CHAPTER -I

INTRODUCTION

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1.1 Human Resources: A Critical Asset

Since old time knowledge is the most meaningful resource. As a result, the corporate wars, which were till recently relying on industrial espionage, are heavily becoming dependent on knowledge to provide competitive advantage to their organizations. With the increasing globalization, mergers, joint ventures, and accessibility to latest technical advancements through technology transfer, the resources like the technical advancements through technology transfer, the resources like the technical know-how, machines, raw materials, and finances do not present a hurdle to an organization willing to pay the price. As a result, it is only the knowledge worker who now brings a difference between organizations, which is the leader in the field. According to Pfeffer (1994)\(^1\) what differentiates successful organizations from the others are its employees and how they work.

As a result, lot of interest has been generated in the area of human resource field to ensure that such a strategic resource is appreciated and taken care of. The human resource practices are no longer being treated as an appendage to the main business activity of the organization. They are now a necessary element of any corporate planning, affecting business goals. Moreover, it is increasingly being realized that if the corporate wars have to be won there has to be a peace with in. This can only be attained if the organization’s strategic resource- its employees are happy and motivated to contribute towards the organization through their long association. As a result increasingly there is pressure on human resource policies to get integrated to the corporate goals. The length of association has also become important because these “Truly valuable strategic assets are unlikely to result directly from senior management’s policies. Rather what is truly valuable is the social architecture that results from ongoing skill formation activities, forms of spontaneous cooperation, the tacit knowledge that accumulates as the unplanned side effect of the intentional corporate behavior.” These he adds are the truly valuable outcomes that cannot be easily imitated and thus remain unique to an organization. In the light of above scenario, let us try to understand human resource management as it has evolved over the years to attain its current flavour.

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1.2 Human Resource Management - Its evolution

Human resource management has moved a long way through history to its present form where the term is highly employee oriented and focused on the business objectives of the organization. The change in the human resource approach has come about not only through legislations, the paternalistic attitude of the employer or through the desire of capitalism to gain a bigger share in the world market. This change has also come about due to increased professionalism and globalization of economy, which has provided an unlimited opportunity to an employee to try his skills in a new and challenging environment. The professionals today are much more demanding. They know their worth fully well and hence demanded an acknowledgement and respect for their contributions to the company’s objectives. As a result the policies and practices pertaining to human resources need to undergo changes to withstand the pressure created by the changed work environment. In view of this let us examine human resource management in an evolutionary perspective at global and national level to decipher how human resource practices have changed in response to the environment around.

Human resource management may be defined as that part of management process, which specialists in the management of people in work organizations. Human resource management emphasizes that employees are critical to achieving sustainable competitive advantage and that human resource practices need to be integrated with corporate strategy.

While reviewing the literature on human resource management, one finds that the foundation of human resource management has emerged from several interrelated sources. One can decipher four lines of thoughts on the way human resource management has evolved and developed.

These are:

- Marxist perspective
- Scientific approach
- Psychological approach
- Human relations approach
1.3 Models of Human Resource Management

Armstrong and Murlis (1998)\(^2\) attributes the emergence of human resources to the development of two models of human resource management in USA. They are the matching model and the Harvard model. The matching model contends that the human resource system and organizational structures must match with organizational strategy. Harvard school emphasizes the need of coherence in human resource management policies. This school stresses that human resource management is the domain of line managers and cannot be left to a profession alone. Let us view these and other models of human resource management in detail.

Fomburn, Tichy and Devanna (1984)\(^3\) of Michigan Business School have given a model of human resource management. It emphasizes the interrelatedness and coherence of human resource activities. The human resource cycle in their model consists of four key components—selection, appraisal, development and rewards. These four activities enhance organizational performance. Its main criticism is that it emphasizes only on four practices and ignores others like the stakeholder’s interest, situational factors and the notion of management strategic choices. Another variation along this line has been given by Schuler and Jackson (1987)\(^4\). In this model HRM is seen as a menu of strategic choices to be made by the HR executives. These are intended to promote effective role behaviors, which are consistent with organizational strategy and are aligned with each other. As organizations change strategies, they also change HR practices.

