CHAPTER – ONE

INTRODUCTORY

INTRODUCTION

In the emerging knowledge economy only the learning organizations can survive. Their abilities to learn, create, codify and utilize knowledge faster than their competitors (and faster than the environmental changes) can provide future corporations a competitive advantage. As Mrityunjay Athrey points out, “Not only will the global market reward learning handsomely, it will severely punish the lack of learning.”

Thus, the regimented job-oriented structure must be replaced by a learning, innovative and motivating work system driven by people. The basic focus of learning organizations is on human processes which underlie all corporations and on how people think and interact at work situations.

Humans are an organization's greatest assets; without them, everyday business functions such as managing cash flow, making business transactions, communicating through all forms of media, and dealing with customers could not be completed. Humans and the potential they possess drive an organization. Today's organizations are continuously changing. Organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potential—individuals' capabilities, time, and talents—must be managed. Human resource management works to ensure that employees are able to meet the organization's goals.

Human resource management is responsible for how people are treated in organizations. It is responsible for bringing people into the organization,
helping them perform their work, compensating them for their labors, and solving problems that arise.

Generally, in small organizations—those with fewer than a hundred employees—there may not be an HR department, and so a line manager will be responsible for the functions of HRM. In large organizations—those with a hundred employees or more—a human resource manager will coordinate the HRM duties and report directly to the chief executive officer (CEO). HRM staff in larger organizations may include human resource generalists and human resource specialists. As the name implies, an HR generalist is routinely involved with all seven HRM functions, while the HR specialist focuses attention on only one of the seven responsibilities.

Several terms have been used by various management thinkers to represent human resources. These include ‘personnel’, ‘people at work’, ‘manpower’, and staff ’& ‘employees’. Whatever may be the term used, the human resources of an organization include all individuals engaged in various organizational activities at different levels. According to Leon C. Megginson, “From the national point of view, human resources may be defined the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; where as from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees.”

The present preliminary stage of the study has been devoted to the theoretical and philosophical aspects of study. It discusses all about human resource management and distinguishes between HRM and HRD and the basic postulates and axioms connected with the management of people at work in the organizational perspective.
1.1 EVOLUTION & HISTORY OF HRM – INDIAN AND GLOBAL PERSPECTIVES

Modern concept of human resource management has developed through the following stages:

- **The Commodity Concept:** Before the Industrial Revolution, the guild system was the beginning of human resource management. Guild was a closely knit groups concerned with selecting, training, rewarding and maintaining workers. Industrial Revolution gave rise to the factory system. Due to the separation of owners from managers, close relationships between owners and employees were broken. Labour began to be considered a commodity to be bought and sold.

- **The Factor of production Concept:** Under this concept, employees were considered a factor of production just like land, materials and machinery. Taylor’s scientific management stressed proper selection and training of employees so as to maximize productivity. The employees were treated primarily as operating organizations of machines or as mere appendage in the process of production. However, this concept was an improvement in so far as employees gained through better working conditions and higher earnings.

- **The Paternalistic concept:** Employees organized together on the basis of their common interest and formed trade unions to improve their lot. The growing strength of democracy gave impetus to collective bargaining. The state also recognized that workers had a right to protection in the employment. Due to all these forces, employers began to provide schemes to workers. Employers assumed a fatherly and protective attitude towards their employees. The welfare schemes
included health facilities, recreation facilities, pension plans, group insurance schemes, housing facilities, etc. Employers and employees both began to realize that they cannot survive and prosper without each other.

- **The Humanitarian concept:** Under the paternalistic approach, the employer was providing benefits to employees as a favour. The humanitarian approach is based on the belief that employees had certain inalienable rights as human beings and it was the duty of the employer to protect these rights. The industrial psychologists pointed out that an employee was not merely interested in material rewards. Rather social and psychological satisfaction was equally important. Hawthorne experiments generated considerable interest in human problems of the work place. This approach is also known, therefore, as human relations concept.

- **The Behavioural Human Resource Concept:** Several studies were conducted to analyse and understand human behaviour in organizations. These studies led to the application of behavioural sciences to the problems of individual and group behaviour at work. Motivation, group dynamics, organizational climate, organizational conflict, etc. became popular concepts. Employees began to be considered as valuable assets of and organization. Efforts were made to integrate employee with the organization so that organizational goals and employees aspirations could be achieved simultaneously. Focus shifted towards management practices like two way communication, management by objectives, role of informal groups, quality circles, etc.

- **The Emerging Concept:** Now employees are considered as partners in the industry. They are gradually being given share in company’s stock membership. Workers’ representatives are being appointed on the board of directors. This emerging trend is aimed at creating a feeling among
workers that the organization is their own. Slowly but steadily, human resource management is emerging as a special academic discipline and as a profession. It is growing as a career with distinct specializations like human resource development, industrial relations, etc.

In India, the origin of human resource management can be traced to the concern for welfare of factory workers during the 1920s. The Royals Commission on labour recommended in 1931 the appointment of labour officers in order to protect the workers from the evils of jobbery and indebtedness, to check corrupt practices in recruitment and selection in Indian industry, to act as a spokesman of labour and to promote an amicable settlement between the workers and management. Welfare officer was concerned mainly with the recruitment and welfare of workers. After independence, the factories Act, 1948 made it mandatory for factories employing 500 or more workers to appoint welfare officers. The Act also prescribed the qualifications and duties of welfare officers.

The appointment of welfare officers remained by and large symbolic, to satisfy statutory requirements. The welfare officers mainly play policing and firefighting role, i.e., assisting the factory in maintaining industrial discipline. They became an appendage to the industrial system. With rising expectations, the welfare needs of the working class increased. As trade union movement gathered momentum in the country, industrial relations became the major task. Two professional bodies, viz., the Indian Institute of Personnel Management, Kolkata and the National Institute of Labour Management, Mumbai were established during the 1950s.

During the 1960s, the personnel function widened beyond the welfare aspect. Three major areas of practice, viz., labour welfare, industrial relation and human resource administration emerged as the complimentary parts of human resource management. Rapid industrialization and the opening of public sector during the five year plans accelerated the growth of human resource management and professionalisation of management.
In 1970s, concern for welfare shifted towards higher efficiency. A change in professional values of human resource managers was visible. During the 1980s, due to new technology and other environmental changes, human resource development became a major issue. The two professional bodies IIPM and NILM were merged to form National Institute of Personnel Management at Kolkata. During 1990s, the overwhelming role of human factor in industry been realized. Growing awareness about the significance of human side of organization has led to the development of human resource management as a distinct discipline. Focus on human values and a philosophical approach, are likely to provide this discipline the status of a profession.

