CHAPTER - 1

INTRODUCTION

1.1 INTRODUCTION

Human life is built around work. The work is carried out by individuals [human beings] and institutions. Institutions are created by human beings to accomplish their various needs with reference to their requirement for existence on this earth in the continuously changing environment. The activities carried out, the way in which all such activities are carried out in the organization, and the success or otherwise all depend on the individuals which man the organization and the way they are managed. Who are these people? How to select and retrain them? How to motivate them for attaining the organizational goals? These are certain basic questions which should be answered by the top management and the manager who is in charge of the HRM functions in any industrial organization.

The liberalization of markets and global linkages has 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 organization in the changing social and economic scenario of Indian organizations practitioners are increasingly taking a broader and reflective perspective of human resource management (HRM) in India.¹

Recruitment, training & development and motivating the different types of people in the organization is an on-going and unending function. HRM function is aptly clear in the sense that without people [human resources] there is no existence of the organization. For better performance, higher productivity, and job satisfaction of these people; motivation is an important / tool which the management of any industrial unit practices without fail.

India has witnessed a revolution in the field of Human Resource; it has gone from being just a support function to being a strategic partner in the growth of businesses.

It has transformed itself from being merely Personnel Management - maintain records and ensure statutory compliances, while doing the bare minimum to keep employee motivated and satisfied to become and-being integrated part of the corporate machinery.

The HR function of 21st century India has made a transition from being 'behind-the-scenes' support appendage to becoming the critical differentiator in business. Rapid globalization has made companies realize that people are the key to growth, the only strategic resource that any enterprise truly needs. This has led to companies routinely using their innovative HR practices as their USP (Unique Selling Proposition) to keep up with the times in the wake of a, rapidly changing labor landscape. Companies now recognize that a 'Highly engaged employee is the key to success, across business sectors.\(^2\)

In this reference, the management philosophy of Tata Iron and Steel Company Ltd., [TISCO] can aptly be quoted:-

"The fundamental objective of the TISCO is to strengthen India's base through increased productivity, effective utilization of material and manpower resources and applied and continued application of modern reliable and managerial methods.

Guided by its objectives TISCO believes in the effective discharge of its duties and obligations towards employees:

1. By a realistic and general understanding and acceptance of their needs and rights and an enlightened awareness of the social responsibilities of industry.

2. By providing adequate wages, good working conditions, job security, an effective machinery for speedy redressal of grievances and suitable opportunities for promotion and self development.

3. By providing feelings of trust and loyalty through a humane and purposeful awareness of their needs and aspirations.

4. By creating a sense of belongingness and team spirit through their closure associations with the management at various levels. "

The above statement of the objectives of TISCO clearly reveals the importance of the Human Resource Management practices in any organization, particularly in an industrial company. Jr Liberalization and globalization in the last decade set new trends in industry and business. Business has seemingly gone through the throes of chaotic change. HR professionals have to grapple with several challenges of the industry and business.

The key challenges of an organisation are retaining customer loyalty, cost-reduction at any level, investor pressure on organizations, industry consolidations, mergers and acquisitions, critical shortage of top and middle leaders, vision-linked innovations, etc.

The major challenge for HR, today, is that it not only has to play a role that is designed for it but also be a proactive partner in organization's major strategies. The role becomes important as any strategy must be to turnaround the organization by bringing distressed organizations from the brink of failure and setting them on a healthier course.

1.2 Challenges Faced By Organizations

Organizations face several challenges as a result of liberalization and globalization to which such effects are:

- Meeting intense competitive challenges and help move organizations towards zone of high growth and performance.
- Providing a leadership which could turnaround organizations. Developing proper HR strategies and road maps to help organizations meet newer and newer challenges being thrown to present organizations by high performing and world class business organizations.
- Developing people focusing on talent management, 360 degree feedback systems for highest levels of human performance.
- Understanding HR systems of some successful and leading organizations which has excelled by restoring to continuous and best improvement strategies.
Searching best HR persons and systems in the sector - manufacturing, services, IT, social development, power, steel to install best possible HR practices and help the organization excel.

An analysis of the main HR problems in India could be done based on the certain challenges that mould the contours of the various sub-functions of HR. The 'attract, motivate and retain' mantra that the HR function seeks to deliver for the organization are based on these HR sub-functions.

Grasim, for example decided to lay utmost importance to shareholder's value creation and declared "shareholders value creation" as a priority matter and of concern of all levels of employees. To attain this, Kumar Mangalam Birla in the HRD National convention in 1999, mentioned that his company had created a singular focus on value-based management. A cross-functional team with corporate HR as one of the key members, it worked increasingly to inculcate among the employee groups, a mindset that determines choices and direction geared towards decision-making that focuses on value added growth rather than just asset growth, leading to value creation. With the involvement streamline and refine management processes so as to align them with shareholder value creation (Kumar Mangalam Birla, 1999).

