Chapter 1

Introduction and History

With the increase in the importance of Human Resource in the organization, the ways and means of managing HR is gaining significance. This chapter traces the evolution of current Human Resource Management (HRM) in the historical perspective.

Emergence of Human Resources Management

The role of human factor in production has been transformed since the era of classical economists. In the factors of production the visible changes have occurred in the form of change in the nomenclature and also in the functional roles. From labour to human resource, from organization to management and from profit to stake are the new realities of e - economy. The HR role is significantly increasing due to the changing scenario of the functioning of the enterprise in the global economy. The global opportunities have brought-in the global competition, where the cost and quality are the benchmarks for survival.

Here the traditional roles of factors of production are redefined to adapt to the changes taking place in the economy. The role of HR is now most promising and decisive in this change led by technology, innovation, better quality service and products. The causal factors for the development of new technology and innovation are the human capital and capabilities embedded in HR.
Definition:
Megginson\(^1\) defines HR as “The total knowledge, skills, creative abilities, talents and aptitudes of an organisation’s work force as well as the sum total of inherent abilities, acquired knowledge and skills represented by the talents and aptitude of the employed persons”.

According to Wendell French\(^2\), “Human Resource management is the systematic control of a network of inter related processes affecting and involving all members of an organization”

Thus, HRM represents the sum total of knowledge, skills and creative abilities of the people employed by the organization to attain its objectives. In this sense, current HRM is evolved through various phases and stages since industrial revolution.

Evolution: The transformed role of HRM had the humble beginning during the Industrial revolution era. Industrial revolution drastically altered the production and distribution process. From home attached workshops production shifted to factories employing labourers to work in the factory (George Strauss and Leonard R. Sayees)\(^3\). In the whole process tangible assets (Land, Building and Machinery) and capital dominated to form the Industrial capitalism. By the beginning of the 19\(^{th}\) century, capitalism and colonialism merged together to form the consolidated corporations owning and managing industries.

With the end of World War II, the domination of management as a distinguishing factor in the production and distribution process of wealth and economic development was well established. This shift in the industrial production process and use of technology to create market, automatically redefined the whole process of manufacturing and marketing of goods and
services by the industries. The spinoff of this process is the emergence of Industrial Management with production and productivity focus resulting in scientific management.

**Scientific Management** - The contribution of F.W. Taylor to the discipline of management and the practice of principles of scientific management in Midvale Factory and Bethlehem Steel Co. resulted in the publication of Shop management and scientific management. Its supporters and antagonists collectively branded the movement initiated by F.W. Taylor as Taylorism and his ideas made him controversial in his own days (D.S. Pugh)\(^4\).

The essence of scientific management is based on four principles. They are:

1. Replacing the old rule of thumb method by scientific investigation on man’s work;
2. scientific selection, training and development;
3. co-operation; and
4. mental revolution on the part of workers and management.

Taylor’s experiment on time study and the completion of tasks by the workers were more mechanistic in nature and oriented towards high productivity in work. These were viewed by the workers with suspicion and hostility. Taylor’s scientific management even invited opposition from management and general public. With all these antagonism, Taylor’s contribution is considered to be pioneering in the field of management.

Henry Lawrence Gantt was a close associate of Taylor (R.N. Singh)\(^5\) and he was influenced by the tenets of scientific management. Being a mechanical engineer, the mechanistic and productivity issues of scientific management appealed to him. Gantt improved upon the Taylor’s system of Wage payment and incentives. He published his ideas in the article “A bonus system of rewarding labour (1902) and the book Works, Wages and Profits (1910).
Frank Bunker Gilbreth is known as the disciple of Taylor who concentrated his efforts on Motion Study and Fatigue Study which is an extension of scientific management as propounded by F.W.Taylor. His indepth analysis and search for the ‘best method’ resulted in “Therblig’s” which identified 17 basic elements in completion of a task (Spriegel and Clark Myers)⁶. Gilbreth’s published work included Motion Study (1911), Primer of Scientific Management (1912) and Fatigue Study (1916).

Lillian Gilbreth collaborated and assisted her husband, Gilbreth in publishing his works. As a psychologist, she added psychological implications of management. Her works include The quest of the one best way (1918), The Psychology of Management (1920) and The Foreman and Manpower Management (1922).

When the wave of scientific management was spreading in the U.S, similar movement was also forming in Europe especially in Scotland where Robert Owen initiated labour – welfare measures in those cotton textile mills under his management. Robert Owen is considered to be the pioneer in the paternalistic approach of management, which contributed for the further studies, by Elton Mayo (Tillet T. Kempner and G. Wills)⁷.

The observations and studies by Charles Babbage complemented the ideas of Robert Owen. Though a mathematician, Babbage also studied the conditions of Factories in England and France. He published his ideas on management in the book “On the economy of machinery and manufacturers”. He is recognized as a pioneer in Operations Research than as a management thinker (Douglas Garbutt)⁸.

A different approach was suggested by Henry Fayol. He published the book on “General Principles of Administration (1908)” which reflected his
experience as junior executive and later as chief executive of the French Company called Coal and Steel Combine. His major thrust was on management at various levels of the organization and also about the Human Relations in management. Fayol formulated detailed principles of management and the major activities of the enterprise (Henry Fayol)\(^9\). Even today these principles are valid and it reveals the visionary outlook of Fayol.

Later studies by Lyndal Fowners Urwick attempted to consolidate the earlier studies on Scientific Management, and organization theory. The influence of Taylor and Fayol is visible in the works of Urwick (J. Storey)\(^10\). His ideas and experiences gained through teaching and consultancy are published in the form of “Scientific Principles and organization” (1938) ‘Notes on the Theory of organization” (1952), and the “Elements of Administration” (1943). His major contribution to the field of management studies is in the form of classical principles of organization, which are valid even today.

Further contribution to consider Human relations and human element in management came from the studies of Elton Mayo. Elton Mayo gained professional recognition for his famous Hawthorne studies (Elton Mayo)\(^11\) which altered the outlook of the management towards the workers. He published his ideas in the book “Human Problems of an industrial civilization” (1933), which is considered to be a unique and at the same time a well-researched book on human element in management.

His close associate F.J. Roethlisberger further extended the work of Elton Mayo. Roethlisberger in his studies observed the impact of informal organizations and its effect on the behavior of the workers. In fact, he initiated the behavioral approach to the study of management (Blyton P. and Turnbull P.)\(^12\).
The works of Mary Parkar Follet consolidated the behavioral approach to management. Her published work on Business Management as a Profession (1927) reflects the great insights and the application of Psychology and Sociology in management (Mary Parker Follet).\(^{13}\)

As people management is gaining importance, the companies are designing methods and means to discover the relatively untapped and hidden resources of the company embedded in H.R. (Fred E. Schuster)\(^ {14} \) These efforts of the companies, professionals and researchers in the field have modified the role and functions of HRM.

The contemporary HRM functions include Administrative function (Policy Planning and Decision Making), Executive function (Implementation and Routine matters) and Developmental functions (Training and Management Development).

Schematically,

**Chart 1.1: Functions of Contemporary HRM**
1. Talent Management
2. Man Power Planning
3. Recruitment and Selection
4. Placement and Induction
5. Performance Appraisal and Potential Appraisal
6. Career and Succession Planning
7. Training and Development
8. Rewards and Compensation
9. Participative mechanisms and Grievance Handling
10. Organization Development
11. Employee morale
12. Exit interview

**Talent Management:**
The challenges faced by profit and non-profit organizations are enormous (Kirkland, 2007). One of the most critical challenges for any organization is finding, recruiting, and retaining talented individuals.

