Chapter V
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HR PROBLEMS IN SSI UNITS

5.1. Introduction:

In industries human resource practices are very significant because they help to manage capital infrastructure as well as manpower resources. It has been observed that “Good managers are not only effective in their use of economic and technical resources, but when they manage people they remember that these particular resources are special, and are ultimately the most important assets.”\(^1\) For SSIs in developing countries managing resources is a very significant problem and peoples’ participation is mostly essential for development of small scale industries in Asia, Africa and Latin America. At par with global level there are internal disparities prevailing in developing countries. In Maharashtra also, SSI in backward region like Vidarbha, Marathwada and Khandesh suffer a great deal due to lack of HR training. In this chapter HRD problems in the SSI units have been surveyed and various tools and techniques of training and counseling adopted by them have been examined. This chapter has provided graphical review of HR status in SSI Units. In the field of SSI, constant and continuous development is highly needed. It has been pointed that “sustainable competitive advantage can only come from the skills, experience, creativity, imagination and brainpower of people. So all managers must know about managing people and need to understand the basic concepts and practices of HRM both to deal with day to day HR issues that have been devolved to the line and to be able to work with HR
specialists.” If they work with HR specialists they can bring a change in the system effectively. We have to explain tools, techniques and practices of human resource development in SSI. The business environment has changed and small scale industries also have to change to understand the impact of competitive spirit. In SSI unit advice of specialist HR practioner are significant. Lain Henderson has pointed that “In all these areas it will usually be the line or general manager who initiates action and carries responsibility to make it happen, but he or she will increasingly rely on HRM specialists, who may have a lead role within the organization in coordinating activities across the organization.”

These HRM specialists in SSI have to play a key role in changing the profile of these industries. SSI units in India have developed in adverse situation. Their role, relevance and effectivity depend on their proper use of HR strategies. In this aspect, following pointes can be noted as learning outcomes of effective use of human resources.

- The importance of learning of manager in SSI units improve their strategic views on utility of human resource management techniques. After training they develop positive approach instead of negative approach.
- The relevance of corporate strategies are becoming effective because they provide a new impetus to HRD. These strategies are also benefiting small and medium industries to compete them with big industries.
- The relationship between organizational strategy and organizational structure is positive and relevance of this for HRM has been accepted on large scale. The SSI units are getting fruits of this cordial relationship.
• Some implications of organizational macro-structure for strategy and HRM have to be studied in Indian context in general and regional SSI units in particular. The regional SSI units can get benefit of HRM not only in short term but in long term perspective.

• Best practices in HRM in SSI units must be highlighted so effectively that other industries should get benefits of these experiences. Success stories must be highlighted in media for getting inspirations for others.

• Bests fit models of specific SSI units must be highlighted and projected properly through their house journals or on the platform of SSI associations so that this debate will get oral publicity in order to benefit others.

• The HRM strategy processes are very complicated and they have to be carefully studied by adopting a research angle. So that comparative wisdom is derived by correlating experiences of each other right from preparing a training plan up to the implementation of this plan. HR processes have to be carefully watched and implemented effectively for improving performance.

It is the business strategy that gives the high performance working practices their dynamism and provides the framework against which performance can be evaluated and improved.

There seems no doubt about the importance of the research topic. We have to understand the role of organizational structure in the relationship between strategy and HRM. Not only are corporate strategy corporate structure inextricably linked, however, but structure itself can affect HRM. For example, in a large company separate divisions might pursue different HR practices and policies as their particular business conditions
demand, but this may then lead to difficulty in coordinating HRM strategy for the company as a whole. Hence SSI units improving performance of production or service sector is a key issue and the study of SSI units and their HR practices must be conducted on these lines. In the changed business environment after post globalization period, the SSI units are also undergoing changes. Francis Cherunilam has observed that “The definition of SSI is linked to the question of ownership. SSI units cannot be controlled or owned a subsidiary of any other industrial undertaking. This implies that in proprietary/partnership firms, the combined investment of all the units set up by the same proprietor/partners should not exceed the total investment limit fixed for an SSI.” Thus it is related to small holding and limited turnover. Further it has been observed that “As regards the formation of an SSI as a limited company, the equity investment by other companies in SSIs should not exceed 24 per cent.” This limit has to be strictly followed. Further there are some important directives to maintain the sanctity of SSI units. It is true that “Small industry has been subjected to various controls and regulations in terms of the IDR Act 1951 and other relevant statutes. The restriction on ownership is unique in the Indian context and has been introduced primarily to prevent large companies from obtaining fiscal and other concessions by setting up of SSI units as fronts.” Every care has been taken to provide appropriate and correct policy for the rationale development of SSI units. Now, on this background there is a need to understand management sociology perspective.
5.2. Management sociology approach

The birth and development of SSI units can be studied only on the basis of social environment. The success of SSI units depend on how do they create conducive environment, suitable for their healthy development in the future. The management Sociology approach has been developed here in order to understand the various problems of sick units of SSI. These sick units are part of the social conditions around them. Poverty, ignorance and lack of resources as well as lack of knowledge are important factors which can be tackled here in a new angle. The Management sociology approach can help to correlate all these problems together in a systematic manner. Hence this approach has been suitably developed here for this study.