HR strategies and practices- with business needs of the firm and management of corporate transformation and change are going to the extent of changing both the culture and processes within the firm:

1.2.1. Changing the mindsets for corporate transformation

The core of the Corporate Transformation at the people level is the efforts to change mindsets using multiple approaches such as training, CEO interaction with colleagues and subordinates) benchmarking etc. Organizations are following planned approaches to change the mindsets, attitudes and perceptions of people for enhancing willingness levels and become active partners in the change process.  

This is very important in creating a common viewpoint and perspective for integrating and attaining corporate goals and transformations.

---

Gosling and Mintzberg (2003) have emphasized on changing five critical areas of the managerial mindsets - reflective mindset for managing the self, analytical mindset for managing organizations, worldly mindsets for managing contexts, collaborative mindsets for managing relationships, and action mindsets for managing change.4

1.2.2. Talent Management

Talents exist in organizations and they have to be well managed across the organization to excel. Assessment Centers and 360-degree feedbacks are two important techniques for talent management. Assessment Center helps in identification of competencies/potential and their development, and 360 degree feedback helps in continual development, motivation and recognition. The prevalence of these practices in Indian industry is very low.

The issues of talent management have not been given due importance in Indian organizations as it requires a high degree of openness, confrontation, trust, autonomy, proactivity, authority, cooperation, and experimentation.

Inculcation and institutionalization of these eight characteristics will give rise to a strong organizational ethos (Pareek 1997, 2002), which will likely give rise to adoption of the techniques of assessment center and 360 degree feedback, the important tools in talent management. Again however, these remain dependent on how successfully the mindsets are changed. Adoption of Assessment center and 360 degree feedback will be of no use if the appropriate organizational ethos does not exist in the organization.

1.2.3. Continuously Building New Roles

One most important challenge is developing new roles: Developing Roles are for all employees functionaries, roles for personnel. The organization periodically requires re-looking back on the past roles, the achievements out of them, the current roles and the current kind of future roles, through may be a small or large scale interactive process (S/LSIP) and evolve a comprehensive and integrated HR plans.5

5 Yoder D, Personnel Management and Industrial Relation. Printice-Hall of India, New Delhi, 1972.pg8-pg9
Involvement of line managers in HR processes is the most important process for getting best results from HR programs and processes (Pareek 1992 XLine Managers support is essential for success of any HR process and HR needs to build ways to achieve them. It also simultaneously must have the CEOs support at the same time.

1.2.4. Beyond Internal Customer Concept

The growing expectations of the customers both external and internal have to be met by the HR professionals. HR has to assume its main role as an enabling or helping role and has to make a positive contribution in that direction. This role predominantly demands that as regards the people systems are concerned, the service by people has to be based on anticipations of demands in advance, not for assessing such future demands may help. The people here are not only the people working in HR but also all around.6

If any one is not making a contribution or is making a negative contribution, it is the HR that is largely responsible for that and it, therefore, has to find ways and means of making things happen if and whenever, a blockage occurs in or due to the people systems. Each next concerned internal person is an internal customer and therefore, the concerns of both internal and external customers have to be regarded.

1.3 Preparing HR to meet its demands

HR requires to be adequately performing the new roles particularly for conforming, aligning and synchronizing to the changing and vibrant organizational demands:

- Increasing levels of interaction and involvement with line personnel.
- Developing increased understanding of what the business demands at the particular point of time.
- Active cooperation, involvement and interaction of fellow HR and line colleagues. S Benchmarking HR practices within, across the industry and the national and international boundaries.
- Attending training programs, seminars, conferences and conventions.

As per Budhwar S. Pawan, *Cardiff Business School, Cardiff, UK.*

"India liberalised its economic policies in 1991. Since then, the economy has responded positively and India is now considered as one of the more dynamic emerging nations. At present, the "second generation" reforms are in progress and the economy seems to be moving on the right track."

Recently, the World Bank forecasts that by 2020, India could become the fourth largest economy in the world. Owing to such developments, a large number of foreign firms have become interested in doing business in India.

The liberalisation of economic policies and the increased level of competition by overseas firms have put a lot of pressure on the personnel functions of Indian domestic companies. To survive and prosper, they have to prepare and develop their employees so as to compete with overseas firms in skills, efficiency and effectiveness (Sparrow and Budhwar, 1997; Venkata Ratnam 1995). In the present competitive business environment, Indian organisations are feeling compelled from within to reorientate their Employment Relations (ERs) (Budhwar, 2000; Sodhi, 1999). Do such realisations and competitive pressures significantly challenge the established pattern of ERs systems? If yes, then what new form(s) of ERs are emerging?