Thus, the human resource function in India has grown through several stages, e.g., labour welfare, industrial relations, labour administration, personnel management and finally to human resource management and human relations and human resource development.

**Evolution of HRM in India**

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1.2 MEANING, OBJECTIVE AND SCOPE OF FUNCTIONS OF HRM

1.2.1 MEANING OF HRM

Human Resource Management is the part of the organization that is concerned with the “people” dimension. HRM can be viewed in one of two ways. First, HRM is a staff, or support, function in the organization. Its role is to provide assistance in HRM matters to line employees, or those directly involved in producing the organization’s goods and services. Second, HRM is a function of every manager’s job. Whether or not one works in a “formal” HRM department, the fact remains that to effectively manage employees requires all managers to handle the activities we’ll describe in this book. That’s important to keep in mind.

Every organization is comprised of people. Acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they continue to maintain their commitment to the organization are essential to achieving organization objectives. This is true regardless of the type of organization—government, business, education, health, recreation, or social action. Getting and keeping good people is critical to the success of every organization.

The term ‘human resources’ may be defined as the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organization. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the persons employed in an organization.
Megginson\(^1\) has defined human resources as, “From the national point of view, human resources are knowledge, skills, creative abilities, talents, and attitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees.”

Rensis Linkert\(^2\) a management expert, has observed, “All the activities of any enterprise are initiated and determined by the persons who make up that institution; plants, offices, computers, automated equipments, and all else that a modern firm uses are unproductive expect the human efforts, and in the direction of all the tasks of management, managing the human component is the central and most important task because all else depends on how well it is done”.

Jucius Michael\(^3\) calls these resources, ‘human factors’, which refer to “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components.” Thus, human resources are multi-dimensional in nature. People working in the organisation have different needs at different times. These needs may be physiological social and psychological.

Milkovich and Boudreau\(^4\) have defined HRM, “Human resource management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organizations and the employees to achieve their objectives”.

Decenzo and Robbins observed\(^5\), “Human resource management is concerned

\(^1\) Leon C. Megginson, Personnel and Human Resource Administration, Homewood.: Richard D. Irwin, 1982, p. 6
with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. This is true, regardless of the type of organization—government, business, education, health, recreation, or social action.”

Personnel management has come to be recognised as inherent part of management which is concerned with the human resources of an organisation. Its objective is the maintenance of better human relations in the organization by the development, application and evaluation of policies, procedures and programmes relating to human resources to optimize their contribution towards the realization of organizational objectives. In other words, personnel management is concerned with getting better results with the collaboration of people.

According to the institute of Personnel Management (U.K.), "Personnel management is an integral but distinctive part of management, concerned with people at work and their relationship within the enterprise. It seeks to bring together into an effective organization the men and women who staff the enterprise, enabling each to make his/her best contribution to its success, both as a member of a working group and as an individual. It seeks to provide relationships within the enterprise that are conducive both to effective work and human satisfaction."

Scott, Clothier and Spriegel⁶ have defined personnel management as that branch of management which is responsible on a staff basis for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group. The objective is to attain

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maximum individual development, desirable working relationship between employees and employers, and employees and employees, and effective moulding of human resources as contrasted with physical resources.

Personnel management is responsible for maintaining good human relations in the organization. It is also concerned with development of individuals and achieving integration of goals of the organization and those of the individuals.

Northcott considers, "Personnel management as an extension of general management, that of promoting and stimulating every employee to make his fullest contribution to the purpose of a business." Personnel management is not something that could be separated from the basic management function. It is a major component of the broader managerial function and has roots and branches extending throughout and beyond the organization. According to French Wendell, "Personnel Management is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization."

To quote Edwin B. Flippo, "Personnel Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration and maintenance and separation of human resources to the end that individual and societal objectives are accomplished." This definition reveals that personnel or human resource (HR) management is that aspect of management which deals with the planning, organizing, directing and controlling the personnel functions of the enterprise. This definition is a comprehensive one and covers both the management functions and the operative functions. The purpose of all these functions is to assist in the achievement of basic organizational, individual and societal goals.

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1.2.2 FEATURES OF HRM

Human resource management is not something which can be turned over to a human resource department. It is the responsibility of each and every manager. When a human resource department is created, other managers are not relieved of this responsibility. This department only advises and assists line managers. According to Scott et al\cite{10}, “human resource management is a responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationships within an enterprise.” Human resource management is a staff function but a line responsibility.

The nature of the Human Resource Management has been highlighted in its following features:

- **Comprehensive Function**: Human resource management is concerned with managing people at work. It covers all types of people at all levels in the organization. It applies to workers, supervisors, officers, managers and other types of personnel.

- **People-Oriented**: Human resource management is concerned with employees as individuals as well as groups. It is the task of dealing with human relationships within an organization. It is the process of achieving the best fit between individuals, Jobs, organizations and the environment. It is the process of bringing people and organizations together so that the goals of each are met.

- **Action-Oriented**: Human resource management focuses on action rather than on record-keeping or procedures. It stresses the solution of human resource problems to achieve both organizational objectives and employees’ personal goals.
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- **Individual-Oriented:** Under human resource management, every employee is considered as an individual so as to provide services and programmes to facilitate employee satisfaction and growth.

- **Development-Oriented:** Human resource management is concerned with developing potential of employees so that they get maximum satisfaction from their work and give their best efforts to the organization. It takes into account the personality, interests, opportunities and capacities of employees for this purpose. It seeks to help the employees to realize their full potential.

- **Pervasive Function:** Human resource management is inherent in all organizations and at all levels. It is not confined to industry alone. It is equally useful and necessary in government, armed forces, sports organizations and the like. It permeates all the functional areas, e.g., production, marketing, finance, research, etc. Recruitment, selection, development and utilization of people are an integral part of any organized effort. Each and every manager is involved with human resource function. In big organizations, there is generally a human resource/personnel department. But this department only provides expert staff, advice and assistance concerning personnel matters. The authority to take decisions on these matters lies with the operating executives.

- **Continuous Function:** Management of human resources is an ongoing or never-ending exercise rather than a ‘one shot’ function. In the words of Terry\(^\text{11}\), “it cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day a week. Human resource management requires a constant alertness and awareness of human relations and their importance in everyday operations.”

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\(^{10}\) Scott W.G., et al., cit., p. 31.