In order to study HRD problems in the SSI in Maharashtra management sociology approach is most vital. It has been pointed that “Every growth in society is a part of social process. SSI units are also working in specific business environment. It has been pointed that “Every nation and society in the course of its history is confronted with the issues that dominate the concerns and preoccupations of the people.” 7 In India in the 19th century all entrepreneurs were known as Balutedsars. 8 The development of SSI Units participatory management perspective is significant because workers in industries have “acquired a dignity and known to their predecessor.”9 Training is required because “he is inquisitive to know more about his place of work in all its relevant aspects.” 10 HR can help to improve the conditions at the place of work. It has been pointed that “workers are more conscious about their future.” 11 HR practices and training can help to make their future brighter. Basically HR is based on social offshoot of management. It has been observed that “The term
human resource management was being used by Peter Ducker and other
in North America as early as the 1950s without any special meaning, and
usually simply as another label for personal management or personnel
administration. By the 1980s however, HRM had come to mean a
radically different philosophy and approach to the management of people
at work.” 12 This sociological perspective has made HR more popular and
more effective.

In the post globalization period line management and outsourcing are new
concepts useful for SSI Units. SSI Units can develop outsourcing
capacities to brighten their staff. It is true that Outsourcing of large areas
of the traditional personnel management department’s routine functions is
happening on a massive scale.” 13 The role of HR was questioned by
many people in business unit. Ulrich has debated the issue with many
angles. 14 It is true that “His solution was for HR to be reconfigured to
focus on outcomes rather than on traditional processes such as staffing or
compensation.” 15 SSI units can be benefited on these lines. Ulrich
specially recommended four point formulas to provide new role to HR in
the following manner:

- Firstly, HR should become a partner with senior and line managers
  in strategy execution.
- Secondly, it should become an ‘expert’ in the way of work is
  organized and executed delivering administrative efficiency to
  ensure that costs are reduced while quality is maintained.
- Thirdly, it should become a champion for employees vigorously
  representing their concerns to senior managers and at the same
time working to increase employees contribution that is employees
commitment to the organization and their ability to deliver results
• Finally, HR should become an agent of continuous transformation
  shaping processes and a culture that together improve an
  organizations capacity for change. “16
SSI Units can get benefit because of these changes.

According to Linda Holbeche “building organizational capability is HR’s
heart land.”17 SSI units strongly require this phenomenon. It has been
further observed that “HR managers can help make capitalism human.”
18 SSI units can be source of strength to provide human face to liberalized economy at grass root levels in villages. Peter Drucker in early
phase was in favor of personnel management.19 However, Peter’s
critiques adopted a more wider perspective. Legge pointed that “The
ambiguity of traditional personnel management was noted with the
welfare role expected by employees but efficiency and cost control
increasingly demanded of it by management.”20 SSI Units can be a
means of welfare if HR approach is strongly supported by them. SSI units
can flourish if they follow philosophy and action of social management.

We have to understand sociological importance of Human resource
management in the new age because the HR strategy is a part of social
structure. The intimate relationship between strategy and structure was
first clearly identified by Alfred Chandler: “A company’s strategy in time
determined its structure…the common dominator of structure and
strategy has been the allocation of enterprise’s resources to market
demand. And the importance of the human resource was evident in
Chandler’s account. This importance of HR is sociologically significant
for the developing countries, because trained personnel are required for SSI units in developing countries. 

Of these resources trained personnel with manufacturing, marketing engineering, scientific and managerial skills often became even more important than warehouses, plants, offices and other physical facilities. These facilities can be widened as per social pressures on SSI units in which area they are operating. This process can lead towards quality improvement.

5.3. Tools and techniques of HR

Human resource development in the new age is based on adoption of new tools and techniques. These tools include training and orientation. About human resources Francis Cherunilam has observed that “The characters of human resources like skill, quality, morale, commitment, attitude etc. could contribute to the strength and weakness of an organization.” SSI units can also get all these benefits by using proper training methods. It is true that “Some organizations find it difficult to carry out restructuring or modernization because of resistance by employees whereas they are smoothly done in some others.” Though SSI units who change flexibility can get benefit of HR, both in efficiency and profit making.

