CHAPTER - I

INTRODUCTION

Human resources may be defined as the total knowledge, skills, creative abilities, talents and aptitudes of an organization's workforce, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organization. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the persons employed in the organization.

The human resources are multidimensional in nature. From the national point of view, human resources may be defined as the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees.

Human resource is a term with which many organizations describe the combination of traditionally administrative personnel functions with performance, Employee Relations and resource planning. The field draws upon concepts developed in Industrial/Organizational Psychology. Human resource has at least two related interpretations depending on context. The original usage derives from political economy and economics, where it was traditionally called labour, one of four factors of production. The more common usage within corporations and businesses refers to the individuals within the firm, and to the
portion of the firm's organization that deals with hiring, firing, training, and other personnel issues. This article addresses both definitions.

The objective of Human Resources is to maximize the return on investment from the organization's human capital and minimize financial risk. It is the responsibility of human resource managers to conduct these activities in an effective, legal, fair, and consistent manner.

MODERN CONCEPT OF HUMAN RESOURCES

Though human resources have been part of business and organizations since the first days of agriculture, the modern concept of human resources began in reaction to the efficiency focus of Taylorism in the early 1900s. By 1920, psychologists and employment experts in the United States started the human relations movement, which viewed workers in terms of their psychology and fit with companies, rather than as interchangeable parts. This movement grew throughout the middle of the 20th century, placing emphasis on how leadership, cohesion, and loyalty played important roles in organizational success. Although this view was increasingly challenged by more quantitatively rigorous and less "soft" management techniques in the 1960s and beyond, human resources had gained a permanent role within an organization.

Modern analysis emphasizes that human beings are not "commodities" or "resources", but are creative and social beings in a productive enterprise. The 2000 revision of ISO 9001 in contrast requires identifying the processes, their sequence and interaction, and to define and communicate responsibilities and authorities. In general, heavily unionized nations such as France and Germany
have adopted and encouraged such job descriptions especially within trade unions. One view of this trend is that a strong social consensus on political economy and a good social welfare system facilitates labor mobility and tends to make the entire economy more productive, as labor can move from one enterprise to another with little controversy or difficulty in adapting.

An important controversy regarding labor mobility illustrates the broader philosophical issue with usage of the phrase "human resources": governments of developing nations often regard developed nations that encourage immigration or "guest workers" as appropriating human capital that is rightfully part of the developing nation and required to further its growth as a civilization. They argue that this appropriation is similar to colonial commodity fiat wherein a colonizing European power would define an arbitrary price for natural resources, extracting which diminished national natural capital.

The debate regarding "human resources" versus human capital thus in many ways echoes the debate regarding natural resources versus natural capital. Over time the United Nations have come to more generally support the developing nations' point of view, and have requested significant offsetting "foreign aid" contributions so that a developing nation losing human capital does not lose the capacity to continue to train new people in trades, professions, and the arts.

An extreme version of this view is that historical inequities such as African slavery must be compensated by current developed nations, which benefited from stolen "human resources" as they were developing. This is an
extremely controversial view, but it echoes the general theme of converting human capital to "human resources" and thus greatly diminishing its value to the host society, i.e. "Africa", as it is put to narrow imitative use as "labor" in the using society.

In a series of reports of the UN Secretary-General to the General Assembly over the last decade [e.g. A/56/162 (2001)], a broad inter sectoral approach to developing human resourcefulness through hr training has been outlined as a priority for socio-economic development and particularly anti-poverty strategies. This calls for strategic and integrated public policies, for example in education, health, and employment sectors that promote occupational skills, knowledge and performance enhancement.

In the very narrow context of corporate "human resources", there is a contrasting pull to reflect and require workplace diversity that echoes the diversity of a global customer base. Foreign language and culture skills, ingenuity, humor, and careful listening, are examples of traits that such programs typically require. It would appear that these evidence a general shift to the human capital point of view, and an acknowledgment that human beings do contribute much more to a productive enterprise than "work": they bring their character, their ethics, their creativity; their social connections, in some cases even their pets and children, and alter the character of a workplace. The term corporate, culture is used to characterize such processes.

The traditional but extremely narrow context of hiring, firing, and job description is considered a 20th century anachronism. Most corporate
organizations that compete in the modern global economy have adopted a view of human capital that mirrors the modern consensus as above. Some of these, in turn, deprecate the term "human resources" as useless.