Future-Oriented: Human resource management is concerned with helping an organization achieve its objectives in the future by providing for competent and well-motivated employees. It attempts to obtain willing cooperation of people for the attainment of the desired objectives.

Challenging Functions: Managing of human resources is a challenging job due to the dynamic nature of people. People have sentiments and emotions so they cannot be treated like machines. It is, therefore, necessary to handle them tactfully. It is not simply managing people but administering a social system.

Science as Well as Art: HRM is a science as it contains an organized body of knowledge consisting of principles and techniques. It is also an art because it involves application of theoretical knowledge to the problems of human resources. In fact, handling people is one of the most creative arts.

Staff Function: The function of human resource management is advisory in nature. Human resource managers do not manufacture or sell goods but they do contribute to the success and growth of an organization by advising the operating departments on human resource matters. Like the director of a movie, their performance can be judged from the success of the total organization.

Young Discipline: Human resource management is of comparatively recent origin. It started in the last part of the 19th century. It is relatively a new specialized area as compared to manufacturing and marketing.

Interdisciplinary: Human resource management involves application of knowledge drawn from several disciplines like sociology, anthropology, psychology, economics, etc. In order to deal with human problems effectively, a manager must depend upon such knowledge. In modern times, human resource management has become a highly specialized job.
Nervous System: Human resource management is similar to the nervous system in the human body. The nervous system is not an adjunct to the body but is inherent in the whole body and intimately associated with its every movement. Similarly, human resource management is not an extraneous element to the organization structure. Rather it lies embedded in the structure, is inherent in its functioning and an integral part of the process of management itself. Human resource management cannot be separated from the basic management function.

1.2.3 OBJECTIVES OF HRM

Every organization has some objectives and every part of it should contribute directly or indirectly to the attainment of desired objectives. Objectives determine the character of an organization and serve as the basis for voluntary cooperation and coordination among employees. Objectives also provide benchmarks or standards of evaluating performance. Objectives of human resource management are derived from the basic objectives of an organization. In order to achieve organizational objectives integration of employer’s interest and employee interests is necessary. In this light, the objectives of human resource management may be summarized as follows:

1. To help the organization attain its goals by providing well-trained and well-motivated employees.

2. To employ the skills and knowledge of employees efficiently and effectively, i.e., to utilize human resources effectively.

3. To enhance job satisfaction and self-actualization of employees by encouraging and assisting every employee to realize his/her full potential.

4. To establish and maintain productive, self-respecting and internally satisfying working relationships among all the members of the organization.
5. To bring about maximum individual development of members of the organization by providing opportunities for training and advancement.

6. To secure the integration of all the individuals and groups with the organization by reconciling individual/group goals with those of an organization.

7. To develop and maintain a quality life which makes employment in the organization a desirable personal and social situation.

8. To maintain high morale and good human relations within the organization.

9. To help maintain ethical policies and behaviour inside and outside the organization.

10. To manage change to the mutual advantage of individuals, groups, the organization and the society.

11. To recognize and satisfy individual needs and group goals by offering appropriate monetary and non-monetary incentives.

1.2.4 SCOPE OF HRM

Now the researcher comes to the very important aspect of the study, which is concerned with the status and scope of human resource practices in our country. Researcher has discussed it in Indian context. The field of personnel management is very wide as is obvious from the fact that it is called by several terms such as ‘labour management’, ‘manpower management’, ‘human relations’, ‘human resources management’ and so on. The Indian Institute of Personnel Management has laid down the scope of personnel management as follows:
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➢ **Welfare Aspect:** Functions associated with the welfare aspect of labour are concerned with the conditions of work and the amenities such as provision of canteens, crèches, housing, transport, medical, education, recreational and cultural facilities, and health and safety provisions. The Personnel Manager must be fully conversant with the provisions of the Factories Act and other labour laws of the country.

➢ **Personnel Aspect:** Functions associated with the labour or personnel aspect include activities concerned with manpower planning, recruitment, selection, placement, induction, promotion transfer, demotion, separation, lay-off, retrenchment, training and development, wage and salary administration, etc.

➢ **Industrial Relations Aspect:** Industrial or labour relations aspect is concerned with the company’s relations with the employees as a group and includes union-management relations, joint consultation, negotiating and collective bargaining processes, disciplinary action, grievance handling and settlement etc. The recognition of human values as the basis of personnel management helps in achieving and maintaining good industrial relations. The role of personnel policies in determining the climate of industrial relations is very significant.

During 1990s, there is emerging a new human resource management, especially as a result of the globalization and liberalization.

The economy and the policy of India are fast changing in the wake of the liberalization policies mooted by Rajiv Gandhi Government, and formalized by the Narasimha Rao Government. Consequently the form and the content of capitalist relations between the various factors of production are undergoing a change. What has emerged is a new era in human resources management.

As a result of the liberalization, industrial relations (IR) and human resource management (HRM) have acquired strategic importance. The success of the new
policies depends, to a large extent, on the introduction of new industrial relations and human resources policies at the national and enterprise levels. Some pressure for change has already been witnessed in the IR and HRM areas. The actors of the system now realize that neither the economy nor the industrial enterprises can survive by clinging to their rigid postures.

The world economic order is also changing rapidly. Evolutionary changes are taking place at revolutionary speed, largely pushed by strong external forces, arising out of a desire to increase competitiveness and efficiency. Centrally planned economics are opening up to have their tryst with free market systems. Structural adjustments and reforms are holding sway establishing the primary of economic imperatives over dogmatic political compulsions.

Organisations today, amidst such a commercially competitive global economic environment are struggling for their survival and growth. The recent liberalisation and bold economic reforms pronounced by the Government has thrown up many challenges and opportunities to the Indian industry. With the explosion in information technology increased global competition, rapidly changing markets, deregulation etc., organisations have to redesign their strategy and outlook towards HRM, since human resources holds the key to meet all these challenges.