These contingency based models of HRM highlight importance of ensuring consistency across range of HR policies and practices in order to speed up implementation of strategic changes. However the contingency model gives the impression of HRM being a reactive model which serves the purpose of efficient implementation of preconceived and rational strategy. It ignores the fact that HRM can make its own contribution on formation of strategy. Another problem this model faces is

that of alignment. The idea of fit is not appropriate given the high level of changes occurring around us.

The Harvard given by Beer et al (1984)\(^5\) which again belongs to soft version of human resource management consists of six components namely the situational factors, stakeholder’s interest, human resource management policy choices, human resource outcomes, long term consequences and a feedback loop through output flows into the organization and into the stakeholders. The situational factors affect the choices that the management has on human resource strategy. These would be the labour regulations, the management philosophy, the characteristic of the workforce employed etc. The stakeholder’s interest highlight the importance of the trade-offs between the management and the unions. The human resource outcomes are the employee commitment to the organizational goals and the high level of employee performance. The long term consequences are at three levels namely the employee level where he gets psychological satisfaction; at the organization level wherein the society benefits through production; and at the organizational level wherein the society benefits generally as a whole as some obligations like employment etc are met. Lastly just as situational factors can influence the HRM policy and choices, similarly the long term consequences can also affect situational factors, stakeholders’ interests and the HRM policy choices. The Harvard and the contingency model assume strategy as given to which HRM needs to mould whereas it is quite possible that changes in the culture structure and other areas of HRM may precede strategy change and shape the way the organization thinks about strategy. Moreover, HRM is not a single form of activity. Organizations may follow different ways to get the same result.

David Guest (Storey, 1989)\(^6\) has developed a prescriptive model of human resource management. He feels that a core set of integrated HRM practices can achieve superior individual and organizational performance provided these HRM practices are aimed at achieving high commitment, high quality and high flexibility. Guest model also has six components namely an HRM strategy, a set of HRM policies, a set of HRM outcomes, behavioral outcomes, a number of performance outcomes and financial outcomes. Here also the core belief is that HR practices should lead to high commitment, high quality and highly flexible employees. This model maps out field of HRM and

classifies the inputs and the outcomes. It is also useful for examining key goals usually associated with normative models of human resource management namely the strategic integration, commitment, flexibility and quality. The model has its criticisms. It is said that it defines human resource management as a particular managerial style. A more holistic approach may be more useful which would study employment relationships in their broadcast sense focusing on management of labour, incorporating managers and non-managers and covering an array of management styles. In this understanding a number of HRM strategies or models can be adopted by the senior management towards distinct group of workers.

The Warwick model of human resource management proposed by two researchers Hendry and Pettigrew of Warwick University has five elements and draws heavily from the Harvard model (Hendry & Pettigrew, 1986). Its five elements are the outer context, the inner context, the business strategy content, HRM content and the HRM context. The strength of this model is that it identifies and classifies important environmental influences on human resource management. The researchers working on this model also focused on mapping the context, identifying an inner organizational context and an external (wider environmental) context and exploring how human resource management adapts to change in this context. This model implies that those organizations achieving alignment between external and internal context will experience superior performance. The weakness of the model is that the process whereby internal HR practices are linked to business output or the performance is not developed.

1.4 Human Resource Management in India

The development of management in UK and USA was voluntary in the sense that it owed its growth to the individual voluntary efforts. However in India it emerged because of governmental intervention and compulsions. Till the factories Act of 1881, the conditions of workers were dismal. This act laid a limit to the number of working hours, compulsory week off and set minimum age for children’s employment. In 1923, TISCO appointed Nauroji as their first labour officer to look after labour issues of various departments. Meanwhile the Indian Trade Union Act also came up in 1926.