Along with HR, research and development capacities must be built. This factor “among other determines a company’s ability to innovate and compete.” In the SSI Units in the globalization age must compete with other products on the basis of high quality. Japanese model has been successful by adjoining craft, skills and mass production. Through training and orientation, the behavior of SSI units has to be changed. Fox
has observed that “Our frame of reference will influence how we expect people to behave, how we think they ought to behave and how we react to the behavior of others.”25 Thus, SSI units can change their behavior by getting proper training, orientation as well as consultancy services from experts.

Vasant Desai has observed that “All through the process of economic restructuring the small scale sector has displayed a greater degree of resilience and a stronger sense of survival due to its inherent attributes of responsiveness, flexibility and innovativeness, maintaining a consistently higher growth compared to the overall industry sector. 26 This has been possible due to training, orientation and HR efforts made by the SSI Units. There are many difficulties in the progressive march of SSI Units and it has been pointed that “A major challenge facing the sector today is the compulsion to become self supportive with the phased dismantling of protective barriers.”27 More the viable will be SSI sector can be fairly free and self sufficient. If we compare the today’s situation and earlier scenario, it seem that “The earlier policies of protection to withstand the competition from the large scale sector have been replaced by more sustainable measures aimed at building up the sector’s ability to compete.28 This ability of competition has been brought through serious HR efforts.

It has been rightly observed that “In 1966, the small scale enterprises were defined as undertakings with a fixed capital investment of less than Rs. 7.5 lakhs and ancillaries with a fixed capital investment of Rs. 10 lakhs.” 29
These have no doubt repositioned the sector to respond more effectively to the challenges of the new economic environment. On the other hand it is affirmed that the more vulnerable tiny sector will continue to receive support in a sustainable manner. The HR efforts have strengthened SSI units to face the challenge of globalization.

The scenarios faced by the two sub sectors today are different. Besides becoming self sustaining, the modern SSIs have the added responsibility of remaining healthy and economically viable. The rapid obsolescence of the traditional and local technologies, inadequate standardization of products, processes and components, location disadvantages, limited access to capital, stiff competition in the industries sector leading to constraints on market expansion, accompanied by reduced Government support will exert greater pressures on the SSIs to restructure their strategies to remain competitive.

Tools and techniques of training can help a great deal for improving high performance work practices. These are also known as high commitment or high involvement work practices which are intended to achieve better individual team and organizational performance by increasing employee commitment and involvement. These are typically thought of as comprising bundles of sophisticated HR practices in the areas of employee involvement, resourcing and rewards and commitment. Such commitment can change profile of SSI units. A flexible organization which is close to development is sophisticated in application of HR practices. The employee relations are well maintained and change management perspective is adopted. The change management is the only constant as change, has become a cliché but reflects the acknowledgement now that the competitive global economy and continuous increasing technological advances are realities. Here on this
background in order to change SSI units’ performance we have to understand status of SSI units in Maharashtra.

On this background the status of SSI units in India on the verge of the first decade of new millennium can be described below:

5.4. Status of HR in SSI Units

The status of HR in SSI units can be described here in nutshell in four parts:

- Rich and stable SSI units can afford to have their own SSI units
- The newly based units can arrange small camps or lectures.
- The SSI units which are having marginal profit can make stop gap arrangements.
- CDs and VCDs can be used for development of HR on the basis of new technology

The third national survey of SSI units conducted in 2001-02 has brought to light some interesting facts. It has been observed that “Data reveal that there were 105.2 lakhs SSI units in 2001-02 out of which registered SSI units were 23.75 lakhs or 13 per cent of total and the unregistered units in the SSI sector was of the order of 249 lakhs, out of which registered sector contributed 61.6 lakhs or nearly 25 per cent and the unregistered sector contributed 187.7 lakh or 75% of total.”

It seems the employment potential of this sector is growing steadily.

(1) IT based SSI units can perform better than traditional one. It been pointed that the “The modern information network which has revolutionized all industrial sectors could pose serious challenges to those of the SSIs which are not abreast with the latest industry
trends in the global environment.”33 IT based industries can update their knowledge about skills, tools, techniques of training.

(2) Knowledge based industries are performing better than older ones. It has been pointed that “Even within the small scale sector, a number of new market segments are emerging and the modern SSIs cannot afford to let go such opportunities, as the lack of knowledge with regard to latest developments in their industry segments could only result in reducing their market shares.”34 Hence SSI Units those who are having competitive spirit have better sustained in the age of globalization.