1.2.5 FUNCTIONS OF HRM

Human resource management is a process which works within the context of organization as a system. Thus, HRM becomes a subsystem in the organizational context but a system in its own context. Thus HRM processes must be undertaken to achieve these objectives. However, what these functions are or should be, there appears to be no unanimity. This is a natural phenomenon because HRM is still in evolving stage and concepts have come from practices which may differ from organization to organization., HRM involves supporting functions in the form of HR information system, research,
accounting, and audit either to support its own functions or to interact with the organization as presented by the following figure:

**Human Resource Acquisition**: It involves selecting and placing appropriate personnel, both in terms of number and their overall suitability for the organization. This function involves HR planning for determining the number and types of personnel required, recruitment through which personnel may be located and attracted to offer themselves for consideration for selection, selection process through which suitability of the personnel may be determined, placement concerned with placing a person on the job who has been selected for it, induction by which the new employee is provided relevant information about his job, organization, and growth opportunity in the organization besides introducing him to his superiors, peers, and subordinates.
Development: Development function involves developing people for better performance and changing their positions over the period of time to match individuals and jobs. This function comprises training which is provided to perform a specific job in a better way, management development concerned with development of managerial personnel for the present positions as well as for future positions, organization development which is concerned with changing overall organizational culture and climate along with personnel to have better match between them and the changed situation.

Performance and Compensation: Performance management involves performance planning, performance appraisal, and performance counseling used for a variety of purposes. Compensation management involves determining base compensation, incentives, and benefits so as to match people’s efforts with suitable rewards.

Motivation and Maintenance: It involves creating motivational environment through benchmarking best-in-class HR practices, developing quality of work life, HR communication, HR counseling, empowerment, and participation. Other aspects that are included in it are safety and health management and HR mobility in the form of promotion, demotion, transfer, and separation to maintain rightsizing.

Industrial Relations: It is concerned with managing good relations between management group and other groups of employees, particularly operatives. This involves the designing of industrial relations system, managing discipline, redressing grievances, and managing disputes between management and operatives effectively.
1.3 SIGNIFICANCE OF HRM

There is great importance of Human Resource Management in the present times. HRM is of utmost significance in developing effective personnel practices and there is a great need for greater research in human resource management that is directly related and that supports or underlines personnel activities and theory. In fact, surveys and analyses of information and data relating to the functioning of an organization are so vital to the effectiveness and success of its operations that they are conducted almost as a routine. Besides, research provides “the most efficient relationships which otherwise might never have been observed or verified, or which sometimes are discovered after decades.”

The significance of human resource management can be discussed at four levels - corporate, professional, social and national.

1. Significance for an Enterprise: Human resource management can help an enterprise in achieving its goals more efficiently and effectively in the following ways:

   (a) Attracting and retaining the required talent through effective human resource planning, recruitment, selection, placement, orientation, compensation and promotion policies.

   (b) Developing the necessary skills and right attitudes among the employees through training, development, performance appraisal, etc.

   (c) Securing willing cooperation of employees through motivation, participation, grievance handling, etc.

   (d) Utilizing effectively the available human resources.

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(e) Ensuring that the enterprise will have in future a team of competent and dedicated employees.

2. **Professional Significance:** Effective management of human resource helps to improve the quality of work life. It permits team work among employees by providing a healthy working environment. It contributes to professional growth in the following ways:

   (a) Providing maximum opportunities for personal development of each employee.

   (b) Maintaining healthy relationships among individuals, and different work groups.

   (c) Allocating work properly.

3. **Social Significance:** Sound human resource management has a great significance for the society. It helps to enhance the dignity of labour in the following ways:

   (a) Providing suitable employment that provides social and psychological satisfaction to people.

   (b) Maintaining a balance between the jobs available and the jobseekers in terms of numbers, qualifications, needs and aptitudes.

   (c) Eliminating waste of human resources through conservation of physical and mental health.

4. **National Significance:** Human resources and their management play a vital role in the development of a nation. The effective exploitation and utilization of a nation’s natural, physical and financial resources require an efficient and committed manpower. There are wide differences in development between countries with similar resources due to differences in the quality of
their people. Countries are underdeveloped because their people are backward. The level of development in a country depends primarily on the skills, attitudes and values of its human resources. Effective management of human resources helps to speed up the process of economic growth which, in turn, leads to higher standards of living and fuller employment.

Human resource management is the central subsystem of an organization as can be seen from this figure:

![Diagram of human resource management as the central subsystem](image)

As the central subsystem, HRM interacts closely and continuously with all other subsystems of an organization. The quality of people in all subsystems depends largely upon the policies, programmes and practices of the HRM subsystem. The quality of human resources determines in turn the success of an organization.
PERSONNEL MANAGEMENT AND HRM: A COMPARISON

There are differences of opinions so far as the comparison between personnel management and human resource management is concerned. Some treat both as the same with difference only in nomenclature; some treat both as different; many others view that on certain issues, both are same but on others, they are different.

Those who treat personnel management and human resource management as same take the stand that the latter differs from the former only in name but both have same contents. Pat Lowry\(^1\) observes that: “Personnel work has always included strategic matters, and the present emphasis on business issues merely represents another change in the environment to which the personnel manager adapts by strengthening the competencies needed for the new situation. Human resource management is just the continuing process of personnel management—it is not different.” Those who view that personnel management and human resource management are similar on some issues but are different on others, view that human resource management provides different treatment to people so far as their management in the organization is concerned.

Armstrong\(^2\) views that, “Human resource management is regarded by some personnel managers as just a set of in new bottles. It could indeed be no more and no less than another name for personnel management, but as usually perceived, at least it has the virtue of emphasizing the virtue of treating people as a key resource, the management of which is a direct concern of top management as part of the strategic processes of the enterprise.”

Armstrong further suggests common features of personnel management and human resource management as follows:

1. Strategies of both stem from the business strategy.

2. Both recognize that line managers are responsible for managing people. The line managers are enabled by the advice and support of the personnel department to carry out their responsibilities.

3. The value of personnel management and those of soft version of human resource management are identical vis-à-vis respect for individual, integration of individual needs and organizational goals, and development of people to accomplish competence to facilitate individual and organizational interests.

4. Both attach importance to the function of matching people to ever-changing business requirements.

5. Both use the same range of selection, competence analysis, performance management, training, management development and reward management techniques.

6. The soft version of human resource management and personnel management stress the process of communication and participation within the employee relations analysis.

In terms of Mckinsey 7-S model, strategy, and systems are hard S’s while staff, skills, and management style are soft S’s of an organisation. Shared values, the seventh S, affect both hard and soft S’s. According to Armstrong, human resource management differs from personnel management in terms of its strategic nature. It is geared towards a management and business-oriented philosophy. It forms a central, senior management-driven strategic activity seeking to accomplish total organizational interests. It gives importance to

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strategic integration and strong cultures, stemming from top management vision and leadership. It stresses that people are committed to strategy adaptable to change and assimilated in the corporate culture. Indeed, it is so important that it cannot be left to personnel managers.\(^\text{16}\)

Those who view that there is a difference between human resource management and personnel management, stress that such a difference exists in terms of both content as well as emphasis. On the basis of review of relevant literature, Legge has found difference between personnel management and human resource management in the following terms:

1. Personnel management is mostly concerned with non-managers; human resource management is aimed at managerial personnel.