According to a Manpower Survey, data gathered from companies representing 33,000 employers from 23 countries, companies worldwide are facing trouble in filling the positions. Forty percent of the surveyed employers reported problems in filling positions because of a lack of talent in their labor markets (Manpower Inc, 2006). The emphasis has been laid on initiatives that can be put in place to help organization to retain and nurture the talent (Karthikeyan, 2007). Despite the great sums of money companies allocate to talent management systems, many still struggle to fill key positions - limiting their potential for growth in the process.
In a 2005 survey of 40 companies around the world, virtually all human resource executives said that their pipeline of high-potential employees was insufficient to fill strategic management roles, according to (Ready & Conger, 2007). In yet another survey, many employees don’t know the important facts about their company’s talent. Many companies mismanage talent development tasks. Through employee value proposition, management can attract and retain the talent (Cliffe, 1998). Globally, fewer and fewer managers and professionals are ready to fill these leadership roles, and companies worldwide find themselves competing for a smaller pool of talent.

Businesses must have the ability to identify the most talented individuals, provide them with the necessary training and experience, and retain valuable employees on a long term basis (McCauley & Wakefield, 2006). Managing talent cannot be completed within a quarter or a year, because it involves integrated planning and is not merely the responsibility of the Human Resources Department, but other factors are included in managing talent (Heinen & O’Neill, 2004).

Even though talent management is difficult and time consuming, it is very rewarding. In our knowledge–based economy, value is the product of knowledge and information. Companies cannot generate profits without the ideas, skills, talent of knowledge workers, and they have to bet on people and not on technologies, not on factories and certainly not on capital.

Talent = Capacity to learn + capacity to think + capacity to relate + capacity to act accordingly and the values of the organization (Roer Martin and Mihnea Moldoveanu, 2003).

Nearly half of the executives interviewed expressed concern that the senior leadership of their organizations does not align talent management strategies with business strategies (Guthridge, Komm, & Lawson, 2006).
Global business strategy needs alignment of people and talent management strategies. Initially, identify the senior business manager with talent specialists. Next steps were to expand the talent pool, beyond a senior business manager level, implement development programs for future leaders according to levels of experience and seniority in an organization, and ensure the company had a customized solution to retain its talent through the employee value proposition (Gakovic & Yardley, 2007).

Nine out of ten managers think that people stay or go because of money, which is actually not the case. Money and benefits matter, but what the employees’ want the most is challenging and meaningful work, good bosses, and opportunities for learning and development. The major causes of attrition identified by some IT companies were again the desire for higher education, marriage/transfer of spouse, salary, or when expectation of going on-site abroad is not met (Harvard Management Update, 1999)

Industry is facing challenges relating to attrition, employee loyalty, confidentiality etc. The present day’s HR Managers are performing multiple functions than before (Srinivasa Rao Dasari, 2008). The current challenge for industry is to match its supply and demand position, and retaining the experienced persons in the organizations depend upon a number of factors in addition to —pay and perquisites”. (AS Murti, 2008)

There is a strategic imperative for organizations to manage talent. Changing demographic patterns mean that more people are approaching retirement than entering the workforce. Younger generations have different needs and are re-negotiating the psychological contracts with their employer. They are quick to move if their organization is not meeting their expectations. Retaining and developing key people in the organization will be a critical success factor in the next five years (Dr Eddie Blass, 2007). Few companies rewards their star
performers and creates a talent pool, that would help in upgrading employee skills and curbing attrition (Shailja Puranik, 2003).

The factors driving the popularity of talent management today are scarcity of talent, increasing complexity of the role of leadership and increased demands in technology (Mark Busine, 2006).

Survey conducted by AIM reveals that the issues impacting on management development and affecting organizational commitment in the country in general are as follows (AIM, 2002)
- Attracting and retaining talent;
- Developing leadership skills;
- Emphasizing on individual development needs and individual effectiveness; and
- Using performance management initiatives to contribute to business success.

The successful management of talent today gives organizations a vital edge. This indeed is a challenge to HR. In a way, effective talent management is an important feather in the cap of any HR manager who wants to make it seriously at the Board level (Paton, Nic).

Talent–dependent companies should be able to nurture enough high–flying managers internally to meet ambitious growth targets (Andrew Doman, Mourice A Glucksman, Nhuoc-Lan, Tu and Kim Warren, 2000). In today’s hyper-competitive environment, although the issue of attrition is considered as a major crisis in one organization, it could be perceived as —talent acquisition in the other organization where the employee joins. Therefore, taking the positive impacts of job-hopping into consideration, any HR intervention from an organizational point of view should be focused on decreasing the negative effects of attrition (Smart, 1999)45. It is strategically
important for organizations to identify the roots of attrition. Hence, the concept of attrition in today is looked upon as an opportunity in the competitive domain (TV Rao, 2006).

The departure of skilled staff is a loss of knowledge to any industry in general. However, its impact is more on industries like the IT, ITES and Health sectors. The annual attrition rate in these sectors is considered to be high and could range between 10 and 20 percent. This may be due to the relative stress of the consulting workplace, or other reasons (Philips, 1990)

Employee Retention is another challenge and involves how to create and maintain daily working environments in which the talented ones can productively pursue the joy of work and financial benefits from their individual or collective contributions. Organizations should focus on issues such as: identifying their star performance, compensating them for improving their individual as well as organizational productivity by way of rewards and recognition. This can better be done by conducting meaningful performance appraisal, designing jobs to nurture and motivate talent across the organizational echelon. Treating talents as — Internal customers; Compensating talents as preferred suppliers; Offering the right compensation, including proper reward and recognition; Conducting meaningful performance appraisal; Designing jobs to appeal to the talented people (Cappelli, 2000)

The talent management system can be an effective tool for creating symbiotic relationship between talent and the organization to dramatically accelerate performance improvements. It is explained as to how to attract, retain, manage and identify talents in the Organization (Subir Chowdhury, 2004). Study of the corporate talent management market identifies 22 talent management processes that have the strongest correlation with business impact.
Success in the modern economy requires the talent mind-set. The organizations that are most successful in their goals are the ones where the system is also equivalent to talent. These star organizations don’t just create - they execute, compete and co-ordinate the efforts of many different people (Malcolm Gladwell, 2002)

**Man Power Planning:**
Manpower Planning is a systematic effort to ascertain the required staff for the organization through forecasting techniques (Garth Stainer)\(^\text{15}\). In principle, it is an attempt to ensure right people in right positions at right time. Man Power Planning is seen as a set of activities designed to make available the required number of people with essential qualifications in order to realize the organizations goals along with the interests of individual employees.

Essentially, three sequential steps are involved in Manpower Planning (Bennison and Cannon)\(^\text{16}\) They are:

1. Estimating or forecasting the organizations future manpower needs;
2. foreseeing the supply side of the manpower through forecasting the availability of manpower; and
3. matching the manpower requirement with its availability and initiating required manpower policies and strategies.

On the demand side, a number of statistical tools and operations research techniques are developed within the overall parameters of manpower planning system (Vehoeven)\(^\text{17}\). Some of the common methods adopted for forecasting manpower demand are,

- Executive Judgement
- Ratio trend analysis
- Econometric models and
- Work study techniques
Depending upon the nature and size of the units and the technical requirements, forecasting techniques are used to ascertain the required number of staff to manage the organizations.

After the Completion of Manpower Planning, the next task will be of Recruitment and selection. Recruitment begins with a clear specification of the type and number of people required and also with a clear indication of when, or by when, they are needed.