In general, the abstractions of macroeconomics treat it this way - as it characterizes no mechanisms to represent choice or ingenuity. So one interpretation is that "firm-specific human capital" as defined in macroeconomics is the modern and correct definition of "human resources" - and that this is inadequate to represent the contributions of "human resources" in any modern theory of political economy.

**HUMAN RESOURCE FUNCTIONS**

Human resource functions refer to tasks performed in an organization to provide for and coordinate human resources. Human resource functions are concerned with a variety of activities that significantly influence almost all areas of an organization and aim at:

a) Ensuring that the organization fulfils all of its equal employment opportunities and other government obligations.

b) Carrying out job analysis to establish the specific requirements for individual jobs within an organization.

c) Forecasting the human resource requirements necessary for the organization to achieve its objectives - both in terms of number of employees and skills.

d) Developing and implementing a plan to meet these requirements.
e) Recruiting and selecting personnel to fill specific job within an organization.
f) Orienting and training employees.
g) Designing and implementing management and organizational development programmes.
h) Designing systems for appraising the performance of individuals.
i) Assisting employees in developing career plans.
j) Designing and implementing compensation system for all employees.

HUMAN RESOURCE MANAGEMENT: DEFINED

Human Resource Management has come to be recognized as an inherent part of management, which is concerned with the human resources of an organization. Its objective is the maintenance of better human relations in the organization by the development, application and evaluation of policies, procedures and programmes relating to human resources to optimize their contribution towards the realization of organizational objectives.

In other words, HRM is concerned with getting better results with the collaboration of people. It is an integral but distinctive part of management, concerned with people at work and their relationships within the enterprise. HRM helps in attaining maximum individual development, desirable working relationship between employees and employers, employees and employees, and effective modeling of human resources as contrasted with physical resources. It
is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization.

**EVOLUTION OF HRM**

The concept of HRM emerged in the mid 1980s against the background of the works of famous writers on management, like Pascale and Athos (1981) and Peters and Waterman (1982), who produced lists of the attributes that they claimed characterized successful companies.

The American Society for Training & Development (ASTD) has developed a Human Resource Wheel in 1983 highlighting different functions of HRM leading to quality of work life, productivity and readiness for change.

**T&D focus:** Identifying, assessing and through planned learning - helping develop the key competencies which enable individuals to perform current or future jobs.

**OD focus:** Assuring healthy inter – and intra-personal relationships and helping groups initiate and manage change.

**Organization / Job design focus:** Defining how tasks, authority and systems will be organized and integrated across organization units and in individual jobs.

**HRP focus:** Determining the organization’s major HR needs, strategies and philosophies.

**Section and staffing:** Matching people and their career needs and capabilities with jobs and career paths.
**Personal research and information systems**: Assuring a personnel information base.

**Compensation / Benefits focus**: Assuring compensation and benefits fairness and consistency.

**Employee assistance focus**: Providing counseling to individual employees, for personal problem-solving.

**Union /Labour relations focus**: Assuring healthy union / organization relationships.

One of the first overt statements of the HRM concept was made by the Michigan School (Fomburn et al., 1984). They explained the human resource cycle that consists of four generic processes or functions. These are:

1. **Selection** - Matching available human resources to jobs
2. **Appraisal** - Performance management
3. **Rewards** - It must reward short as well as long-term achievements
4. **Development** - Developing high quality employees.

**Delivering HRM objectives**

The larger the organisation, the more scope there is to employ people to specialise in particular areas of HRM. Some, for example, employ employee relations specialists to look after the collective relationship between management and employees. Where there is a strong tradition of collective bargaining, the role is focused on the achievement of satisfactory outcomes from ongoing negotiations. Increasingly, however, employee relations specialists are required
to provide advice about legal developments, to manage consultation arrangements and to preside over employee involvement initiatives.

Another common area of specialisation is in the field of training and development. Although much of this is now undertaken by external providers, there is still a role for in-house trainers, particularly in management development. Increasingly the term ‘consultant’ is used instead of ‘officer’ or ‘manager’ to describe the training specialist’s role, indicating a shift towards a situation in which line managers determine the training they want rather than the training section providing a standardized portfolio of courses. The other major specialist roles are in the fields of recruitment and selection, health, safety and welfare, compensation and benefits and human resource planning.