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Plagued with various malpractices in recruitment and wages which also led to colossal loss in production due to industrial disputes, The Royal commission of labour in 1931 recommended appointment of labour officers in industry to look after recruitment and welfare. During the World War II the government wanting the cooperation of the labour appointed welfare officers to deal with working conditions. The Industrial Disputes Act 1947 made the welfare officers in charge of the legal issues. After independence, Factories Act 1948 made this appointment of welfare officer mandatory. Gradually the Employment Exchange Act of 1959 and Apprentice Act of 1961 strengthened the position of labour officers. It was in 1980’s that the labor welfare ceased to exist as an independent area and merged with personal administration to become personnel management and later human resource management. However, in India, human resource management as an area came up only in 1990’s (Dwivedi, 1997)\(^8\).

There is a whole spectrum of human resource management experiences in India with traditional Indian approach to people at one end and a modern systems approach on the other. Yet, in India, the literature on human resource management and human resource development and as such these terms has been used interchangeably. Human resource management in India has its roots as much in the developments in West as in indigenous traditions and practices. British traditions had an impact through Indian leaders who were inspired by the ideas of socialism and humanism. Nehru with his ideas of socialism, liberalism and spirit of modern science provided a background for HRD beliefs, which emerged in public sectors. That’s how public sectors came to take initiative in human resource development field. Developments in west especially in the field of behavioural sciences also had its impact on India. Ideas of Herzberg, Malsow and Argyris highlighted the need for motivation and integration of people. Few enlightened industrialists provided some leadership in the area of welfare like the Calico mills Ahmedabad had crèche for children of workers and doctor and nurse for them. Tatas in Mumbai appointed a medical officer in 1918. Mills owner association in Mumbai also appointed a labour officer in early 1930s (Silvera, 1990)\(^9\).

All these approaches towards human resources believe that HR programs should contribute towards organizational effectiveness and individual growth. In brief we may

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summarize that human resource management has moved a long way in history. It begins as an instrument of the management to keep the workers under check; at the same time catering to their minimum needs to a situation where it acted as a mediator between management and employees. The human resource management today is trying to be as important as any other activity in a business environment, justifying its existence by contributing to the corporate goal.

1.5 Innovative Human Resource Practices and Contemporary Work Environment

The management of HR activities will play a crucial role in the performance of organizations in the 1990s and beyond. The effective management of human resources is an integral part of any organization’s success Tannenbaum and Du Puree-Bruno, (1994)\textsuperscript{10}. The modern manager must not only be flexible and adaptive in a changing environment but must also be proactive in diagnosing HR problems and implementing new HR programmes Shimko, et al (2000)\textsuperscript{11}.

There has been a paradigm shift in the way in which the organizations look at the HR function. And, in the past few years, companies have started to look at the HR function with renewed interest. This is evident from the fact an increasing number of companies are embarking on the HRD crusade. In this age of stiff competition, management theorists emphasize change as the most salient features for an organization to be successful (Peters, 1987)\textsuperscript{12}. The changing scenario, marked by uncertainty, has given rise to high expectations and higher performance standards from people and organizations alike. There is therefore an understandable concern about the impact of these challenges of globalization; technological advances, increasing competition and growth through expansion, diversification, and acquisition have important implications of HRD Maheshwari and Sinha (1991)\textsuperscript{13}.


Recent economic developments around the world and socio-political trends, help account for the growing importance of the HR department to the organization and management of human resources.

### 1.6 Future Trends and Challenges

The pressure for change are likely to continue and even intensity. As the economy becomes more fully globalized every organization is likely to feel the impact of foreign competition. Cost control will continue to be major concern of organizations competing in global markets. With the international homogenization of manufacturing technology and finance, sustained competitive advantage will come from human resources, through some combination of controlling the costs of human resources and increasing their effectiveness.

Changes in technology are likely to accelerate, resulting in greater options for designing and setting up organizations that can make best use of human resources to achieve corporate goals. Further, the workforce will continue to be characterized by increasing expectations for meaningful work and more control over one’s work life Risher and Fay (1995).

The above discussion is a pointer that changes in social, economic and technological spheres pose a major challenge to the contemporary management of human resources. The environmental changes- changes that are external to the company-prompt inner organizational changed. Companies have come to realize that their success rides on quick and effective responses to what, all times, seems to be an overwhelming array of external trends and developments. Further the challenges will be much more in the future as the HRM will confront an environment quite different from that facing today’s managers. According to Budhwar (1996a) the future challenges before both the HRM academics and practitioners is to find out the various factors which affect HRM so that appropriate HR practices can be formulated and successfully implemented.