2. Personnel management attempts to influence line management; human resource management involves an integrated line management activity.

3. Personnel management keeps itself detached from organisation development and allied socially and psychologically-oriented ideas; human resource management has utmost focus on the management of corporate culture.\(^\text{17}\)

**DIFFERENCE BETWEEN PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT**

Taking all the views on comparison of personnel management and human resource management—both are same with different nomenclature, both have some similarities and some differences, and both differ in terms of contents as well as emphasis, we can differentiate personnel management and human resource management as follows:

\(^{16}\) Armstrong, op.cit.\(^{17}\)
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1. Personnel management is a routine, maintenance-oriented administrative function; human resource management places emphasis on a continuous development of people at work. It is the expression of the unshakeable belief of the management of an organisation in improving the human processes on continuous basis.

2. Personnel management function is mainly reactive and responds to the demands of an organisation whenever they arise. HRM is proactive function. It is not only concerned with the present organizational needs but anticipates future needs and acts accordingly.

3. Personnel management is seen as independent function and sub-functions without giving due regard to organizational strategies and processes. HRM is viewed as a cub-system of the organisation. Therefore, it takes into account its linkages and interfaces with all other parts of the organisation.

4. Personnel management takes a narrow view of its scope and objectives. It concentrates mainly on improving the efficiency of personnel in isolation without emphasizing the relevance of efficiency in the organizational context. HRM undertakes a systems view in which attempt is made not only to make people efficient but to create proper organizational culture to utilize the efficiency.

5. Personnel management emphasizes on economic rewards and traditional job design like job simplification for motivating people for better performance. HRM emphasizes on the satisfaction of higher needs for motivating people, such as autonomous work groups, challenging jobs, creativity, etc.

6. Personnel management considers job satisfaction and morale as cause of improved performance. It works on the basis that a happy worker is a productive worker. The emphasis of HRM is other way round. It is based on the premise that better performance itself is a source of satisfaction and high morale.

1.4 EMERGING HRM PRACTICES IN INDIA

The above discussion is relevant to HRM as a profession in general. At this stage, it would be relevant to see the status of professionalisation of HRM in India. In a general term, it can be said that HRM in India presents a mixed picture. On the one hand, we have most of the characteristics of HRM as profession such as training and education from various academic institutions, creation of National Institute of Personnel Management and other professional bodies like National HRD Network, Indian Society for Training and Development, Indian Society for Individual and Social Development, and Indian Society for Applied Behavioral Science; emphasis on developing corporate practices based on ethics and international code of governance, and so on.

On the other hand, we have adopted the concept of profession as a show piece and not to put it in practice. The term ‘professional management’ has become a glorious expression in the corporate sector in India. There is so much fascination that every company takes pride of pleasure in decorating itself as professionally managed even though sometimes in total disregard to its professional attainment.

The concept of professional management has become synonym of progressive and efficient management, and since no one likes to be called backward and inefficient, there is obvious craze for the adoption of professional management titles. In the context, Ghoshal\textsuperscript{18} has commented as follows: “In most companies of India, human resource groups are of little help. While their labels have changed from industrial relations to human resource development, their minds and tasks have not. Unconnected with strategy and unconcerned about the overall business performance, they still remain mired in managing the bureaucratic machinery for administering routine tasks. They have few answers to the critical questions that are posed in an era in which the battle for talent has become battle for survival.”
However, this does not mean that we have only traditional HRM system and not put any professional orientation in it. There are many companies whose HRM practices match with the international level. From this point of view, we may categories Indian corporate sector into two groups; traditionally-managed sector and professionally-managed sector.

1.4.1 TRADITIONALLY-MANAGED SECTOR:

In the common parlance, Indian management is described as ‘family management’ with ‘traditional values’. The two distinguished features of family management are: (i) both ownership and control of the organization are in the hands of the members of the family, and (ii) organizational objective is to maximize profit even if it necessitates exploitation of the weaker sections of the society. This type of management maintains the control of the organization by value system of the family and often, there is great variation between the management styles of two organizations controlled by two different families. Organizational and managerial style has been retained by the family structure at the peak of the organizational pyramid and relative organizational positions of the family members are determined in accordance with their positions in the family. In majority of cases, power is personalized in a close-knit group tied with family relationship. Even in the areas where professionals manage to percolate, the managers are allowed to play only a secondary role because of the limitations posed by the decision-making process.

The basic reasons for lack of professional HR management are as follows:

1. There appears to be attitudinal conservatism which checks the emergence of professional management. The popular belief that business is a matter of common sense and luck reflects this attitude. This attitude has paid good dividend in the past because of controlled economy and lack of competition, and profit, a major yardstick of business success, has been assured.

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18 Ghoshal, op. cit., p. 1.
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However, the situation is changing fast with increasing size of Organizations, complexity of managing business, and more competitive environment but very few business owners have realized this fact and others are clinging to the old concept of managing business.

2. Most of the organizations in the private sector are generally on-man shows. Often owner also performs the functions of a manager. This is true not only for the small-scale organizations but also for the large ones even though they might have been organized as joint stock company form of organizations. Generally, the Board of Directors constituted to fulfill the legal requirement but real control lies in a single person. The owner, who is an entrepreneur, conceives the enterprise and builds it brick by brick. When he performs managerial functions, his perspective is quite different from the professional manager. Owner-manager’s style of functioning is normally centralized and he believes in more direct control and often discourages professionalisation of management.

3. The emergence and development of public sector enterprises have put pressure on the government to find out suitable managers for these enterprises. These managers were originally deputed from the civil services who had altogether different perspective and style of functioning. This style percolated throughout the organization and public sector could not develop right type of managerial culture. This has also worked against the professionalisation of management in public sector. The situation in this respect is changing because the government has now realized the need for a suitable management cadre for this sector.

4. Business in India has not yet reached the level of sophistication as in the developed countries requiring the use of sophisticated tools and techniques. By Western standard, the Indian business is still in its infancy. In the absence of proper development of business, the management pattern has also not developed. In fact, many sectors are still
under-managed. In such a case, there is very little scope for professionalisation of management in these sectors.

