing. Lot of time
and energy and costs are saved in this process. It is likely there will be a change in the outlook of the HR functioning. It is expected that there will be decentralized HR office.

HR managers will have to accommodate employees in their virtual work locations and find ways to manage corporate culture, socialization and employee orientation. In order to obtain and maintain a competent workforce, they must act as organizational performance experts and shape employees behavior without face to face meetings.

There will be substantial growth in the Global Business and it is forecasted that the trend will continue during the ensuing few years. This growth of business will be mainly in the small and medium enterprises. There will be super specialization in HR functioning.

The strategy for recruitment to meet the global business servicing the recruitment will be under pressure.

The HR Managers of tomorrow will have to be multi lingual in order to perform well. There will be recruitment of foreign nationals in the Indian firms/companies and the HR Manager will have to acquaint himself the foreign language of those foreign nationals. This smoothens the interaction amongst the HR Manager and the staff. In most of the organizations those who are conversant with English will be put to advantages.

Organization must take into account cultural differences that shape managerial attitudes, when developing multinational management programs.

For e.g., British managers value individual achievement and autonomy, whereas French managers appreciate competent supervision, fringe benefits,
security and comfortable conditions, while Indian managers gives more importance of their culture and tradition.

HR Managers are expected to get themselves acquainted with the cultures of the employees from where they come. With the global development the competition will be fierce and the diverse workforce is conducive to attracting and retaining a strong client base.

HR managers must therefore be familiar with and understand other cultural norms to promote organization diversity. An organization that recognizes and promotes cultural diversity will benefit because it will be employing the market that it serves. With increasing globalization and competition within the market, a diverse workforce is conducive to attracting and retaining a strong client base. It is therefore, expected that there will be adequate training input to ensure that the varied cultural differences will not at all work in the Indian context.