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1.7 Need for Human Resource Innovations

The management of change has become synonymous with management practices of the future. Organizations are increasingly relying on HRM techniques to increase their effectiveness and ability to adapt to changing conditions. HR managers have the responsibility of providing organization with capable, committed people, who have the knowledge, as well as the right attitudes and values that match the company’s objectives. Thus fundamental environmental changes affect prototypical HR policies and programmes.

Some of the implications of these environmental trends for HR Professional, according to James (1997), are

a) That in the changing nature of the workforce, it will be an increasingly difficult task to hire and retain the best and brightest young workers. Companies that are able to value and use their diversity, who are willing and able to compete for human resources on a world-wide basis, will have a distinct competitive.

b) That in the changing nature of society, business will come under increasing pressure to maintain more flexible, family friendly work environment that helps employees with their child care duties and health care needs and that helps employees cope with stress and personal problems.

c) That in changing nature of the workplace, leaders is needed who can guide their companies through turbulent change and inspire innovation through communication, teams and individuals empowerment.

Today the very survival of HR function appears to be its ability to go on changing according to business and social needs. Rao (1994)\textsuperscript{16} points out, in no uncertain terms, that good HR practices are those that contribute to one or more of the three Cs- Competencies, Commitment and Culture. They need to be identified and implemented cost effectively; reviewing and revising them from time to time enhance their effectiveness and appropriateness. HR professionals must focus on continuous innovation by responding positively to new ideas and constantly keeping track of new trends. Innovative HR interventions, designed to ensure that people respond

spontaneously to the critical demand of the organizations have tremendous potential to build healthy and successful organization.

Employee commitment is a significant factor in organizational performance. Commitment building and its management are very much a HR function. Various HR systems, process and activities contribute to developing commitment among employees. At the more visible level, rewards, recognition and similar interventions can lead to greater commitment and motivation. For instance, a particular personnel policy may demotivate some employees to the extent that they stop giving their best. At the same time, a particular reward system or practice may have a high motivational value. Often an individual does not respond to all interventions in the same way in terms of Commitment. It is the job of the HR manager to be in constant touch with the employees and be aware of the HR systems, tools and interventions that can keep their motivation and commitment levels high. Management of human resources embodies the key to improving productivity and competitiveness.

The three functions that are keeping today’s HR professional on their toes are: attracting, retaining and motivating people. It is therefore a challenge of HR professionals to develop right ARM (attracting, retaining and motivating) strategies. The new strategies call for flexibility and sensitivity.

Today the organizations that simply follow the traditional approaches to managing people appear to be destined to perform at a mediocre level or worse (Lawler) (1995)17. The competitive world has simply passed by many of the traditional practices that, in the past have been regarded as leading to effectiveness. This is the reason why some traditionally successful companies may have become corporate dinosaur in today’s environment-they are still concentrating on doing the old things, rather than on developing new HR systems that fit today’s social, economic and business realities. The HR function will have a central role in helping managers prepare for the new world and for dealing with highly educated workforce. There is great promise in the future for HR play a role in organized change and redefinition. The new strategic opportunities in the 1990s and early 2000s are likely to be people centered and therefore offer good opportunities and visibility for HR innovation. The key is the attitude of organizations

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and their senior managers towards innovation in human resources and their reactions to people-centered management generally. This attitude is changing.

Continual HR innovation is likely to be essential for survival. According to Guest (1990)\(^\text{18}\), there appears to be agreement that some companies are trying to innovate in the field of HRM, but there is no evidence to support the view that this is a general trend. The ability of an organization to anticipate changes and respond in an innovative and timely manner, have always made the difference between success and failure. Organizations therefore must redesign their strategy and outlook towards management of human resources since human resource hold the key to meet the challenges of competition.

Excellent Indian companies, according to Dwivedi (1997)\(^\text{19}\), are realizing the need for realigning HR process to meet the challenges of development. Indian organizations are adopting seeming unconventional practices for the purpose of enhancing the overall effectiveness of their organizations and employees.