1.4.2 PROFESSIONALLY-MANAGED SECTOR:

As against traditionally-managed sector, there are various organizations whose management has been professionalized both in terms of human resources as well as in the context of management process. Such companies like Hindustan Lever, ITC, Infosys Technologies, TELCO, TISCO, and many multinationals operating in India have adopted sophisticated management techniques, emphasize merit in personnel selection and promotion, delegate appropriate authority, and have developed congenial work environment conductive for utilizing talents. For example, Hind Lever, whose management is considered as one of the best in the country, derives its strengths from its team of management which consists of comparatively young professionals drawn nationally.

These professionals are well developed through systematic training and development process and work in a motivating environment as described by the company’s former chairman, K.B. Dadiseth
dash[19], “My personal vision for Hindustan Lever is that of a company where people are given unparalleled power to generate new ideas that have high impact; a climate which encourages them to be passionate about those ideas; and then the support they need to make those ideas a reality. In fact, today, we are planning to go a step further by giving them a stake in the wealth they create through their ideas.”

Human Resource Audit: There is no legal obligation to have personnel audit as in the case of financial accounts, but enlightened managements have voluntarily accepted its usefulness. They use it as a tool for control of the personnel programmes and practices. Following are the important reasons that have influenced the trend towards formal personnel audit:

- Changing managerial philosophy, which has come to regard employee’s
participation and identification as having a powerful influence on motivation of employees at work for the success of the organization, has recognized the need for personnel audit.

➢ As an organization grows the need for such an audit increases. A continuous feedback is necessary to improve, for example, the performance of the personnel and this is possible only by way of personnel audit.

➢ Expansion of unions of employees and of bilateral determination of employment policy with frequent criticisms of managerial competence has made it necessary to conduct personnel audit.

➢ Rapidly rising wages and salaries, with higher labour costs and greater opportunities for competitive advantage in the management of people is another cause which compels management to conduct personnel audit.

➢ The changing mixture of skills with growing proportions of technical and professional workers, who present more difficult managerial problems, has also made it essential for the management to use personnel audit.

Personnel audit can be conducted in terms of planning manpower requirements to know the effectiveness of past forecasting and scheduling and to ascertain how far the needs were identified in time. If such an audit indicates that forecasting is inaccurate, management can think on how to improve the forecasting techniques and variables for more accurate results in the future. Audit can be conducted to review the recruitment and selection practices. For instance, over a period of time, job descriptions, application blanks, and selection tests may become out-of-date. The management will try to update all these on the recommendations of the auditors.

In the area of employment function of the personnel department, an evaluation can be made of the effectiveness with which new employees were actually selected and placed. The training programmes can also be reviewed in terms of the results generated by such programmes. This involves analysis of employees at all levels before and after training.

Motivation of people at work is perhaps the most important aspect of human resource management. An appraisal of employees’ motivation may indicate whether the employees feel that organization is good one to work for and that they have good prospects within the organization provided they are willing to put forth their best efforts. An analysis comparing the wages paid to the personnel with wages paid in similar other organization can also provide indicators on the wages policy for that organization. Welfare and other facilities have also significant impact on the behavior of the people. They feel committed to the organization if the management looks after their welfare.

Personnel auditors may also appraise the communication which is an important point and where failures are very common. They may also review the systems of job evaluation and methods of performance appraisal of employees in organization. There is another important area where auditors can work is the controlling of manpower resources. They can study the causes of absenteeism, high rate of accidents and labour turnover and can recommend to the management the measures to be taken to control the manpower resources.

1.5 HRM MODEL FOR INDIA IN FUTURE

An organization is a system having three broad elements-input, transformation, and output. Input may be in the form of human and non-human resources. Transformation is the conversion of various non-human resources into output, and output is the final outcome of the transformation process in the form of product/service which is given to the environment. Transformation process is the most important aspect for determining organizational functioning and
effectiveness. Since this transformation process is carried on by human resources, their efficiency goes a long way in determining organizational efficiency.

Therefore, there is a need for managing human resources effectively. Effective management of human resources depends to a very great extent on the overall attitudes and orientations of top management of the organisation, there may be different models for managing human resources. These models are also known as schools or approaches for managing human resources. Presently, there are three identifiable models which can be differentiated from each other. These models are as follows:

1. Rational Model
2. Social System Model
3. Human Resource Development Model

In each of these models, top management’s approach towards managing human resources differs. Consequently, HRM practices differ from one model to another model. Let us see what prescriptions are made by each of these models.

1.5.1 RATIONAL MODEL: Rational model, also known as rational system model, is based on classical theory of management, particularly scientific management and bureaucracy.

Features: The basic features of rational model are as follows:

- **Organisational Rationality:** Rational model emphasises rationality of behaviour of people in the organisation. This rationality should lie in the organisation and not in people. As people can be irrational, it is better to make the organisation as a system rational. An attempt to make people rational may fail because human nature resists change. On the other hand, organisation can be systematized by role prescription, official rules and regulations and control procedures.
Impersonal Relationships: Rational model emphasises impersonal relationships in organisational processes. The concept of impersonal relationships means that hierarchical relations in the organisation are free from personal involvement. Such relationships are needed in dealing with both organisational members and outsiders. Because of these impersonal relationships, people act without hatred or passion which brings rationality in their behaviour as well as in organisational processes.

Reward and Punishment based on Role Boundaries: Rational model legalizes reward and punishment for people by demarcating their role boundaries. For example, in the case of scientific management, differential piece-rate system, and in the case of bureaucracy, obedience to authority and regulations has built-in system of reward and punishment. Thus, the amount or work, skills in specific functions, role expectations not only indicate what a person should do but also point out what will happen he does not do it.

Formulation: Every organisational process is carried on the basis of formalization. Formalisation implies that organisational positions in the organisation are important, not who occupy those positions. There is no place of informalisation in this model. This implies that in the case of change of organisational members because of any reason, organisational processes will not be affected: they will have continuity.

Organisational Hierarchy: Hierarchy is a system of ranking positions along a descending scale from top to bottom in the organisation. In the organisation, offices follow the principle of hierarchy, that is, each lower office is under the control and supervision of the next higher office. Similarly, a person at the lower
level is subject to control and supervision by his superior. Thus, no office or person is left uncontrolled. Organisational hierarchy serves as a line of communication and delegation of authority. Those who are at a higher level in the hierarchy enjoy more authority than those who are at the lower level.

**Suitability of Rational Model:** Rational model of managing human resources is perceived to be suitable because of the following reasons:

- There is fair amount of rationality in human behaviour in the organisation because of strict rules and regulations. These rules and regulations define boundaries of every role.