Thus, Recruitment is not only a matter of satisfying a company’s needs – it is also an action which influences the shape of the company’s future (Cowling and Mailer\(^\text{18}\)). The need for recruitment arises due to:

1. Vacancies due to promotion, transfer, retirement, termination, permanent disability or death; and
2. vacancies due to Job enrichment and up gradation, expansion and diversification.

The recruitment process is influenced by organizational policies and practices, government restrictions, labour market conditions and the general economic situations. During the favorable or boom period, the process quickens the pace and during slack or recession the process crawls.

To fill the vacancies, the companies will look for internal and external sources. The recruitment process sets the stage for the selection of the candidates for the available vacancies in the companies. Before the final selection of the candidate for the Job, the companies use the screening process (Jaya Gopal\(^\text{19}\)). The screening process involve following stages.

- **Stage I** Elimination of ineligible applicants
- **Stage II** Application Blanks
- **Stage III** Preliminary testing
- **Stage IV** Screening interviews
In the screening process an attempt is made to analyse the applicant’s qualities and qualifications and to match the Job requirements of the company with that of the knowledge, skills and attitude of the applicant. The HR department will thoroughly conduct the Job analysis to match the Job for the applicant. Any observed mismatch will be the criteria for rejection of the applicant and the process will continue till the right applicant is appointed to the Job.

When the entire process of recruitment and selection has been completed, the company issues the formal appointment order to the applicant to report for duty. The completion of the selection process is the beginning of the placement and training process.

**Placement and Induction:** Finally when the applicants are placed in the respective departments of the company the induction training program begins (Chaya)\(^20\).

The first phase of Induction training focuses on Job exposure and orienting the new recruits about the company philosophy, management and methods, business operations, and the code of conduct.

In the second phase, the new recruit will be made to attend the acclimatization sessions where each unit manager makes presentations of his specific business and the discipline needs.

In the Third phase, the new recruit will be given the opportunity to learn on the Job and to report to his immediate supervisor. This process will continue for 2 to 2½ weeks. On the successful completion of the induction training, the new recruit will be given quasi-independent charge to handle the Job situations. The initial six months to one year will be considered as the probationary period, where the new recruit will be supervised by the
immediate supervisor and will be recommended for independent handling of the Job. On the Job, performance will be monitored and appraised through proper performance appraisal systems and techniques.

**Performance Appraisal and Potential Appraisal:** Performance appraisal is undertaken with twin objectives. To ascertain the training needs for career progression and for determining rewards and compensation package.

Performance appraisal is the systematic evaluation and objective way of Judging the relative worth or ability of an employee in performing his task and his potential for growth and development within the organization (Benardin and Beatty)\(^{21}\). The designed performance appraisal system should generate qualitative data for decision-making. Data to be useful must fulfill the quality norms like relevance, non-contamination and non-deficient (Malathi Bolar)\(^{22}\). Such data generated for the performance appraisal system is useful to the organization for sustaining and enhancing employee performance, determining for their training needs, staff development, Promotions, transfer and deputation decisions, assessing employee potential and for compensation and rewards management (Mathis)\(^{23}\).

The methods of performance evaluation may be trait based, behavior-based and result oriented. Each of these methods has its own advantageous and limitations. The combination of methods considering the organizational needs will be advantageous to the organization (Bhaskar Chatterjee)\(^{24}\). The cardinal principles to be followed in performance appraisal are:

i) The appraiser should have the opportunity to observe the performance; and

ii) the ability to translate observations in to useful assessments.

In this background, performance appraisal can be done by the immediate superior, later review by the next superior in the hierarchy and the peer members in organization (Arun Monappa and Mirza Saiyadin)\(^{25}\).
Performance appraisal may take the form of evaluation of the employee by his immediate supervisor, peer evaluation, Self-evaluation, Subordinate evaluation, group evaluation and 360° evaluation. The techniques like Rating Scale (Wayne F. Cascio)\textsuperscript{26}, Behaviorally Anchored Rating Scales (BARS) (John P. Cambell, et al.,)\textsuperscript{27} are available to assess the performance of employees within the organization. These techniques will also indicate the potential growth of the employees and also help in identifying the high performers in the organization. Care and Caution should be exercised in designing performance appraisal systems within the organization. Defective administration of Performance appraisal schemes may result in Halo error, Leniency or Severity error, contrast error, recensy error and personal bias. (W.F. Cascio)\textsuperscript{28} These errors will destroy the whole objective of the performance appraisal scheme of the organization.

Based on the performance appraisal further actions will be initiated by the HR department to identify the achievers for promotion for higher cadre.

**Career and Succession Planning:**
Career and succession planning activities are undertaken by the organization as an extension of performance appraisal and potential appraisal. Identified high performers are given an opportunity to take up additional responsibility and authority, in consultation with his immediate superior in the hierarchy. In this process, both the successor and his superior determine the plan of action for the project which involves greater obligation of authority and responsibility for the successor to implement and monitor the plan of action (M.S.S. Varadan)\textsuperscript{29}. In this type of exercise, the successor’s actions will be closely be monitored by the immediate superior in the hierarchy. For the observed gaps in the performance further training and development programmes are administered by the organization.
Training and Development:

The emerging skill gap due to the technological development is bridged through training and development activities of the organization. Effective training enables the employees to do their tasks in a better way and also helps in increasing their Job performance. Continuous training of staff has become an integral part of the functioning of the organization. The areas of training within the company are classified into the following categories (Arun Monappa and Mirza saiyadian)\(^\text{30}\):

1) Training in Company policies and procedures (induction training)
2) Training in particular skills.
3) Training in human relations.
4) Management and supervisory training
5) Training in problem solving
6) Apprentice Training.

For training and development of staff in the organizations, following methods and techniques are adopted by the companies. These methods and techniques invoke team work, and the necessary competencies to handle the Job effectively. These methods and techniques include (Anshu Tandon and Vikram Chhachhi)\(^\text{31}\) Lectures, on-the-Job-Training, Vestibule training, Apprentice training, off-the-Job training, self directed Learning, Audio-visuals, Programmed Instruction, Computer-Based Training, Simulation, Strategic Planners, In-Basket Exercise, Role-Play, Role Reversal, Tag teams, Mirroring, Structured Role Playing, Multiple Role Playing, Case Study, Coaching, Outward-Bound Training, Grid Programme, Brainstorming, Lateral Thinking, Morphological Analysis, Gordon Technique, Synectics and Cross-Cultural Training. Through these methods and techniques organizations do focuses to improve the performance of their employees. These methods and techniques have their own advantages and risk factors. Progressive companies combine these methods and techniques to enhance the employee performance on the Job so that the basic objective of Training and development is not diluted. On the completion of these phases, the HR
department of the organization proceeds to equally challenging task of Rewards and Compensation.

**Rewards and Compensation:**
Qualitative service provided by the employees has to be adequately paid for. Rewards and compensation are the quid pro quo for the employee’s contribution to the organization. The employee offers specific behaviors desired by the organization to meet its goals and objectives in return for money, goods or services. Taken together, the money, goods and services the employer provides to employees constitute the employer’s compensations system (Fisher, Schoenfeldt and Shaw)\(^3^2\). The system than an organization uses to reward employees helps the organization to achieve its business goals. Generally Rewards and compensation system is designed to:

1. Attract and retain the talent in the organization;
2. encourage employees to develop the skills and objectives;
3. motivate employees to perform effectively; and
4. the type of culture the company seeks to engender.

The contemporary rewards and compensation packages designed by the lead organizations include Basic Pay, incentive pay like Bonus, Commission, Profit sharing and Stock options, Deferred Pay which includes Savings plan and stock repurchase schemes. Facilities and perquisites such as recreational facilities, vehicle, subsidized meals, family vacations and holidays, study leave, and safety-nets like medical insurance, Life insurance, Pension and Social security. Rewards include promotion; Lateral move, Task force assignment, overseas assignments, Cash reward and non – monetary rewards (Vinay Kamath)\(^3^3\).