In addition to the people who have specialist roles there are many other people who are employed as human resources or personnel generalists. Working alone or in small teams, they carry out the range of HR activities and seek to achieve all the objectives outlined above. In larger businesses generalists either look after all personnel matters in a particular division or are employed at a senior level to develop policy and take responsibility for HR issues across the organisation as a whole. In more junior roles, human resource administrators and assistants undertake many of the administrative tasks.

Most HR practitioners working at a senior level are now professionally qualified, having secured membership of the Chartered Institute of Personnel and Development (CIPD). The wide range of elective subjects which can now be chosen by those seeking qualification through the Institute’s examinations has
made it as relevant to those seeking a specialist career as to those who prefer to remain in generalist roles. However, many smaller businesses do not need, or cannot afford, HR managers at all. They may use consultants or the advisory services of university departments. They may use their bank’s computer to process the payroll, but there is still a human resource dimension to their managers’ activities.

**Human Resource Management: Nature**

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. The various features of HRM include:

- It is pervasive in nature as it is present in all enterprises.
- Its focus is on results rather than on rules.
- It tries to help employees develop their potential fully.
- It encourages employees to give their best to the organization.
- It is all about people at work, both as individuals and groups.
- It tries to put people on assigned jobs in order to produce good results.
- It helps an organization meet its goals in the future by providing for competent and well-motivated employees.
- It tries to build and maintain cordial relations between people working at various levels in the organization.
- It is a multidisciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.
**Human Resource Management: Scope**

The scope of HRM is very wide:

**Personnel aspect** - This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, layoff and retrenchment, remuneration, incentives, productivity etc.

**Welfare aspect** - It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

**Industrial relations aspect** - This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

**Human Resource Management: Beliefs**

The Human Resource Management philosophy is based on the following beliefs - Human resource is the most important asset in the organization and can be developed and increased to an unlimited extent. A healthy climate with values of openness, enthusiasm, trust, mutuality and collaboration is essential for developing human resource. HRM can be planned and monitored in ways that are beneficial both to the individuals and the organization. Employees feel committed to their work and the organization, if the organization perpetuates a feeling of belongingness. Employees feel highly motivated if the organization provides for satisfaction of their basic and higher level needs. Employee commitment is increased with the opportunity to discover and use one's
capabilities and potential in one's work. It is every manager's responsibility to ensure the development and utilisation of the capabilities of subordinates.

**Human Resource Management: Objectives**

- To help the organization reach its goals.
- To ensure effective utilization and maximum development of human resources.
- To ensure respect for human beings. To identify and satisfy the needs of individuals.
- To ensure reconciliation of individual goals with those of the organization.
- To achieve and maintain high morale among employees.
- To provide the organization with well-trained and well-motivated employees.
- To increase to the fullest the employee's job satisfaction and self-actualization.
- To develop and maintain a quality of work life.
- To be ethically and socially responsive to the needs of society.
- To develop overall personality of each employee in its multidimensional aspect.
- To enhance employee's capabilities to perform the present job.
- To equip the employees with precision and clarity in transaction of business.
- To inculcate the sense of team spirit, team work and inter-team collaboration.

**Human Resource Management: Functions**

In order to achieve the above objectives, Human Resource Management undertakes the following activities:

1. Human resource or manpower planning.
2. Recruitment, selection and placement of personnel.
3. Training and development of employees.
5. Taking corrective steps such as transfer from one job to another.
6. Remuneration of employees.
7. Social security and welfare of employees.
8. Setting general and specific management policy for organizational relationship.
10. Staffing the organization.
11. Aiding in the self-development of employees at all levels.
12. Developing and maintaining motivation for workers by providing incentives.
13. Reviewing and auditing manpower management in the organization
15. Role Analysis for job occupants, Job Rotation, Quality Circle, Organization development and Quality of Working Life.
Major Influencing Factors of Human Resource Management

In the 21st century HRM will be influenced by following factors, which will work as various issues affecting its strategy - Size of the workforce, Rising employees' expectations, Drastic changes in the technology as well as Life-style changes, Composition of workforce, New skills required, Environmental challenges, Lean and mean organizations, Impact of new economic policy, Political ideology of the Government, Downsizing and rightsizing of the organizations Culture prevailing in the organization etc.