- There is emphasis on specialization of work and rigid departmentation. With the result, employees become efficient in their work and organisational productivity improves.

Because of the above factors, rational model is followed to a very great extent in government departments, public sector organisations, etc.

**Inadequacy of Rational Model:** Though certain assumptions about efficiency in rational model have been made, these assumptions are mostly theoretical. In actual practice, these assumptions do not work. With the result, organisational efficiency does not remain to be high as it is perceived to be. This happens because of inadequacy of rational model. Inadequacy in rational model exists because of the following reasons:

- Rational model treats an organisation as a machine in which individuals are fitted like parts. The basic assumption behind this kind of fitting is that people are devoid of feelings and attitudes at the workplace. This assumption is contrary to human nature. Human beings have feelings and attitudes which affect their behaviour including their work behaviour. Because of lack of appreciation of
this feature, organisations practicing rational model do not achieve efficiency.

- Specialisation generates efficiency is true but it may be true to the operative level only. At other levels of the organisation, individuals are involved in decision-making process and a decision is made and implemented after considering a number of variables. Understanding of these variables requires the working of various departments of the organisation as well as external factors. Thus, individuals have to develop multiskills while rational model emphasises development of a specific skill. With the result, rational model has very limited scope in the present age of multiskilling.

- Throughout the world, there is emphasis on employee involvement, employee participation, employee empowerment, and creation of quality of work life based on basic human nature. In this scenario, more emphasis is being put on non-financial incentives but rational model puts emphasis on financial incentives. While non-financial incentives have paid rich dividend, financial incentives have failed to do so.

The above discussion shows that rational model has very limited role to play in the present business environment. With the result, even those organisations which have orientation towards rational model in managing their human resources tend to modify some of its prescriptions and replace these with the prescriptions of other models.

### 1.5.2 SOCIAL SYSTEM MODEL

Social system model, also known as human relations model, of managing human resources is based on human relations approach emerging primarily from Hawthorne Experiments and contributions made by various behavioral scientists.
**Features**: The basic features of social system model are as follows:

- **Social Factors in Output**: Social system model treats an organisation as a social system. Therefore, social factors operating at the workplace affect employee work behaviour; it is not merely affected by rules and regulations prescribed by the organisation as envisaged by the rational model. People are socio-psychological beings having feelings and emotions; they are not merely physical beings. Therefore, their output will be higher if the work environment is conductive for satisfying their social needs.

- **Informal Relationships**: An organisation works on the basis of both formal and informal relationships and not merely on formal relationships. While formal relationships emerge out of organisational prescriptions through rules, regulations, and other modes, informal relationships emerge because of the social interaction of employees at the workplace as well as outside it. These social relationships affect pattern of authority, communication, and leadership processes. With the result, formal authority structure, formal communication lines, and formal leadership processes work differently from what have been prescribed by the organisation. In such a situation, the organisation can be more effective by managing informal relationships effectively.

- **Conflict**: Social system asserts that organisations are designed in such a way that conflict is inherent in their working. Conflict arises in an organisation because it has different groups of people, and each group tends to perceive its goals differently. Thus, owner may perceive that their goals are different from employees’; managers may perceive that their goals are different from workers’, and so on. Since conflict in the organisation is inherent, its effectiveness depends on the degree to which goals of various groups of people are integrated.
Suitability of Social System Model: Social system model of managing human resources offers improvement over traditional rational model. Because of the following reasons, this model is more suitable:

- Social system model takes humanistic approach in managing human resources. Human beings are treated as human beings in organisations and the model offers precepts for satisfying socio-psychological needs of people at the workplace.

- The model suggests that employee productivity can be increased by offering non-financial benefits which do not involve much cost on the organisation but its productivity increases substantially.

- The model is prescriptive in nature describing what the organisation is and how it works as against rational model which is normative in nature and prescribes what the organisation should be and how it should work. Because of its prescriptive nature, social system model offers insights for adopting human resource management practices.

Inadequacy of Social System Model: In spite of the various insights offered by social system model for managing human resources, it is not free from certain limitations. Because of these limitations, certain inadequacies can be identified in this model which is as follows:

- Social system model does not present integrated approach for managing human resources, in that it does not take into account the external variables affecting human resource management practices. As we shall see in the next chapter, there are various environmental influences on HRM practices. If these influences are not taken into account, HRM practices may not be that effective.

- The model emphasises human beings in organisations but it does not take human resource as a strategic resource on which organisations
can create and sustain their competitive advantage. In the present competitive global business environment, creating and sustaining competitive advantage is the prime concern for all forwards-looking organisations.

In spite of the above inadequacies, the social system model offers insights for HRM practices at least for those organisations which operate in lesser competitive pressures.

1.5.3 HUMAN RESOURCE DEVELOPMENT MODEL

Human resource development model, also known as human resource management model, derives its insights from systems and contingency approach, behavioural science, and contemporary human resource management practices.

**Features:** The main features of HRD model of managing human resources are as follows:

- **Organisation as Open System:** HRD model treats an organisation as an open system. Thus, the organisation interacts continuously with its environment. In this interaction process, the organisation is affected by its environment though, to some extent, it can affect its environment. Because of organisation-environment interaction, no organisation is free to choose its own practices, including HRM practices. These practices have to be aligned with environmental needs. To the extent, an organisation meets these environmental needs, it is effective.

- **Human Resource as Strategic Resource:** HRD model treats human resource as strategic resource of the organisation. A strategic resource is one which is used to create and sustain competitive advantage. Competitive advantage exists when there is a match between the
distinctive competencies of an organisation and the factors critical for success within its industry that permits the organisation to outperform the competitors. Human resource can be used as a means for creating competitive advantage which may be in the form of lower cost of production, development of products/services for special needs, special means for marketing, and so on. This can be done only when human resource is treated as strategic resource and is managed that way.

- **Complex Nature of Human Beings:** Human nature is quite complex, and managing human beings based on simplistic models is like avoiding reality. Therefore, understanding the complexity of human beings is important. Complexity in human beings can be appreciated in two forms. First, there are many variables which affect human behaviour. These variables are quite unpredictable. Second, a particular behaviour of human beings cannot be said to be occurring as a response to a particular variable. Thus, there is lack of establishing cause-effect relationship. Even if cause-effect relationship is established, it is not necessary that all human beings will behave in the same way. Therefore, HRM practices cannot be adopted on universal basis but these have to be situation-specific.