The development aspect needs to be given importance in the management of human resources for the enhancement of effectiveness of the organization. This implies that various routine activities should be modified and molded to serve the employees development bringing about a vast change in perspective, content as well as context of these particles. Developmental approach that is also proactive in nature has, today assumes significance not only for effected management of HR system, but also for organizational effectiveness.

There is no questioning the importance of innovative rethinking of HR practices. Only time and trials will tell whether these innovations achieve their intended objectives. Even though, some of these innovations may not succeed, what is important is that one has dared to experiment. When HRM avoids taking ‘risks’ there is also a tendency to continue with’ wrong’ precedents of the past, and reluctance, or un-preparedness to accept the changing reality. The external and internal changes have proved the ineffectiveness of HR strategies based on direction and control and their failure to elicit commitment of employees to corporate objectives that is so crucial in today’s
technologically-oriented job environment. Hence there is an increasing preference for adopting management through commitment.

The need today, therefore as is evident from above arguments, is to review, revamp and rejuvenate the existing people management (HR) systems, such as the reward and incentive system, promotion and transfers, training and development programmes, recruitment and selection process, employee relation etc. They all need to be made more dynamic, effective and in tune with the changing situation. It is also important to keep reviewing how systems are working. Similarly, the systems should be linked to quality service, cost effectiveness and such other bottom-line issues.

1.8 Emerging human resource practices

The immediate significance of the emergence of HRM is to have opened up a debate about just what constitutes the change from traditionally conceived HR practices to those that are claimed to be derived from a different mix of managerial concerns-integration of employee and organizational interests. As pointed out earlier in this chapter, wide ranging changes in the economic and business environment have created increasing demands for productivity, innovation and quality. To this end, management of human resources presents an exciting opportunity for organizations to experiment with alternative practices. There is today, a need for new systems for measuring, managing and optimizing the value of a company’s human capital and improving the quality of decisions at all organizational levels. Also needed are new approaches to compensation, benefits and employee motivation such as pay for performance, gain sharing and team incentives. Some examples of the specific ways, in which HR function and practices have and will continue to change, are given below:

1. **Staffing:** ‘Aptitudes’ will become more important than ‘abilities’ in the recruitment of managers and executives. Interpersonal skills, decision-making skills, communication skills and ability to work as part of a group take procedure. Attitudinal characteristics will be more important for selection. Staffing specialists will have to develop a better understanding of relationship between individual and team effectiveness. Lateral transfers will become more common.
2. **Training**: Training activity will assume added importance. Training will have to be more need based and developmental in content. Career-long training, multi skilling, self-learning and training

3. **Performance Appraisal**: has become more relevant now than before it is necessary to identify key performance areas of every employee, set challenging goals, and periodically review performance. More frequent appraisals and more open appraisals need to be provided. System should be continuous, unplanned as well as periodic planned feedback sessions. Appraisals need to become development instruments and record keeping needs to be minimized; emphasis could shift from individual appraisals to group activity appraisals.

4. **Career Planning**: Effective ways of career-planning, career development and potential appraisal need to be developed. Parallel ladders of advancement and rewards and alternatives to promotion need to be established. Organizations should provide employees with career information. Learning skills will become most important in organizations as technological and economic changes lead to skill obsolescence.

5. **Compensation and Benefits**: Changing demographics and a changing workforce will demand changes in employee benefits. Stock options, good pay packet, fringe benefits, continuous pressure to excel and, recognition for excellence will emerge as strong trends. Changes in compensation structures, bench-marking, individual as well as team rewards have become order of the day. Variable component of compensation and performance linked compensation (incentive-pay), flexible benefits will increasingly become common. Compensation and benefits will be oriented to cost control and competitiveness.

6. **Work/family balance**: Work/family balance will be the new imperative for productivity improvement. Workers whose lives are torn between conflicting priorities suffer higher levels of stress and tend to underperform. At work, time and energy are used for worry and unproductive effort in their personal lives those who are top by conflicting priorities tend to have higher rates of illness, suffer more family problems, and emotional problems. The financial impact on the corporate world could be staggering.