(3) Linkage and coordination is need of the time. It is true that “There is therefore an increased urgency to forge strategic and sustainable linkages with medium and large industries to survive and grow. The inherent vulnerability of the tiny units in terms of access to sophisticated technology and advanced management practices will necessitate adoption of a different approach to attain viability.”35 MIS can help SSI units to overcome such problems.

(4) There is a need of decentralization of SSI Units. It is observed that “Third census has been brought out the hard reality that there is very high concentration of SWSI units in seven states, viz., Maharashtra, UP, Punjab, Haryana, Tamil Nadu, AP and West Bengal. These states accounted for 55% of total employment, 68% of total fixed investment and about 60% of the total production.”36 SSI units must be promoted in backward regions of these states and further more in the new states.

(5) SSI Units must develop organized approach to the complex problems. It has been rightly observed that “The answer could be a cluster approach. Small and tiny enterprises, especially those
engaged in exports, will have to devise ways and means of combining themselves through product clustering or process clustering in order to get maximum benefits of advanced technologies. Common facilities and common infrastructure and distribution network will also help to overcome the problems relating to marketing.”

Such a wider approach can help to overcome all these problems.

(6) It is true that “The most important development in the post independence period has been the growth of a number of key institutions to promote, assist and develop entrepreneurs to initiate industrial growth in the country. The Indian entrepreneur is intelligent but not all intellectual. Over the years IDBI, IFCI, UTI, and GIC have set up over 50 development institutions, notably specialized financial institutions, technical consultancy organizations, science and technology entrepreneurs’ parks, entrepreneurship development institutions and National Stock Exchange (NSE) a wholly owned subsidy of IDBI was set up specially to cater to the small sector.”

All these efforts have supported systematic development of SSI units in India. They have supported both by providing finances at one hand and by supporting HRD on the other hand.

(7) It is true that “These institutions have been striving to mould the entrepreneurs to accelerate the process of the industrial economy. The country has not reaped the changes in its infrastructure and provided the much-needed support and assistance. One may consider that there are a number of institutions to cater to the numerous needs on entrepreneurs.”
5.5. Current trends:

On this background current trends in the SSI development can be noted below:

There are many problems in the development of SSI units. It has been observed that small enterprises are presently seriously handicapped in comparison with larger units by an inequitable allocation system for scare raw materials and imported components. Lack of provision of credit and finance, low technical skill and managerial ability: and lack of marketing contracts. It is, therefore, essential to developed and overall approach to remove these disabilities so as to strengthen their competitive position. 40

On this background Desai has observed that “The need of the hour is a nucleus centre in each industrial pocket/ area where all these services are provided through one centre. Effective linkages will provide the necessary impetus to entrepreneur to embark upon adaptive and innovative ventures and thus make the entrepreneur the prime mover of industrial development.” 41 By doing so SSI units can get new light and can lead to future change.

The financial system is in the process of a rapid change consequent upon structural adjustment initiated by the Government in various sector of the economy. Several policy measures relating to financial sector have been announced by the Government to make it more competitive. 42 Training in HR and quality improvement can lead to effective development in the future.

It has been further observed that “Capital markets have witnessed significant change and are set to play a prominent role in intermediation.
The competitive environment would widen the range of services and improve their quality to help attain internationally accepted standards as linkages are developed with overseas market participants.\textsuperscript{43} This can lead to changes in the spirits of the working of SSI units to lead them towards high quality and better performance.

It is further observed that “The objective is to provide a greater role to market forces and raising thereby the efficiency of resource allocation. Mobilization of resources from the market without Government support is a challenge to the financial institutions in maintaining growth and profitability in operations.”\textsuperscript{44} Thus though there are many problems the present environment is suitable for development of SSI units.

5.6. Salient features

The following five salient features can be noted below:

- The SSI units are trying to develop their products and services based on training and orientation of workers and supervisors at all levels effectively. About training it has been observed that prior to 1980s even in UK; money was not spent in a positive angle.\textsuperscript{45}

- The SSI units are developing a new strategy to face the global challenge of competitions. Their efforts are appreciated by media and society. It has been observed that there is a revolution, both in organizational culture, and management practices, but it is not complete.\textsuperscript{46} Much efforts can be done to widen the effects of training in SSI Units.

- The SSI units have to undertake various experiments for providing advanced knowledge, skills and wisdom to their staff by effective ways of training. It has been stated that from 1980 management
paradigm has changed and training has become a part of new world.47

- The new ICT based training methods such as CDs and VCDs are used by SSI units for imparting training to their units effectively. It has been rightly pointed that system administration is a new term used to address various problems in a small scale unit.48

The SSI units have to face the challenge of globalization by sharp improvement in their brand positioning for which they are using now advanced marketing techniques based on electronic media.