**Suitability of Human Resource Development Model**

HRD model of managing human resources is of recent origin and is considered superior to other models because of the following reasons:

- HRD model of managing human resources takes into account various factors which influence HRM practices both at macro level and micro level.

- This model is more in tune with reality of human nature which is complex. In other models, complexity of human nature has not been given adequate consideration.
The model is based on contemporary HRM practices. Therefore, it presents practical approach for managing human resources.

Inadequacy of Human Resource Development Model

In spite of suggesting most appropriate HRM practices, HRD model is not free from inadequacies which are as follows:

- HRD model is complex one as it suggests consideration of contextual variables in adopting HRM practices. Since these variables, themselves, are quite complex, understanding of these variables requires high-level of analytical skills in HR professionals.

- Every organisation may not attain the level of sophistication in which HRD model can be applied. HRD model requires high-level professionalisation in organisations. If organisations are not up to this level, application of HRD model, particularly people-sensitive issues, may produce adverse results.

1.5.4 HRM MODEL FOR INDIA

Auditors may adopt any of the five approaches for the purpose of evaluation: 19
(I) comparative approach, (ii) outside authority approach, (iii) statistical approach, (IV) compliance approach and (v) management by objectives (MBO) approach. It may be stated that irrespective f the approach, the data for assessment are provided by HR research.

In the comparative approach the auditors identify another company as the model. The results of their organization are compared with those of the model company. Often, the auditors use standards set by an outside consultant as benchmark for comparison of own results. This approach is called the outside authority approach. The third approach is the statistical approach. Here,

statistical measures of performance are developed based on the company’s existing information. Examples of such measures are absenteeism and turnover rates. These data help auditors assess the performance. In the compliance approach, auditors review past actions to determine if those activities comply with legal requirements and company policies and procedures.

**Process of HR Audit**

Figure shows the HR audit process. The audit covers four areas, and, to do so, one or more strategies are adopted. The audit is conducted with the help of data provided by HR research. The audit report provides feedback to the HR dept.\(^{21}\)

1.6 HRM: ARGUMENTS AND CONCLUSIONS

Dale Yoder has discussed the following techniques of research in the area of human resource management:

- **Historical Studies**: Past records and documents are systematically investigated and interviews are conducted with the present and former employees. Almost all big organizations maintain records of the various personnel problems – absenteeism, turnover, accident rates, wages structures etc. The essential feature of this method is its systematic investigation, utilizing an extended time span or longitudinal dimension.

- **Case Studies**: This method provides a systematic and in-depth investigation of the relationships which are significant in a particular situation or set of circumstances. Although the significance of findings in a case study is limited to once specific situation or set of circumstances, its careful analysis and a thoughtful generation derived from it may be found to have broader significance and application. Besides, a series of similarly structured case studies may lead to the formulation of general hypotheses that may be useful in laying the foundation for broader or more intensive research in the area of personnel management and industrial relations.

- **Survey Method**: It concentrates on the collection of original data on problems relating to compensation, collective bargaining, etc., through structured interview or by administering a questionnaire. The correlation among observed phenomena, possible causes and related efforts is then computed so as to draw conclusions. This method is time-consuming and costly and has been criticized on the ground that its application may emphasis the importance of the collection of empirical data with little emphasis on the analysis of these data and formulating theory on their basis.

- **Statistical Studies**: These studies deal with the collection, analysis,
classification and interpretation of quantitative data and information. They lay emphasis on the importance of qualification, mathematical manipulation and statistical inference. They may use averages, mean, median and mode, measures of dispersion, trends regressions and correlations. Their use has become increasingly widespread because of the development of high-speed modern electronic computers.

- **Mathematical Models**: Mathematical models are generally used in research to explain the relationships among the variables that are to be examined. The use of such models in management research has spread recently due to the growing use of computers as it involves further qualification as compared to statistical studies. Mathematical studies may relate to relatively simple as well as complex relationships and may generate decision rules with wide applicability.

- **Simulation Models**: This technique begins with the statements of a hypothesis and suggests a model to simulate the interaction of variables, weights and coefficients. Models are developed on the basis of theory. The method is used in studying problems of production and inventory control, hiring and training of personnel, collective bargaining etc.

- **Action and Field Research**: Under this method, the researches involve themselves directly in the behavior to be studied. This method may be used most effectively in understanding group behavior in working organizations.
DIFFICULTIES OF HUMAN RESOURCE AUDIT AND THEIR SOLUTION

Financial audits of business concerns are conducted by following well-established rules and norms. The rules of conducted have been laid down by the Companies Act 1956 and other statutes and by the Institute of Chartered Accountants of India. Any careful auditor detects the errors and manipulations in the financial accounts. Accounting policy is fairly well-defined so that when issues involving interpretation of laws, regulations or policies arise, the auditor generally has a precedent to guide him in making judgments about a specific situation.

Financial audits are conducted by the chartered accountants (holding the certificate of practice from the Institute of Chartered Accountants). But in case of personnel audit, there is no comparable to the chartered accountant who may be called for a personnel audit. The person who conducts the personnel audit does not have a body of laws, regulations and standard practices to use as a guide. In many areas, there is disagreement over what constitutes ‘good’ policy or ‘good’ practice.

We usually note the controversy among the top managers as to the overall characteristics of a successful personnel programme. Nonetheless, the personnel auditor has to find techniques to conduct the audit. The overall evaluation of a personnel programme is largely judgmental based on a combination of subjective impressions plus limited amount of quantitative data provided by the records and statistics section of the personnel department. Appraisal of the programme may be backward of forward-looking.

Since personnel audit is concerned with a comparison of what happened with what was expected, there is a tendency to turn the survey into a fault-finding process. The employees’ concerned start searching for excuses in the event that they are called to explain. This encourages the tendency to throw the blame on
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others and thus survey creates more troubles than it cures.

On the other hand, a forward-looking evaluation attempts to find out what went wrong so that the mistake will not be repeated. The emphasis is on improving the situation rather than placing the blame on people. Whether the evaluation is made with a forward or backward outlook largely depends upon the clearly stated objectives, the persons who actually carry out the personnel audit and also upon the manner in which it is done.\textsuperscript{22}

The researcher concludes the introductory part of the study with the concluding remarks that notwithstanding the abundance of people in India, the biggest problem of any CEO is getting right people. The competition for people appears to be twice as intense as the battle for customers. Thus, people have become imperative today. Therefore, many corporations are investing heavily on building people.

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