The term ERs is used in the broadest sense that incorporates both industrial relations (IRs) and human resource management (HRM). It incorporates a range of sub-functions and practices that include systems for workforce governance, work organisation, staffing and development and reward systems. ERs is then concerned with the management of all employment relationships in the firm, incorporating the management of managers as well as non-management labour.

1.4 Developments in Indian employment relations

The first category of actors is the management. Prior to independence in 1947, the Indian industrial scene was dominated by private owners, characterised by an autocratic leadership style, as a result of which the issue off ERs/was addressed
in an *ad hoc* manner and mostly as a fire-fighting strategy by the management (Sodhi and Ahulawalia, 1992).

After independence a number of developments on the industrial scene took place which brought changes to the ERs scenario. These developments can be summarised as a general push for industrialisation from 1955-1956, which resulted in the increase in the number of large industrial enterprises. Owing to the increase in the size of organisations, the "one-man dominance" was left behind and management's function had to be diversified into different departments. In most of the organisations, a separate department of personnel management was also initiated.

The present Indian management system is a product of a mixture of social, economic, religious and political factors, which have now prevailed in India for a long time (Sahay and Walsham, 1997).

Indians are socialised in an environment that values strong family ties and extended family relationships; thus they are more likely to develop stronger affiliative tendencies or greater dependence on others. So, in the work context, interpersonal relations are more relevant to them and, as a result, their job-related decisions might be influenced more by interpersonal considerations than by task demands (Kanungo and Mendonca, 1994). Moreover, Indian organisations in both the past and the present have made attempts to emulate Western or Eastern (Japanese) patterns of management.

This is because Indian managers are often trained in the West and most of the Indian management institutes have adopted the Western education system (for more details, Budhwar, 2001).

Presently, Indian managers are equipping themselves with new management techniques and the various aspects of the management function which are helpful in maintaining good ERs (such as career development appraisal, reward system, industrial democracy, leader styles and personnel practices of recruitment) are given more importance than before. Further, recent research evidence (Sparrow

---

suggests serious consideration is being given to the
development of human resources in Indian organisations. Such a realisation is
based on the understanding that, without the development of human resources,
Indian organisations will not be able to adopt successfully the new technology,
improve the quality of their products, reduce costs of production, capacity
utilisation of resources and rationalise the workforce and hence compete with
overseas competitors (Venkata Ratnam, 1995).

The unions form the second category of actors of the Employment Relations. The
origin of trade unions in India can be traced back to the nineteenth century (Venkata
Ratnam, 1996). Mankidy (1993) highlights that over a time span of 100 years the
Indian trade unions have gone through four main phases (cycles) of growth, i.e. the
early years (1850-1900), the growth years (1900-1947), the militancy phase (1947-
1970s), and the decline phase (1980s). The last phase is more relevant for the present
paper. This phase is more associated with the new era of ERs in India.

The strong position of trade unions began to weaken in the early 1980s. A number of
reasons are identified in this regard, starting with the failure of a number of strikes as
a result workers started losing faith and confidence in militant trade unionism (Das,
1999; Ramaswamy, 1995; Sarath, 1992). Further, some studies reported a decline in
union membership and growing alienation between trade unions and members (Seth,
1996). A number of factors such as changing characteristics of the new workforce, the
waning influence of national federations over enterprise unions (Ramaswamy, 1995)\(^8\)
and multiplicity of unions have contributed in this regard. Such a trend is further
evident by the decrease in the number of lock-outs, duration of strikes and industrial
disputes (see Venkata Ratnam, 1996). However, unions still significantly influence
ERs in Indian organisations.

Nevertheless, the impact of new economic policies on trade unions is most observable
and more documented in the literature. Owing to the existing economic environment,
the unions not only are losing a large number of members, but are also under severe
pressure to save the jobs of existing employees. The recent technological

\(^8\) Ramaswamy, K., Veliyath, R., Gomes, L. (2000), "A study of determinants of CEO
advancements and economic changes are expected to result in further reductions/retrenchment of labour (Das, 1999; Sodhi, 1999). Such pressures are expected to reduce the speed of unionisation. Since the organised labour force is in a minority (Venkata Ratnam, 1996), with the changing nature of employment, the bargaining power of trade unions is expected to decline further. The experience of industrially advanced countries shows that the part-time workforce has less interest in unionisation and active participation in trade union affairs (Kuruvilla, 1996)."  