   Apart from above changes, the HR function itself is geared to take on the role of a change-agent. Therefore, HR function can no longer be treated as a peripheral activity.
Instead, it needs to be brought to the centre stage as a partner to the strategic process of growth.

1.9 Impact of Globalization on Human Resource Management

The concept of globalization was given by American entrepreneur Charles Taze Russell who coined the term "Corporate Giants" in 1897. This was not popular and known until the 1960s. This term began to be widely used by economists and other social scientists in later half of 1980s.

When we go to the history of globalization, it already existed in the form of international trade. "Silk road" is an excellent example of international trade at that time, from China via India to Arab and European countries. "Spice trade" from India to Europe and Arab countries was the time of 15th century, however silk road and spice trade routes were blocked by the Ottoman empire in 1453 spurring exploration. Islamic golden age was also an important part of early stage of globalization. Muslim traders and explorers established a sustained economy across the old world. In late 15th century two kingdoms of Iberian Peninsula (Portugal and Castile) sent the first exploratory voyages and America was "discovered" in 1492 by Christopher Columbus. Portuguese started establishing trading factories from Africa to Asia and Brazil to deal in gold, spice and timber. This global integration continued with the European colonization of the Americas initiating the Columbian exchange. Globalization also became a private business phenomenon when companies like British East India Company (founded in 1600) known as first Multinational Corporation came into existence. Great Britain became the first global economic superpower in 19th century. It was treated super power because of superior manufacturing technology and improved global communications such as steam ships and rail road's. Nineteenth century witnessed the advent of globalization approaching its modern form. Middle of 20th century globalization was largely derived by the global expansion of multinational corporations (MNCs) in United States and Europe.

In 21st century globalization has great meaning which has deeply impacted different fields of study; one of them is human resource management (HRM). Because of great impact on every field this era is called global era. It is driven by a combination of

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economical, technological, socio-cultural, political and biological factors. Free flow of human resource, capital, services, and innovation are a very common feature of globalization and because of this feature we are treating whole globe (world) as a small village. Information and communication technology innovations are playing a very major role in establishing and maintaining the globalization. When the term economic globalization comes into focus it expresses the integration of major economies of the world and smooth and free trade throughout the globe.21

Modern globalization is the result of planning by politicians to breakdown borders hampering trade to increase prosperity and inter dependence. Several international institutions established to fulfill these objectives of globalization are International Bank for Reconstruction & Development (World Bank), International Monetary fund (IMF), General Agreement on Tariffs and Trade (GATT) which is now known as World Trade Organization (WTO). WTO lead to a series of agreements to remove restrictions on free trade. These agreements are very important to eliminate the tariffs and create free trade zone like North American Free Trade Agreement (NAFTA), European Union (EU), other regional grouping such as the Association of South East Asian Nations (ASEAN), the Economic Community of East African States (ECOWAS) and the Southern Africa Development Community. World's most globalized communities are Belgium, Austria, Sweden, United Kingdom, Netherlands and USA. So, globalization gives faster growth, higher living standards and new opportunities in different areas.

Rapid technological change and reduction in communication costs have facilitated the globalization of production and financial markets. Introduction of new technology (innovations) pushing for a more deregulated and flexible labour market gives more emphasis on productivity, quality and greater employee involvement in the design and execution of work. Because of these, a greater focus on work place relations and policies and practices conducive to better motivation and performance such as information sharing and two way communication occurs.

In present time, most important challenge being faced by countries and organizations is today's global business environment. Globalization represents free flow of technology and human resource across national boundaries. Often, global business environment changes in HRM practices leading to a situation whereby the failure of

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some firms is due to the mismanagement of people. So, HRM is ready to face these challenges in the form of international human resource management (IHRM) and strategic human resource management (SHRM), to manage employees for competitive edge in the era of globalization. Human resource personnel must possess competencies relevant for implementing such strategic HRM policies and practices, strategic management of human resource to prepare organizations for the challenges of globalization.