The internal rewards and compensation package of a company, broadly covers the principle of equity, cost of living, productivity, prevailing market rates of payments, ability to pay and to attract and to retain the employees.
While deciding the promotion hike in salary, yearly increments, bonus, commission, and incentives in cash or kind is determined on the basis of performance appraisal in terms of targets allocated and the accomplishment of the targets. Even seniority and job performance is taken into account while enhancing the pay base.

Fixation of basic pay and other monetary emoluments for the employees on cadre basis is made in consultation with the top management of the company. The HR department in consultation with the board takes the decision on these issues and it will be in tune with the company policies, company performance and ultimately the capacity to pay.

The rewards and compensation package administered for the employees thus encompasses the internal factors and external factors. The Regulatory bodies and the legal systems also influence the total monetary and non-monetary emoluments payable to the employees. The basic philosophy underlying the whole exercise of pay fixation and payment is to assure the smooth functioning of the organization and to attain the set standards of performance and productivity. Progressive companies design systems for workers participation in management and grievance handling procedures to reduce the frictions and to have a stimulating ambience within the organization.

**Participative Mechanisms and Grievance Handling:**
For the smooth functioning of the organization, participative mechanisms and grievance handling procedures are adapted by the progressive companies. The main objective is to remove the cause of friction between the employer and the employees and to promote measures of securing amity and good relations between them. The Industrial disputes Act 1947, had also suggested the formation of Works committee, Joint management councils and Tripartite agencies to recommend
for improving working conditions, productivity, general administration of laws and collective agreement on industrial relations issues.

The designed participative mechanisms and grievance handling policies and procedures may vary from industry to industry. But the core objective of “amity and good relations” with in the organization is not ignored in the policy variations adopted by the companies.

The five levels of participation was analyzed by Mhetras\textsuperscript{34} as informative participation, administrative participation and decisive participation within the organization. The level up to which the company will allow the council to participate, ultimately depends on the factors like organizational philosophy, leadership dimension and the required top management support. Though these policies and procedures are evolved to meet the statutory requirements, progressive companies utilized it meaningfully to attain its organizational objectives. Thus, the whole focus of the adoption of these mechanisms and policies reflect the importance of skilled and talented employees to the organization.

**Organization Development:**

Organization Development (O.D) is viewed as a logical extension of Training and Development and also the rewards and compensation function of HRM. It is a broad term used to denote the mobilization of Human Resources and energies to achieve the organization mission and at the same time maintain a viable, growing organization of people whose needs for self worth, growth and satisfaction are significantly met at work. Organisation Development is an educational strategy which focuses on the whole culture of the organization in order to bring about planned change. It seeks to change beliefs, attitudes, values and structures – in fact, the entire culture of the organization –so that organization can better adapt to technology and live with the fast pace of change (Keith Davis)\textsuperscript{35}. 
O.D. as a strategy is more focused on long term benefits accruing to the company. The basic premise underlying in O.D. is the investment on personnel and reaping its benefits to the company. As a strategy it is in tune with the organization’s Vision and Mission. The managerial dimension of O.D. is improving the personnel performance through Developmental interventions. These interventions are administered in appropriate time and at required levels within the organization. The impact of O.D. is visible in the employee morale.

**Employee Morale:**
The employee morale refers to a mental condition or attitude of individuals and groups which determines their willingness to cooperative and work within the organization (Edwin B. Flippo)\textsuperscript{36}. With the growing importance of HR in the organizations, progressive companies adapted various strategies to improve the employee morale for better performance and productivity. Morale is purely psychological and is expressed in the behavioral patterns of the employees (Kenneth N. Wexley and Gary A. Yukul)\textsuperscript{37}.

As there is a relationship between performance, productivity and morale, efforts are being taken up by the management to measure the employee morale through morale surveys (Walter Dil Scot, et al.,)\textsuperscript{38}. The results of the morale survey will be a helpful tool to introduce suitable measures by the management. Through these efforts management will try to increase the employee morale to attain the organizational objectives. All managerial functions like Rewards and Compensation, organization Development and Participative mechanisms will ultimately reflect on the employee morale and his contribution to the company.
Exit:
The last phase in HRM function deals with Exit. It is a formal departure of the employee from the organization. It takes the form of leaving the organization voluntarily for better opportunities, Compulsory retirement due to the legal formalities, Voluntary retirement as per the statutory schemes, company policy of Down sizing and also in the case of merger and acquisition process. Until the late 1980’s, HR managers paid relatively little attention to selection out processes and consequences (Fisher, Schoenfeldt and Shaw)\(^\text{39}\). Selection out process includes firing – termination for cause, lay offs and retirement.

In all the above-mentioned cases the company loses its manpower. Manpower planning process recognizes the vacancies in the case of natural retirement, vacancies arising out of growth and expansion of the company and sometimes vacancies arising out of termination for cause. The HR department will proceed with the recruitment of new employees to fill the vacancies.

In the case of Downsizing and lay off, the companies do counsel their employees and help them to accept the hard realities and also provide retraining to enhance their skills. Whenever there is scope for out sourcing such employees are called for (Dave Ulrich)\(^\text{40}\). Those employees who leave the organization for better opportunities, the HR managers will conduct Exit interviews to gather vital information about the organization for the purpose of organizational improvement. Much valuable information can be gained from holding Exit interviews for those who leave the organization. It acts as upward communication (Fred Luthans)\(^\text{41}\).

Thus the function of HR department begins with the recruitment and ends with retirement. The organizational HR flow traces the employee entry point, movement of employee within the company in the hierarchy, learning through
training activities and the exit. In the whole process of functioning, the HR department focus will be to have right people in right places.

This clearly reaffirms the importance bestowed on HR. An organization is nothing without human resources. Management is the process of efficiently getting activities completed with and through the people (David A De Cenzo and Stephan P. Robbins).

This fact led to the creation of HR information systems for decision-making. Traditionally the HR Information system covered the details of the employee, his performance in terms of targets allotted and achieved and experience in handling the routine matters.

The importance of HR and the contributions made for the growth of company were just appearing in the Chairman’s speech as “Employees are our assets” and they made the profits to bulge and enhanced the shareholders’ value.

This led to the beginning of Human Resource Accounting and disclosing the organizational Human Resource Value in the Annual reports. This development was influenced by internal factors like recognizing the importance of HR and placing on record their contributions in the annual reports and external factors, especially from the accounting researchers, who took the task of valuing the organizational Human Resource.

**Human Resource Management in Indian Context**

Over many centuries India has absorbed managerial ideas and practices from around the world. Early records of trade, from 4500 B.C. to 300 B.C., not only indicate international economic and political links, but also the ideas of social and public administration. The world’s first management book, titled ‘Arthashastra’, written three millennium before Christ, codified many aspects of human resource practices in Ancient India. This treatise presented notions of the financial administration of the state, guiding principles for trade and commerce, as well as the management of people. These ideas were to be
embedded in organisational thinking for centuries (Rangarajan 1992, Sihag 2004).

Increasing trade, that included engagement with the Romans, led to widespread and systematic governance methods by 250 A.D. During the next 300 years, the first Indian empire, the Gupta Dynasty, encouraged the establishment of rules and regulations for managerial systems, and later from about 1000 A.D. Islam influenced many areas of trade and commerce.

A further powerful effect on the managerial history of India was to be provided by the British system of corporate organisation for 200 years. Clearly, the socio cultural roots of Indian heritage are diverse and have been drawn from multiple sources including ideas brought from other parts of the old world. Interestingly, these ideas were essentially secular even when they originated from religious bases.