HUMAN RESOURCE MANAGEMENT: FUTURISTIC VISION

On the basis of the various issues and challenges the following suggestions will be of much help to the philosophy of HRM with regard to its futuristic vision:

There should be a properly defined recruitment policy in the organization that should give its focus on professional aspect and merit based selection. In every decision-making process there should be given proper weightage to the aspect that employees are involved wherever possible. It will ultimately lead to sense of team spirit, team-work and inter-team collaboration. Opportunity and comprehensive framework should be provided for full expression of employees' talents and manifest potentialities. Networking skills of the organizations should be developed internally and externally as well as horizontally and vertically.

For performance appraisal of the employee’s emphasis should be given to 360 degree feedback which is based on the review by superiors, peers, subordinates as well as self-review. 360 degree feedback will further lead to
increased focus on customer services, creating of highly involved workforce, decreased hierarchies, avoiding discrimination and biases and identifying performance threshold. More emphasis should be given to Total Quality Management. TQM will cover all employees at all levels; it will conform to customer's needs and expectations; it will ensure effective utilization of resources and will lead towards continuous improvement in all spheres and activities of the organization. There should be focus on job rotation so that vision and knowledge of the employees are broadened as well as potentialities of the employees are increased for future job prospects. For proper utilization of manpower in the organization the concept of six sigma of improving productivity should be intermingled in the HRM strategy.

The capacities of the employees should be assessed through potential appraisal for performing new roles and responsibilities. It should not be confined to organizational aspects only but the environmental changes of political, economic and social considerations should also be taken into account. The career of the employees should be planned in such a way that individualizing process and socializing process come together for fusion process and career planning should constitute the part of human resource planning. Finally Human Resource Management should be linked with strategic goals and objectives in order to improve business performance and develop organizational cultures.

**CHALLENGES FACED BY HRM**

Changes in socio-economic and political conditions are bound to bring about changes in the environment within the organizations. The personnel
managers of today may find themselves obsolete because of the rapidly changing business environment, and therefore they should constantly update their knowledge and skills by looking at the organization’s needs and objectives. Some of the important challenges are:

**Vision penetration:**

Evolving the right vision is an entrepreneurial or top management function, but its utility increases immensely if it percolates, and is understood and accepted down the line. Vision not only provides the fuel and direction to business strategy, but also helps managers evaluate management practices and make decisions. Penetration of vision shall therefore become an important, integral part of management in future.

**Internal environment:**

Creating an environment, which is responsive to external changes, providing satisfaction to the members of the organization, and sustaining it through culture, useful traditions, practices, and even systems, will become another important dimension of managing managerial personnel.

**Change in industrial relations:**

The practice of IR has undergone sea change. The notion that workers must be disciplined at the manager’s will have to be buried. Development of workers may need simpler and appropriate inputs, but both the workers and managers must be managed and developed by the same set of assumptions and HRM philosophy of the company.
Building organizational capabilities:

The paradigm of managing managers would include not only assisting them to acquire new skills and knowledge and to evaluate environmental change to evolve business strategies, but also to live in a psychological state of readiness to continually change.

Job design and organizational structure:

In designing organizations, we will, hopefully, soon give up uncritical acceptance of foreign concepts and fads like quality circles, TQM, etc. Instead of these, organizational structure of technology, jobs and functions to be performed to achieve organizational tasks, and (ii) people approach, which takes cognizance of their strengths, idiosyncrasies, aspirations and relationships at work.

Increasing size of workforce:

The organizations are ever increasing in size and complexity, multiplying the number of people working therein. The management of an increased workforce poses serious problems and challenges especially since the workers are becoming more conscious of their rights.

Changing psycho-social system:

In the traditional bureaucratic mode, the organizations were designed to perform technical functions with strict compartmentalization of work functions. But in future, human participation will be required not only in technical functions but also in establishing the democratic system.

Satisfaction of higher level needs:

The workers are becoming much aware of their higher level needs. This awareness is likely to intensify further in the further workforce. Therefore
managers would be required to evolve appropriate techniques of motivating the workers and getting work from them.

**Equalitarian social system:**

Major developments that have taken place in the last four decades have been due to the desire of the organization’s members to have greater say and influence in organizational functioning. Thus, contemporary organizations are putting lesser emphasis on the hierarchical structures and thus moving towards a more equalitarian social system. This is going to be more common in days to come.