The HRM policies, practices and strategies play a significant role in the success of any industry. Employees these days are now referred to as human capital or human assets instead of viewing human resources as a cost to the organization, firms have began to consider employees as 'investments'.

A consensus has emerged among scholars and practitioners alike that the business environment has become more competitive than in the past because of globalization. In order to survive in this new era, businesses have to focus even harder on their competitive strengths so as to develop appropriate long-term strategies. Old practices and systems that have evolved over time are no longer appropriate. Indeed development is achieved through people. Beardwell and Holden (1997) support this assertion by giving an example of Japan's success despite its lacking natural resources. These lessons are important for us if we have to move forward in terms of economic development. Armstrong outlines three most important factors in achieving competitive advantage as Innovative, Quality, and Cost Leadership, but all these depend on the quality of an organisation's human resources. What this entails is that the starting point should be with the human resource. Scholars have argued that the human resource satisfies four conditions necessary to achieve sustainable competitive advantage: human resource is valuable, rare, and imperfectly imitable and has no substitutes. Competitors can easily duplicate competitive advantage obtained via better technology and products, but it is hard to duplicate competitive advantage gained through better management of people. The creation of these core competencies can be achieved through effective provision of the traditional services of the human resource management and dealing effectively with macro concerns such as corporate culture and management development.

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Globalization presents cross border transaction in goods and services worldwide; movement of international capital; international diffusion of technology and greater coverage of information. Information technology, expansion, exports, technology upgradation and foreign investment are some of the facilitators in the process of globalization. Growing internationalization of business has its impact on HRM in terms of problems of unfamiliar laws, languages, practices, competitions, attitudes, management styles, work ethics etc. HR managers have a challenge to deal with more functions, more heterogeneous functions and more involvement in employee’s personal life.

According to Rioux et al (2000) functions such as operations, sales, and marketing have generally made great progress in adapting to the global marketplace. However, the HR function has typically lagged behind in developing policies and structures that support globalization. Creating a truly global HR function can be quite challenging when dealing with numerous international locations. The top challenges facing the HR function during the globalization process include:

- Coordinating activities in many different locations.
- Understanding the continual change of the globally competitive environment.
- Building a global awareness in all HR departments/divisions.
- Creating a multicultural HR team.

According to Pucik, (1997) Organizations that are growing globally are faced not only with the obvious challenge of trying to coordinate activities among their many locations/offices, but also with creating a truly global mind-set among HR professionals. Such a mind-set implies recognizing and valuing cultural diversity, having knowledge of differences within and across their various cultures, and being able to balance global business needs within multiple cultures. All levels of the HR function—corporate and local—must understand and respond to a highly competitive global marketplace.

International competition, co-operation, interdependence of business and industrial organizations are intensifying globalization. The world has become borderless, leading to high levels of competition. Increased management capability in many

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countries, heavy demand for raw materials and the availability of rapid transportation and communication further adds to the intensity of competition. Changes have taken place in business environment also.

According to Dixit, (1994) These changes have shifted the thrust of corporate management from regulation driven to market driven and from protection to competition. Liberalization and changes in laws have facilitated the direct entry of new multinational corporations and re-entry of a few old ones. Such changes, while creating opportunities for organization, also lead to threats arising out of enhanced competition. This increased competition and interdependence intensifies the pressure on executives and all employees to become more innovative, efficient and cost and quality conscious. In turn, organization members expect the HRM to become increasingly effective in helping to deal with these matters.

Competition also heralds increased awareness of the importance of sustaining and improving productivity and quality. These concerns get translated for all areas of HRM, including higher effectiveness in work, job design, selection, training, development, utilization and motivation of employees. International competition also brings about increased emphasis on the need to be more efficient and effective. This emphasis on cost cutting has affected HR practice to a greater degree than most other functional areas. This is because of the recognition that the contribution of improved HR practices offers the potential of greater improvements in profit margins than is likely in any other area. HR costs are a major expenditure for most large organizations. According to Risher and Fay, (1995) Making this type of spending more efficient and the resource more effective promises a large return on investment. Therefore, much of the emphasis on changes in HR technology focuses on cost reduction.