In the contemporary context, the Indian management mindscape continues to be influenced by the residual traces of ancient wisdom as it faces the complexities of global realities. One stream of holistic wisdom, identified as the Vedantic philosophy, pervades managerial behaviour at all levels of work organisations. This philosophical tradition has its roots in sacred texts from 2000 B.C. and it holds that human nature has a capacity for self transformation and attaining spiritual high ground while facing realities of day to day challenges (Lannoy 1971). Such cultural based tradition and heritage can have a substantial impact on current managerial mindsets in terms of family bonding and mutuality of obligations. The caste system, which was recorded in the writings of the Greek Ambassador Megasthenes in the third century B.C., is another significant feature of Indian social heritage that for centuries had impacted organisational architecture and managerial practices, and has now become the focus of critical attention in the social, political and legal agenda of the nation.

One of the most significant areas of values and cultural practices has been the caste system. Traditionally, the caste system maintained social or organisational balance. Brahmans (priests and teachers) were at the apex,
Kshatriya (rulers and warriors), Vaishya (merchants and managers) and Shudra (artisans and workers) occupied the lower levels. Those outside the caste hierarchy were called ‘untouchables’. Even decades ago, a typical public enterprise department could be dominated by people belonging to a particular caste.

Feelings associated with caste affairs influenced managers in areas like recruitment, promotion and work allocation (Venkatraman & Chandra 1996). Indian institutions codified a list of lower castes and tribal communities called ‘scheduled castes and scheduled tribes’. A strict quota system called, ‘reservation’ in achieving affirmative equity of castes, has been the eye of political storm in India in recent years. The central government has decreed 15 per cent of recruitment is to be reserved for scheduled castes, and a further seven and half per cent for scheduled tribes. In addition, a further 27 per cent has been decreed for other backward castes.

However, the liberalisation of markets and global linkages have created transformation of attitudes towards human resource (HR) policies and practices (Khalilzadeh-Shirazi & Zagha 1994, Gopalan & Rivera 1997). Faced with the challenge of responding to the rationale of Western ideas of organisation in the changing social and economic scenario of Indian organisation, practitioners are increasingly taking a broader and reflective perspective of human resource management (HRM) in India.

This manuscript has three main parts. In the first part is provided an overview of important historical events and activity that has influenced contemporary managerial tenets, the second part of the manuscript describes the emerging contemporary Indian HRM practices and indicates some interesting challenges. Much of the second part is also summarised on four informative Charts. The concluding section, the third part of the manuscript, succinctly integrates the two preceding parts.

The managerial ideologies in Indian dates back at least four centuries. Arthashastra written by the celebrated Indian scholar-practitioner Chanakya had three key areas of exploration, 1) public policy, 2) administration and
utilisation of people, and 3) taxation and accounting principles (Chatterjee 2006). Parallel to such pragmatic formulations, a deep rooted value system, drawn from the early Aryan thinking, called vedanta, deeply influenced the societal and institutional values in India. Overall, Indian collective culture had an interesting individualistic core while the civilisational values of duty to family, group and society was always very important while vedantic ideas nurtured an inner private sphere of individualism.

There has been considerable interest in the notion that managerial values are a function of the behaviours of managers. England, Dhingra and Agarwal (1974) were early scholars who contended that managerial values were critical forces that shape organisational architecture. The relevance of managerial values in shaping modern organisational life is reflected in scholarly literature linking them to corporate culture (Deal & Kennedy 1982), organisational commitment and job satisfaction (O’Reilly, Chatham & Caldwell 1991), as well as institutional governance (Mowday, Porter & Steers 1982). Thus, understanding the source of these values and in particular societal work values (which link the macro-micro relationships and in turn organisational practices) had become a popular line of enquiry, and a great deal of evidence has been presented to support the importance of national culture in shaping managerial values. One of the most widely read formulations of this literature is the seminal work of Hofstede (1980) who popularised the notion of clustering culture in generic dimensions such as power distribution, structuring, social orientation, and time horizons. In turn, these dimensions could be employed to explain relevant work attitudes, job incumbent behaviours and the working arrangements within organisational structures. Two of these dimensions were individualism and collectivism.

The traditional social ethos from the ancient roots, which was developed over centuries, underwent profound transformation during the British rule. Consequently, in the contemporary context multiple layers of values (core traditional values, individual managerial values, and situational values) have emerged (Chatterjee & Pearson 2000).
Though the societal values largely remain very much anchored in the ancient traditions they are increasingly reflecting corporate priorities and values of global linkages. But in the arena of globalisation where priorities of consumerism, technological education, mass media, foreign investment and trade union culture predominate, newer tensions are becoming evident. For instance, contemporary Indian multi-national companies and global firms in India have started shifting their emphasis to human resources with their knowledge and experience as the central area of attention in extending new performance boundaries (Khandekar & Sharma 2005).

Considerable research evidence attests to this trend with particular relevance to greenfield organisations with little or no historical baggages in their organisational culture (Settt 2004, Roy 2006).

Within Indian traditions the choice of individualistic or collectivistic behaviour depends on a number of culturally defined variables. The dynamics of these variables are underpinned through three key elements guiding Indian managerial mindscapes. These three constructs are Desh (the location), Kaal (the timing), and Patra (the specific personalities involved).

Sinha and Kunungo (1997) claim that the interaction of these three variables determines the guidelines for decisional cues. This managing or nurturing of the outer layer of collectivism in an inner private sphere of individualism is expressed in Chart 1 which demonstrates the behavioural anchors in Indian organisational life.
### Table 1.1
Behavioral Anchors in Indian Organizational Life

<table>
<thead>
<tr>
<th>DECISIONAL CUES</th>
<th>Patra (Actors)</th>
<th>Kaal (Timing)</th>
<th>Desh (place)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPIRITUAL ORIENTATION</td>
<td>Rajas guna (Action focus)</td>
<td>Tamas guna (Negative focus)</td>
<td>Sattava guna (Virtue focus)</td>
</tr>
<tr>
<td>INTERPERSONAL RELATIONS</td>
<td>Bandhan (Bonding)</td>
<td>Sneha (Downward affection)</td>
<td>Sradha (Upward respect / Loyalty)</td>
</tr>
</tbody>
</table>

Table 1.1 also presents another powerful insight of the Indian tradition of the notion of ‘Guna’ dynamics. According to Sharma (1996), this culture based framework, which has three types of gunas (attraction), is being increasingly used in employee assessment and organisational team building strategies. The contention is that each guna is a separate contribution to the core of human personalities. The Sattava (or truth orientation) is the sentiment of exalted values in people, organisations or society.

Alternatively, the Tamasik guna depicts a negative orientation which can be expressed behaviourally as ignorance, greed or corruption. Those individuals with a Rajasik guna are inherently driven by a desire to make a worthwhile contribution to their surroundings. Collectively, these spiritual orientations, which manifest as Sattava, Tamas or Rajas gunas, articulate as positive or negative HRM functions such as leadership, motivation or other institutional behavioural activity.

The third row of Table 1.1 highlights the linking of HRM trends to socio cultural roots. The culture of Sradha (upward loyalty) and Sneha (mentoring with affection) outline the behavioural anchors derived from the civilisational roots. The acceptance of ‘Sradha’ by youngers and the display of ‘Sneha’ by the seniors have been the root of sustainability of all types of Indian
organisations. This has a striking similarity to the concepts of ‘oyabun’ and ‘kobun’ in the Japanese cultural context.