**Technological advances:**

In the wake of technological advances new jobs will be created and many old jobs will become redundant. Unemployment resulting from modernization could be liquidated by properly assessing manpower needs and training of redundant employees in alternate skills.

**Computerized information system:**

It will play a revolutionary role in managerial decision making. It will also have an increasing impact in coordination and at strategic levels.

**Changes in legal environment:**

To meet with the increasing changes in the legal environment, necessary adjustments will have to be made so that greater utilization of human resources can be achieved.
Management of human relations:

The new generation workforce comprising educated and conscious workers will ask for higher degree of participation and avenues for self-fulfillment. It is rather difficult to motivate many of the new generation workers than their predecessors. This is partly due to change in their value system and higher levels of professional competency.

HRM PRACTICES IN SERVICE-BASED ORGANIZATIONS

In the service environment, a traditional objective is to serve the customer. Application of the Naylor et al. framework would emphasize the need to consider how that role is differentially carried out by the employees of an organization. For example, the behaviors needed from managers in a service organization are likely to differ from those needed from lower level employees despite the fact that both types of employees are striving to achieve the same goal. As another example, Schuler and Jackson (1987) have described how role behaviors needed vary across organizations pursuing differing competitive strategies.

It is useful to apply role theory as a means to improve understanding of HRM practices used in the service sector. Specifically, it is suggested that (1) human resource management (HRM) practices are used by organizations to convey role information to produce actual role behavior; (2) different HRM practices (of which there are many) convey different role information; and (3) the role information an organization needs to send (and thereby defining needed role behaviors) is in part a function of the business as determined by such
characteristics as whether it is in manufacturing or service and the nature of the employee's job, e.g., managerial versus non-managerial.

Correspondence between needed and actual role behavior is expected to be associated with effective organizations while lack of correspondence is expected to be associated with ineffective organizations. What follows is a description of these relationships. Role theory rationale is utilized to help explain and predict differences in the relationships. Empirical examination, however, is limited to the relationships between business characteristics and HRM practices. This is a necessary first study in a series of studies needed to completely examine the full model that incorporates needed and actual role behaviors.

NEW TRENDS IN HR

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. 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.

NEW TRENDS IN INTERNATIONAL HRM

International HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and translation services to help employees adapt to a new and different environment outside their own country. Selection of employees requires careful evaluation of the personal characteristics of the candidate and his/her spouse. Training and development extends beyond information and orientation training to include sensitivity training and field experiences that will enable the manager to understand cultural differences better. Manager need to be protected from career development risks, re-entry problems and culture shock.

To balance the pros and cons of home country and host country evaluations, performance evaluations should combine the two sources of appraisal information. Compensation systems should support the overall strategic intent of the organization but should be customized for local conditions. In many European countries - Germany for one, law establishes representation. Organizations typically negotiate the agreement with the unions at a national level. In Europe it is more likely for salaried employees and managers to be unionized.

HR Managers should do the following things to ensure success:

- Use workforce skills and abilities in order to exploit environmental opportunities and neutralize threats.
• Employ innovative reward plans that recognize employee contributions and grant enhancements.

• Indulge in continuous quality improvement through TQM and HR contributions like training, development, counseling, etc.

• Utilize people with distinctive capabilities to create unsurpassed competence in an area, e.g. Xerox in photocopiers, 3M in adhesives, Telco in trucks etc.

• Decentralize operations and rely on self-managed teams to deliver goods in difficult times e.g. Motorola is famous for short product development cycles.

• It has quickly commercialized ideas from its research labs.

• Lay off workers in a smooth way explaining development cycles. It has quickly commercialized ideas from its research labs.

• Lay off workers in a smooth way explaining facts to unions, workers and other affected groups e.g. IBM, Kodak, Xerox, etc.

**HR Managers today are focusing attention on the following** -

• **Policies** - HR policies based on trust, openness, equity and consensus.

• **Motivation** - Create conditions in which people are willing to work with zeal, initiative and enthusiasm; make people feel like winners.

• **Relations** - Fair treatment of people and prompt redress of grievances would pave the way for healthy work - place relations.

• **Change agent** - Prepare workers to accept technological changes by clarifying doubts.
• **Quality consciousness** - Commitment to quality in all aspects of personnel administration will ensure success.

Due to the new trends in HR, in a nutshell the HR manager should treat people as resources, reward them equitably, and integrate their aspirations with corporate goals through suitable HR policies.