The HRD practices in SSI units can be crystallized here in a new angle. The following aspects can be highlighted here which are most significant:

- The SSI units which are having self sufficient economic stability have their own HRD units. They can afford to face the process of training in a systematic manner. Such type of HR units cannot be more than 2%. It has been observed that “sustainable competitive advantage can only come from the skills, experience, creativity, imagination and brain power of the people.”49 This can be possible if SSI undergo systematic efforts on these lines.

- The SSI units who are in the second stage of experimentation they depend on consultancy services. Whenever there is need of such services they hire and utilize them. It has been stated that higher performance can be attained by developing better individual, team spirit and organizational performance by increasing employee commitment and involvement.”50 This can be possible by adopting advanced HR strategies.

- The upcoming or new SSI units develop HR practices of their own institute. The employer if he is creative he can develop interest in
training practices and he can further attain excellence by doing expenses on the basis of their own ideas. It has been pointed that “change management means constant and continuing change. It observed that basic principle that the only constant is change has become a cliché but reflects the acknowledgement now that the competitive global economy and continuous increasing technological advances are realities.\(^{51}\)

The SSI units march through the process of transition. Their experiments are always based on their own potential. If they are able to understand their own limitations they can be successful. On the contrary, our ambitious and over confident experiments led towards failure of their initiative. A critical study of HR process in SSI units brings us to the following facts, which are based on observation and analysis of prevailing practices:

- Five decades back HR was a dream for SSI units, now it is being reality.
- The beginning and growth of HR practices led towards improvement in productivity and efficiency.
- The SSI units mainly concentrate on quality improvement in their products. Their sole efforts are based on developing quality and capturing market.
- Some of the SSI units focus on effective marketing of their products. They aim to develop new strategies for effective marketing and sales promotions.
- The SSI units’ aims to establish edge over their competitors and they use HR strategies for maintaining quality and excellence to survive in the competitive market.
The above salient features show that SSI units have to develop new insight in new approach for HR development. They must organize sensitizing lectures or experts meet by making collective efforts. Such forum can be developed for interacting creativity together by making common efforts. Common problems can be met with common efforts. Remedies can be drawn on the basis of innovative ideas and creative practices by making collective efforts.

Thus the status of HR in SSI units revealed that the HR in SSI has not yet attained excellence and high state of condition. There is a long way to go for HR in SSI units for their bright future.

**5.7. Summary:**

Now finally in this chapter a over view of HR practices has been undertaken. In this context, the current trends regarding HR practices in SSI units, the following aspects can be highlighted:

- The SSI units are mainly focusing on imparting training regarding ISO 9000 and 9014 services. Further they are also conscious about ISI mark in Indian context.
- The SSI units are organizing quality training programs in coordination with each other in one area on sector of industrial estate.
- The SSI units are also using audio visual aids of training in their day to day training.
- The training is specially organized for supervisors and workers in their mother tongue Marathi to make it more easy and effective.
- The SSI units are trying to follow the practical way of their elderly and successful unit.
- The oral publicity of success is providing them new initiative
• The success story of one unit inspires others to follow their lesson
• If the training is enhancing marketing, sales and profit the same model is used for future course of time.
• The most effective way of training is based on group communication and inter-personal communication.
• Counseling and discussion as well as feedback methods are adopted for improving the quality of training.

Thus, all these aspects explain that the SSI units are very much creative and they are undergoing now experiments in the field of training and orientation in the new age of competition. Their success is more effective on the basis of case studies and success stories.

Thus, all these discussions in this chapter explain the importance of HR training in the field of SSI units. The liberalization, privatization and globalization made them more realistic and objective to face the global challenges. In India, in the retailing sector Chinese products are coming up. Further various products in the market produced by Taiwan, Korea and Cuba are coming to sustain in this global scenario. The Indian SSI units have to maintain their higher quality for strengthening both in Indian and Asian as well as general market. Hence, the improvement in the internal as well as external level in their production process, the SSI units are trying to implement the quality drive. Their success was appearing on large scale in the new marketing world due to following of HR practices in the competitive world. The study of HR practices in SSI units thus brings us to the conclusion that they are improving both in content, quality and effect of training. Their experiments are now based on new ICT based training and orientation. The use of CDs and VCDs as well as personnel training is becoming effective in the new world.
The SSI Units are following e-policy for their good governance and better performance for tomorrow. In the next chapter field survey report has been presented.

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