In a recent survey of Indian CEO’s, it was suggested that Indian managerial leaders were less dependent on their personal charisma, but they emphasised logical and step by step implementation processes. Indian leaders focused on empowerment and accountability in cases of critical turnaround challenges, innovative challenges, innovative technology, product planning and marketing or when other similar challenges were encountered (Spencer, Rajah, Narayan, Mohan & Latiri 2007). These social scientists contend.

Leaders in other countries often tell about why they chose a peculiar person for a certain role per task, detailing the personal characteristics that made that person right for that situation. They may also consider, in detail, how an assignment would help someone grow and develop their abilities. In general, Indian leaders simply did not discuss how they matched particular people to certain roles or tasks, nor did they usually consider in detail how the personal characteristics of individuals might shape or inform the best way to influence that person. (Spencer, et al 2007:90).

**Indian HRM in Transition**

One of the noteworthy features of the Indian workplace is demographic uniqueness. It is estimated that both China and India will have a population of 1.45 billion people by 2030, however, India will have a larger workforce than China. Indeed, it is likely India will have 986 million people of working age in 2030, which well probably be about 300 million more than in 2007. And by 2050, it is expected India will have 230 million more workers than China and about 500 million more than the United States of America (U.S.). It may be noted that half of India’s current population of 1.1 billion people
are under of 25 years of age (Chatterjee 2006). While this fact is a demographic dividend for the economy, it is also a danger sign for the country’s ability to create new jobs at an unprecedented rate. As has been pointed out by Meredith (2007).

When India’s young demographic bubble begins to reach working age, India will need far more jobs than currently exist to keep living standards from declining. India today doesn’t have enough good jobs for its existing workers, much less for millions of new ones. If it cannot better educate its children and create jobs for then once they reach working age, India faces a population time bomb: The nation will grow poorer and not richer, with hundred of millions of people stuck in poverty. (p.133).

With the retirement age being 55 to 58 years of age in most public sector organisations, Indian workplaces are dominated by youth. Increasing the retirement age in critical areas like universities, schools, hospitals, research institutions and public service is a topic of considerable current debate and agenda of political parties.

The divergent view, that each society has an unique set of national nuances, which guide particular managerial beliefs and actions, is being challenged in Indian society. An emerging dominant perspective is the influence of globalisation on technological advancements, business management, education and communication infrastructures is leading to a converging effect on managerial mindsets and business behaviours. And when India embraced liberalisation and economic reform in the early 1990s, dramatic changes were set in motion in terms of corporate mindsets and HRM practices as a result of global imperatives and accompanying changes in societal priorities. Indeed, the onset of a burgeoning competitive service sector compelled a demographic shift in worker educational status and heightened the demand
for job relevant skills as well as regional diversity. Expectedly, there has been a marked shift towards valuing human resources (HR) in Indian organisations as they become increasingly strategy driven as opposed to the culture of the status quo. Accordingly, competitive advantage in industries like software services, pharmaceuticals, and biotechnology (where India is seeking to assert global dominance), the significance of HRs is being emphasised. These relativities were demonstrated in a recent study of three global Indian companies with (235 managers) when evidence was presented that positively linked the HRM practices with organisational performance (Khandekar & Sharma 2005). In spite of this trend of convergence, a deep sense of locality exists creating more robust ‘cross vergence’ in the conceptual as well as practical domain.

Chart 1.2: Drivers of Contemporary Indian HRM Trends
Chart 1.2 presents the key drivers for contemporary Indian HRM trends. In Chart 1.2 there are four external spheres of intervention for HRM professionals and these spheres are integrated in a complex array within organisational settings. The intellectual sphere, which emphasises the mindset transaction in work organisations, has been significantly impacted by the forces of globalisation. Indeed, Chatterjee and Pearson (2000) argued, with supporting empirical evidence from 421 senior level Indian managers, that many of the traditional Indian values (respect for seniority, status and group affiliation) have been complemented by newer areas of attention that are more usually linked to globalisation, such as work quality, customer service and innovation. The most important work related attribute of the study was the opportunity to learn new things at work. Such cross verging trends need to be understood more widely as practitioners face a new reality of human resource development of post industrial economic organisations.

The other three spheres, of Chart 1.2, namely the emotional, the socio cultural and the managerial domains are undergoing, similar profound changes. For instance, the socio cultural sphere confronts the dialects of the national macro level reform agenda as well as the challenge of innovating by addressing the hygiene and motivational features of the work place. Consequently, this sphere, which is underpinned by the anchors of Sradha and Sneha, has the opportunity to leverage work setting creativity in dimensions of autonomy, empowerment, multiskilling and various types of job design.

And the emotional sphere, which focuses on creativity and innovation to encapsulate the notions of workplace commitment and collaboration as well as favourable teamwork, brings desirable behavioural elements of transparency and integrity into organisational procedures and practices. The managerial sphere provides the mechanisms for shifting mindsets, for in Indian organisations HRM is viewed to be closely aligned with managerial technical competency. Thus, understanding of the relativity of HRM to strategic intended organisational performance is less well articulated in
Indian firms. The current emphasis of reconfiguring cadres (voluntary and nonvoluntary redundancy schemes), downsizing, delayering and similar arrangements will become less relevant as holistic perspectives gain ground. A hallmark of future Indian workplaces is likely to be a dominant emphasis on managerial training, structural redesign and reframing of institutional architectures to achieve enterprise excellence. Thus, a primary role of Indian managers will be to forge new employment and industrial relationships through purposeful HRM policies and practices. In Table 1.2 is presented a variety of HRM practices that are being employed in Indian organisations.
<table>
<thead>
<tr>
<th>HRM Practice</th>
<th>Observable Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Description</td>
<td>Percentage of employees with formally defined work roles is very high in the public sector.</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Strong dependence on formal labour market. Direct recruitment from institutions of higher learning is very common amongst management, engineering and similar professional cadres. Amongst other vehicles, placement agencies, internet and print media are the most popular medium for recruitment.</td>
</tr>
<tr>
<td>Compensation</td>
<td>Strong emphasis on security and lifetime employment in public sector including a range of facilities like, healthcare, housing and schooling for children.</td>
</tr>
<tr>
<td>Training and Development</td>
<td>Poorly institutionalised in Indian organisations. Popularity of training programmes and their effect in skill and value development undeveloped.</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>A very low coverage of employees under formal performance appraisal and rewards or organisational goals</td>
</tr>
<tr>
<td>Promotion and Reward</td>
<td>Moderately variable across industries. Seniority systems still dominate the public sector enterprises. Use of merit and performance limited mostly to globally orientated industries.</td>
</tr>
<tr>
<td>Career Planning</td>
<td>Limited in scope. The seniority based escalator system in the public sector provides stability and progression in career. Widespread use of voluntary retirement scheme in public sector by high performing staff. Cross functional career paths uncommon.</td>
</tr>
</tbody>
</table>
Table 1.2  
Key HRM Practices in Indian Organisations

<table>
<thead>
<tr>
<th>HRM Practice</th>
<th>Observable Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender Equity</td>
<td>Driven by proactive court rulings, ILO guidelines and legislature provisions. Lack of strategic and inclusion vision spread.</td>
</tr>
<tr>
<td>Reservation System</td>
<td>The central government has fixed 15 per cent reservations for scheduled castes, 7.5 per cent for scheduled tribes and 27 per cent for backward communities. States vary in their reservation systems.</td>
</tr>
</tbody>
</table>

**Recruitment and Retention:**

Over the past decade, there has been a sea change in the area of Indian technical services and the associated HRM practices of recruitment and retention. While the higher education system in the country has remained overwhelming poor in infrastructure and weak in becoming revitalised to grapple with the global imperatives, there has been a mushrooming of private educational institutions. The recruitment problem is further deepened by the emergence of a new culture of ‘job hopping’ amongst employers who can demonstrate their world class competencies.