Industry in India comprises of the heavy engineering industry, machine tool industry, heavy electrical industry, industrial machinery and auto-industry. These industries provide goods and services for almost all the sectors of the economy, including power, rail and road transport. The machine building industry caters the requirement of equipment for basic industries such as steel, non ferrous-metals, fertilizers, refineries, petrochemical, shipping paper, cement, sugar etc..

The Engineering industry can divided into electrical and non-electrical segments. The electrical segment depends upon the investments in power industry while the prospects of non-electrical segment are driven by industrial investment.

Engineering equipments find demand in sectors like cement, steel, power chemical and petrochemicals, all of which have been adversely affected by the general slowdown in the Indian Economy. Indian manufacturers are capable of catering to most of the customers' needs. For example India has 7000 MW installed capacity, and some Indian firms like BHEL and L &T have made a mark in the international markets. Along with its inability to be globally competitive in the past, the Indian engineering industry has also suffered from poor demand.

1.5 Performance of Industry (Sector wise)

Overall there has been a positive growth hi all the sectors as compared to previous year. Industrial sector registered a growth of 2.4% during 2008-09. Manufacturing sector recorded a growth of 2.3% in 2008-09. The mining and

---

electricity sector posted growth rates of 2.3% and 2.8% respectively during 2008-09. Capital goods sector has registered a growth of 7.0% during the current year 2008-09. Consumer goods, Basic goods and intermediate goods recorded growth of 4.4%, 2.5% and -2.8%, respectively during 2008-09. The use-based classification indicates recovery in the consumer durables sector which recorded a growth of 4.4% in 2008-09 compared to -1.0% in the corresponding period of the previous year. This growth had a positive indirect effect on the employment of human resources.

Production and growth rates of some of the industries for the period 2008-09 as compared to 2007-08 are given below:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Unit</th>
<th>Production 2007-08</th>
<th>Production 2008-09</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Machinery</td>
<td>Rs. lakhs</td>
<td>3,55,892.3</td>
<td>5,15,431.6</td>
<td>44.83</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>Rs. lakhs</td>
<td>2,69,144.6</td>
<td>2,42,816.7</td>
<td>-9.78</td>
</tr>
<tr>
<td>Boilers</td>
<td>Rs. lakhs</td>
<td>8,23,134</td>
<td>10,15,393</td>
<td>23.36</td>
</tr>
<tr>
<td>Turbines (Steam/Hydro)</td>
<td>Rs. lakhs</td>
<td>13,51,814.3</td>
<td>4,19,300.4</td>
<td>19.18</td>
</tr>
<tr>
<td>Electric Generators</td>
<td>Rs. lakhs</td>
<td>1,47,415.98</td>
<td>1,77,809.5</td>
<td>20.62</td>
</tr>
<tr>
<td>Power Distribution Transformers</td>
<td>Mill. Mtr.</td>
<td>73.26</td>
<td>71.86</td>
<td>-1.91</td>
</tr>
<tr>
<td>Telecommunication cables</td>
<td>Mill. Mtr.</td>
<td>8,013.2</td>
<td>7,050.68</td>
<td>12.0</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>Numbers</td>
<td>5,45, 104</td>
<td>4,16,491</td>
<td>-23.59</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>Numbers</td>
<td>14,21,984</td>
<td>115,16,791</td>
<td>6.67</td>
</tr>
</tbody>
</table>


The Indian Pharmaceutical industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. The Indian Pharma Industry is estimated to be worth $ 4.5 billion, growing at about 8 to 9 percent annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured.

From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made endogenously.
And further playing a key role in promoting and sustaining development in the vital field of medicines, Indian Pharma Industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world. The Indian Pharmaceutical sector has approximate 20,000 registered units.

It has expanded drastically in the last two decades. The leading 250 pharmaceutical companies control 70% of the market with market leader holding nearly 7% of the market share. It is an extremely fragmented market with severe price competition and government price control.

The industry witnessed major developments in the seventies with the introduction of tighter regulatory controls, especially with the introduction of regulations governing the manufacture of 'generics'. The new regulations revoked permanent patents and established fixed periods on patent protection for branded products, a result of which the market for 'branded generics' emerged.\(^\text{10}\)

The Indian industry witnessed a huge manpower turnover in the last 15 years in almost all the sectors. There was constant need to retain the manpower, whereby a huge cost of training could be saved and along with the brain drain to other competitive organizations.

The industry changed the ways of recruiting the human resources, well timed orientation programmes and adequate training was provided with respect to career growth as well as security of human resources.

---