However, the recent economic uncertainty, shrinking profit margins, and cost-cutting mandates have made HR’s role more difficult than ever. The demands and expectations of the Human Resource functions to take on strategic role and address critical human resource issues like attracting and retaining key talent, building talent pipeline and creating high performing cultures are greater than ever. The HR’s role is to create a climate of trust and confidence through transparent communication, thereby

organization members are committed and motivated to continuously excel in the learning environment.

New information techniques can be integrated in the human resource management information system. They help us to explain the existing human resource process, predict or classify the data and support the human resource management decisions. The result is integration of information into a whole and the subsequent creation of new human resource management. Integration could be possible because of Internet and information technology (IT) in both business as well as private field. It has grown considerably in the last years, with exponential growth of Internet users and services offered. Human resource information system (HRIS) has become a major Management Information System (MIS) sub function within the personnel areas of many large corporations. HRIS is designed to support to the planning, administration, decision-making and control activities of human resource management.

The HRM practices that are presently affected in India are mostly drawn from best international practices. In the era of globalization some new problems have surfaced in this regard. The social, economic, political and cultural practices have a lot of relevance and to be considered in framing human relations policies of any firm. This will significantly influence the organizational competence in its environmental context. So many innovative HR practices are coming to face the challenges of globalization. Information Technology and Internet is influencing these HR practices.

According to Rioux et al (2000) when it comes to business, the world is indeed becoming a smaller place. More and more companies are operating across geographic and cultural boundaries. While most organizations have adapted to the global reality in their operations, many are lagging behind in developing the human resource policies, structures, and services that support globalization. The human resource function faces many challenges during the globalization process, including creating a global mind-set within the HR group, creating practices that will be consistently applied in different locations/offices while also maintaining the various local cultures and practices, and communicating a consistent corporate culture across the entire organization. To meet these challenges, organizations need to consider the HR function not as just an

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administrative service but as a strategic business partner. Companies should involve the human resources department in developing and implementing both business and people strategies. This type of partnership is necessary if an organization wants to change potentially inaccurate perceptions of HR and reiterate the HR function’s purpose and importance throughout its entire global environment. Organizations will also discover that HR can be invaluable in facilitating the development of a unifying corporate culture and finding and cultivating much needed leadership talent around the world. The process of globalizing resources, both human and otherwise, is challenging for any company. Organizations should realize that their global HR function can help them utilize their existing human talent from across multiple geographic and cultural boundaries. International organizations need to assist and incorporate their HR function to meet the challenges they face if they want to create a truly global workforce.

1.10 Distillery industry of Uttar Pradesh

Spread over an area of 2.43 lakh sq. km. and with a population aggregating 20 crore, Uttar Pradesh is one the largest and most populous state of the country. It is also the principal sugarcane producer in the country. Sugarcane being the major cash crop, is an important source of livelihood and income for the farms of the state. Numerous industries based on sugar and its byproducts are being run in the state and are the source of livelihood to many people of which distillery industry is also a part of. At present there are 61 distilleries in Uttar Pradesh with a total capacity of 135.06 crore liters per year as depicted in Table 1.1(Sugar Policy, 2013).

Table 1.1 Distilleries in India (2010-11)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State/ Country</th>
<th>No. of distilleries</th>
<th>Capacity(Lac KL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Uttar Pradesh</td>
<td>61</td>
<td>13.51</td>
</tr>
<tr>
<td>2</td>
<td>Maharashtra</td>
<td>72</td>
<td>9.71</td>
</tr>
<tr>
<td>3</td>
<td>Karnataka</td>
<td>36</td>
<td>4.46</td>
</tr>
<tr>
<td>4</td>
<td>Tamil Nadu</td>
<td>21</td>
<td>3.11</td>
</tr>
<tr>
<td>5</td>
<td>India</td>
<td>328</td>
<td>43.80</td>
</tr>
</tbody>
</table>
The impact of globalization can also be seen in the distillery industry not just in terms of production & marketing but also the HRM. Since there is paucity of data on HRM in distillery industry of India, with this view point in mind the present study has been designed to evaluate the current human resource management system and changes that have been brought about since 1991 in this industry.