This phenomenon of turnover has seen a chain reaction in entry level salaries, and an increase in graduates has created significant social and economic disruption to the Indian labour market. A likely scenario from this rampant activity is that the Indian HR scene will be negatively impacted in the next decade unless the deregulation and autonomy of the higher education sectors is initiated somewhat immediately.

An example of this widening gap between the university system and market need has become a serious impediment in several new industries in India. For an example, it has been reported in the popular press (Time 2007), “…out of
13 million people who applied to work at IT company Infosys last year, just 2% were qualified indicating a sign of stress in the university system that graduates 2.5 million a year.” (p.33).

One of the most concerning issues for HR managers in India is the high staff turnover. In industries like call centres, staff attrition is the single biggest issue. The industry has grown from zero employment to an employer of quarter of a million young English speaking, well educated and ambitious people. The point is well made by Slater (2007), who wrote.

Attrition is highest in traditional customer service jobs, where young people find themselves having to spend all night on the phone, often with irate callers. In other areas such as claims processing or accounting, the turnover rate is much lower. More worrying for many companies is the ‘merry go round’ in supervising and management jobs, as new centers are only too willing to pay higher salaries to hijack experienced staff. (p.34).

The issue of retention is much more critical in the high value adding BPO sector such as R&D activities. This $40 billion industry has one of the highest attrition rates of around 20 to 25 per cent. The service laden BPO and Hord industry have the highest attrition rates. Many companies are developing innovative incentive packages in countering this job hopping phenomenon. Table 1.3 illustrates some of these initiative by leading companies in India.
<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Retention Strategy</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Consulting Services(TCS)</td>
<td>• A choice of working in over 170 offices across 40 countries in a variety of areas.</td>
<td>• Significant impact on job hopping achieved</td>
</tr>
<tr>
<td></td>
<td>• Paternity leave for adoption of a girl child</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Discounts on group parties</td>
<td></td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>• Identification of potential talented staff</td>
<td>• Have been able to achieve higher retention rate</td>
</tr>
<tr>
<td></td>
<td>• Alternative stock options</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Quicker promotion</td>
<td></td>
</tr>
<tr>
<td>WIPRO</td>
<td>• ‘Wings Within’ programme where existing employees get a chance to quit their current job role and join a different firm within WIPRO</td>
<td>• Has led to a higher retention rate</td>
</tr>
<tr>
<td>Name of the Company</td>
<td>Retention Strategy</td>
<td>Impact</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
</tbody>
</table>
| INFOSYS             | • Fostering a sense of belongingness, creative artistic and social activities for the employees and their families.  
• Initiating one of the best ‘corporate universities’ in the world | • Moderate Retentions rate increase achieved |
| Microsoft-India     | • Excellent sporting and wellness facilities                                           | • Struggling to minimise job hopping        |
|                     | • Employees allowed to choose flexible working schedule                                |                                            |
|                     | • Moving people across functions and sections in assisting employees find their area of interest |                                            |
| Mahindra & Co       | • Culture change valuing innovation                                                  | • Stabilised job hopping                   |
Table 1.3  
Examples of Retention Strategies for young Professionals in India’s BPO and Services Sectors

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Retention Strategy</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>and talent over age and experience</td>
<td>significantly</td>
</tr>
<tr>
<td></td>
<td>• Institutionalising a practice called ‘reverse mentoring’ where young people are given opportunities of mentoring their seniors</td>
<td></td>
</tr>
</tbody>
</table>

A dramatic shift in recruitment practices has been taking place as globally pretend Indian companies as well as global technical services rivals have made India a battlefield of recruitment for the best workers. For example, IBM’s workforce in India has more than doubled in two years to a cadre of 53,000. This outcome has come with the elimination of 20,000 jobs in high cost markets like the U.S., Europe and Japan. The R&D centre of IBM is staffed by 3,000 world class engineers and is being recognised for its ability to innovate on all areas from simple processes, softwares, semiconductors as well as supercomputers.

It is interesting to note that IBM has dominated the recruitment market in technical services in India during 2006. This leading company recruited 10,000 employees out of a total of 25,000 people who were recruited to the technical services industry. The prominence of IBM as an employer of
technically qualified personnel has been acknowledged in the popular press (Business Week 2007).

Emerging Trends in HRM:

The management has to recognize the important role of Human Resource Department in order to successfully steer organizations towards profitability. It is necessary for the management to invest considerable time and amount, to learn the changing scenario of the HR department in the 21st century. In order to survive the competition and be in the race, HR department should consciously update itself with the transformation in HR and be aware of the HR issues cropping up.

With high attrition rates, poaching strategies of competitors, there is a huge shortage of skilled employees and hence, a company's HR activities play a vital role in combating this crisis. Suitable HR policies that would lead to the achievement of the Organization as well as the individual's goals should be formulated. HR managers have to manage all the challenges that they would face from recruiting employees, to training them, and then developing strategies for retaining them and building up an effective career management system for them. Just taking care of employees would not be enough; new HR initiatives should also focus on the quality needs, customer-orientation, productivity and stress, team work and leadership building.

This book is divided into two sections that throw light on the emerging HR trends and discusses HR issues in various industries like financial services, IT, Power, Healthcare, to name a few. This book should be valuable for practicing HR managers of every organization and also for those who have a significant interest in the area of Human Resource Management, to realize the growing importance of human resources and understand the need to build up effective HR strategies to combat HR issues arising in the 21st century.
Human Resource Management has evolved considerably over the past century, and experienced a major transformation in form and function primarily within the past two decades. Driven by a number of significant internal and external environmental forces, HRM has progressed from a largely maintenance function, with little if any bottom line impact, to what many scholars and practitioners today regard as the source of sustained competitive advantage for organizations operating in a global economy.

Human resource management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel. Nowadays it is not possible to show a good financial or operating report unless your personnel relations are in order.

Over the years, highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives.

Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations. There is a need for multi skill development. Role of HRM is becoming all the more important.

Some of the recent trends that are being observed are as follows:

The recent quality management standards ISO 9001 and ISO 9004 of 2000 focus more on people centric organizations. Organizations now need to prepare themselves in order to address people centered issues with commitment from the top management, with renewed thrust on HR issues, more particularly on training.
Charles Handy also advocated future organizational models like Shamrock, Federal and Triple I. Such organizational models also refocus on people centric issues and call for redefining the future role of HR professionals.

To leapfrog ahead of competition in this world of uncertainty, organizations have introduced six-sigma practices. Six-sigma uses rigorous analytical tools with leadership from the top and develops a method for sustainable improvement. These practices improve organizational values and helps in creating defect free product or services at minimum cost.

Human resource outsourcing is a new accession that makes a traditional HR department redundant in an organization. Exult, the international pioneer in HR BPO already roped in Bank of America, international players BP Amoco & over the years plan to spread their business to most of the Fortune 500 companies.

With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult, especially in India. Therefore by creating an enabling culture, organizations are also required to work out a retention strategy for the existing skilled manpower.

**Emerging Trends in the Role of HR Managers:**

Some of the emerging trends in the role of HR manager are as follows:-

i. HR managers of future will have to stress upon overall development of human resources in all respects.

ii. The scope of human resource management will be extended to cover career planning and development, organization development, social justice etc.

iii. Enlightened trade unions will become an active participant in the organization and management of industry.

iv. The HR manager will be required to act as a change agent through greater involvement in ‘environment and scanning and development
planning. They will have to devote more time to promote changes than to maintain the status quo.

v. The HR function will become more cost-conscious and profit oriented. Instead of merely administering personnel activities, the personnel department will have to search out opportunities for profit improvement and growth.

vi. Greater authority and responsibilities will be delegated to personnel managers particularly in the field of employee welfare services.

vii. HR managers will have to continuously retrain themselves to avoid obsolescence of their knowledge and skills.

Thus, the job of personnel managers will become more difficult and challenging in future. They will have to be experts in behavioral sciences. They will play a creative and development role. They will thus have play a creative and development role. They will have to acquire new skills, values, attitudes to discharge their new responsibilities successfully.

"I never predict. I just look out the window and see what is visible – but not yet seen" (Peter Drucker). Trends in Human resource management have changed the way we work, as organizations are more depended on HRM to increase the success ratio in today's competitive global environment.

The World Competitiveness Report rated India’s human resource capabilities as being comparatively weaker than most Asian nations. The recognition of world class human resource capability as being pivotal to global success has changed Indian HRM cultures in recent years. While the historical and traditional roots remain deeply embedded in the subjective world of managers, emphasis on objective global concepts and practices are becoming more common. Three very different perspectives in HRM are evident. Firstly, Indian firms with a global outlook; secondly, global firms seeking to adapt to the Indian context; and thirdly, the HRM practice in public sectors undertakings (PSV’S). As the Indian economy becomes more globally linked,
all three perspectives will move increasingly towards a cross verging strengthening. Interestingly, within the national context, India itself is not a homogenous entity. Regional variations in terms of industry size, provincial business culture, and political issues play very relevant roles. The nature of hierarchy, status, authority, responsibility and similar other concepts vary widely across the nations synerging system maintenance. Indeed, organisational performance and personal success are critical in the new era.

**Cost Orientation of Recruitment**

Hiring new talent is a critical management function. Organizations that consistently bring on new hires whose knowledge, skills and abilities align with their firm’s overall strategy and culture outperform their competition. Firms show higher profit, higher revenue growth and lower turnover when they follow a hiring strategy of attracting and selecting employees who fit the culture and values of the organization. One component of an organization’s talent acquisition strategy is the amount of financial investment it makes to attract and recruit new employees. These financial investments include advertising agency fees, employee referrals, travel cost of applicants and staff, relocation costs, and recruiter pay and benefits. Defined as cost-per-hire, this metric is calculated as the sum of these costs divided by the number of hires. Cost-per-hire is an important metric. HR professionals consistently rank cost-per-hire as one of the top most helpful HR metrics. Cost-per-hire has a special attraction for recruitment executives. Unlike many HR activities that are difficult to quantify, cost-per-hire is easy to calculate because external sourcing costs such as online job postings, agency fees and relocation costs are easy to track. The metric also links recruitment performance to the organization’s bottom line. It implies a direct line of sight between the recruiter’s ability to effectively source candidates and the resulting cost savings for the organization. Finally, cost-per-hire has face validity outside of
HR because it is understood and accepted by line managers as a form of recruiter effectiveness.

Some costs of hiring a new employee are obvious: searching for a suitable candidate and training the new hire, for instance, cost money. Other expenses, however, are not so obvious. Higher unemployment costs, more time devoted to keeping employee records, changes in payroll, and lost intellectual property are just a few of the unseen costs that businesses pay. According to a report by the Institute for Research on Labor and Employment at UC Berkley, turnover in management positions often costs 150 percent of that person’s salary. Not all of these expenses apply to hiring someone into a new position instead of replacing an existing employee, but it quickly becomes obvious that any new hire will cost quite a bit of money.

If the Cost to the Company (CTC) of an employee is 60,000, then the company can expect to spend 90,000 searching for a replacement. Of course, not every employee is worth as much as an experienced manager. Employees who perform unskilled tasks cost less to replace. The 150 percent average rate, however, could apply to any job position. Unskilled workers just get paid a lot less than experienced managers.

There are some things that business owners and managers can do to keep costs lower. If a company already has an employee working well in a position, then the company must consider what can be done to keep her/him in that position (or at least within the organization). That means the company must avoid the costs of hiring a new person. Of course, if the current employee is not performing her/his job duties well, then the company might need to replace the employee. Unfortunately, that is the risk one will run as an employer.
If the company is looking to hire someone for a new position, then it must try to conserve money without making it even harder for it to find the right candidate. The company might consider using an employment service for temporary or permanent help. Hiring a part-time worker could also keep to keep the expenses lower.

**Rehiring the Former Employees**

While people can be physically replaced, the skill-sets and knowledge of the person leaving the organization cannot be exactly replaced by the successor. It is widely held by the business decision-makers that the skills of the employees account for 85% of the company's assets. Employee skills determine the speed and success of an organization.

Talent acquisition and retention has been the most challenging issue faced by the organizations in the knowledge economy. Organizations spend almost 15% – 20% of the annual compensation in recruitment of the employees to fill in the gaps caused by the attrition and growth. One definite way to reduce the cost of hiring is to bring down the attrition rate and most of the organizations adopt various strategies to retain talent. Another strategy to reduce the hiring cost is to rehire old attrite.

As the talent wars raged in recent years, companies began to spend a lot more time managing their so-called human assets. Attracting and retaining the top talent in a market, they came to realize, is one of the best ways to forge a durable advantage over competitors. But even as businesses have showered attention and rewards on potential recruits and current employees, they’ve continued to ignore another key component of their human assets: their ex-employees.

It’s true that smart professional services firms have long courted their former employees, viewing them as potential future customers. For instance, McKinsey & Company invests considerable sums in cultivating its far-flung
alumni network, knowing that former consultants often become buyers of big-ticket consulting services as their business careers progress. Companies such as Agilent Technologies have joined their professional services counterparts in launching programs to manage alumni relations. Apple Computers refers to the rehired ex-employees as “Outside-Insiders”. They believe that these Outside-Insiders can walk the fine line: balancing the deep understanding of the company’s culture with the right amount of perspective and independence, to push the changes necessary for organizational growth. These companies have come to understand that former employees can benefit their old employers in many ways. Outside of professional services, though, most companies hardly give a second thought to employees once they’ve left.

Many companies used to go out of their way to avoid recruiting ex-employees. But it appears to be shortsighted. The facts are, it costs half as much to rehire an ex-employee as it does to hire a brand new person; rehires are 40% more productive in their first quarter at work; and they tend to stay in the job longer. Research suggests that the average Fortune 500 Company could save $12 million a year by actively recruiting alumni. Perhaps even more important, alumni are known quantities; the risk of a costly mishire is almost completely eliminated. Alumni are also a growing source of referrals. Some companies even offer alumni compensation for referrals who are hired.

Former employees can be great sources of ideas and intelligence, helping their old companies to stay abreast of new trends, technologies, and even investment opportunities. In fact, one Fortune 100 technology company invites its alumni to submit business plans so that it has first dibs on promising ideas. Other companies find that keeping in touch with alumni helps them understand what competitors are doing and what’s going on in the world of start-ups. One major financial services company hires alumni as temporary workers during periods of high demand, and another company taps into the expertise of former employees as market research sources.
Former employees are just as likely to influence outside opinions about an organization as current employees—especially if they haven’t been gone from the organization for very long. So building and maintaining goodwill with alumni can fortify the company’s reputation, brand, and influence. Few companies are starting to use their alumni networks as low-cost test beds for new products and marketing campaigns.

When employees leave a company, they frequently hold shares of its stock, in retirement plans or in their own investment portfolios. Fostering good relations with those employees can significantly increase the odds that they will hold on to those shares for the long run—and maybe even buy more.

Thus from the strategic HR view point, hiring former employees is not only beneficial; it is advantageous from cost perspective too.
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