CHAPTER- 1

CONCEPTUAL FRAMEWORK OF HUMAN RESOURCE MANAGEMENT

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CHAPTER- 1

CONCEPTUAL FRAMEWORK OF HUMAN RESOURCE MANAGEMENT

1.1 Introduction

Human resources play an important role in development and growth of any organization and for that matter of any economy. Among all the factors of production only human resources are living being and have unlimited capacity and potentials. Such capacity and potentials of human beings can be developed for the benefit of organization by applying proper strategies. Human beings are not only active factor of production in itself but it also activates other inactive and inert factors of production like money materials, machines and methods. In this present age of globalization survival and growth of any organization depends on the proper development of its human resources. "The human resources are solely responsible for making use of physical and natural resources and for transformation of traditional economies into modern and industrial economies' "The difference in the level of economic development of the countries is largely a reflection of the difference in quality of their human resources. The key element in this proposition is the values, attitudes, general orientation and quality of the people of a country that determine its economic development." (Berg, 1950)

"The term managing human resources encompasses many different ideas. Many times the success of an organization, group, or even nation is dependent on how well a leader is in managing human resources. Some of the more important ideas or characteristics that come to mind are the ability to lead, motivate, and encourage teamwork." (Jayme and Kleiner, 2001)

1.2 Concept of Human Resource management

More effective management of human resources (HR) increasingly is being seen as positively affecting performance in organizations, both large and small. It is
evident that the transition of HR management has enhanced organizational competitiveness and success. (Flynn, 1997)

Human resource Management is basically related with acquiring and sharpening the abilities and skills of the human beings working in any organization. The concept of human resource development has been defined -by economists, social activists, industrialists and other academicians in different ways and through, different angles. In its broader sense HRM is a process of increasing knowledge, skills and capacities of all the people in a given society. In the context of a nation "HRM is a process by which people in various groups are helped to acquired new competence continuously, so as to make them more and more self reliant and simultaneously developed a sense of pride in their country." In economic sense' HRM means accumulation of human capital and its effective utilization for the development of economy. In political terms HRM prepares people for active participation in the political process and from The social and cultural point of views the development of human resources enriches life " As far as industrial organizations are concerned (he I HID is three pronged focusing on people viz. "The Human" aspect where people are seen as having skills, potential and ability to make changes and develop, the "Resource aspect" where individuals arc considered resources rather than problems and the "Development aspect". Where there is an emphasis on discovery and nurturing of their potentials. (Verma, 1988)

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

Scott, Clothier and Spiegel (2004) have defined personnel management as that branch of management which is responsible as a staff basis for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and with the development desirable working relationship between employees and employers, and effective modeling human resources as contrasted with physical resources.

Northcott (2005) considers human resources management as an extension of general management, that of promoting and simulating every employee to make his fullest contribution to the purpose of a business”. Human resources management is not something that could be separated from the basic managerial function. It is a major component of the broader managerial function and has roots and branches extending throughout and beyond the organization. According to French Wendell, “Personnel management is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization”.

“One concept which has generated considerable interest among management practitioners and researchers since the 1980s is human resource management (HRM). HRM is seen as a new approach in managing the workforce. It is argued that HRM puts the management of the workforce as a mainstream activity in organizations.”(Guest, 1987) This enables the integration of the organization’s HRM practice with its strategy. The HRM concept is seen as offering a more integrated approach in the management of the workforce than traditional personnel management.

It has been argued that the practice of HRM should lead to a more effective utilization of an organization’s workforce and improved performance. It is proposed that effective HRM practice enables the utilization of the workforce as a source of competitive advantage. (Miller, 1989) However, a number of researchers are beginning to question the tenacity of some of the main ideas associated with HRM. (Beaumont, 1992) There is concern that in spite of the
widespread acceptance of HRM, empirical evidence showing its presence and impact on performance is not substantial. (Guest, 1990)

Despite the widespread use of the term, the definition of HRM remains elusive and varied. (Thomason, 1991) Some writers see it as merely a retiling of the term “personnel management”. (Brewster and Larsen, 1992) Storey’s (Gunnigle and Flood, 1990) discussion on the definition of HRM best summarizes the various meanings given to HRM. He points out that there are four meanings frequently attached to HRM. The first is that HRM is simply just another word for personnel management and is also used to cover other concepts such as employee relations and people management. The second meaning refers to the use of specific personnel management techniques in an integrated manner. In this definition, HRM is seen as the integrated and coherent use of policies and techniques such as selection, performance appraisal, reward and training to enhance organizational performance. (Storey and Sisson, 1993)

The third meaning emphasizes the importance of a business-oriented and business-integrated approach in the management of employees. This definition emphasizes that the way an organization manages its workforce should match the strategy it pursues. The term “strategic HRM” is often used to refer to this strategically oriented HRM practice. The fourth definition goes a step further; besides the importance of integration with strategy, it also emphasizes the use of employee management techniques which seek to develop employee commitment to certain desired outcomes. This emphasis on the integration of HRM practices and policies with strategy has been described as a paradigm shift from a tactical to a strategic orientation. Unlike traditional personnel management which is said to be reactive, short-term and focused on employees at the lower end of the organizational hierarchy, HRM proactively seeks to establish practices and policies which are synergistic across all policy areas in an organization. (Legge 1989) The HRM approach requires that personnel practices and policies be responsive and adaptive to the needs of the organization. (Schuler, 1991)
The terms “Human Resources” may be defined as the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organization. It is the sum total or aggregate of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the persons employed in an organization.

Several terms have been used by various management thinkers to represent human resources. These include ‘personnel’, ‘people at work’, ‘manpower’, ‘staff’, and ‘employees’. Whatever may be the term used, the human resources of an organization include all individuals engaged in various organizational activities at different levels. According to Leon C. Megginson, (2005) “From the national point of view, human resources may be defined the knowledge skills, creative abilities, talents and aptitudes obtained in the population; where as from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees”.

HRM also considers employees as valued strategic resources and not merely a cost to the organization. (Hendry and Pettigrew, 1986) In HRM, the proper and effective management of employees in an organization is seen as a source of competitive advantage. (Kamoche, 1991) Unlike traditional personnel management, which sees employees as passive components of an organization, HRM views employees as a strategic asset which should be nurtured to maximize the potential of employees. (Kamoche, 1991) Storey (Storey, 1992) notes that one of the developments emerging in the HRM literature in the late 1980s was the concern about addressing what he terms the “dilemmas” in the management of human resources. Essentially, this is reflected in the shift from the tendency to prescribe the “how to” in managing employees to an approach which takes a more contingent view of the form of employee management practices considered suitable for organizations. He cites the work of Schuler as being among those displaying this shift. Prof.
Shanker CS has very rightly observed that "Human Resource Development is a development oriented planning efforts in the personnel area which is basically concerned with the development of human resources in the organization for improving the existing capabilities and acquiring new capabilities for achievement of the corporate and individual goals."

"The Human Resources (HR) function is in an unprecedented position. According to some authors, this function has already experienced many changes. It has adapted to changes occurring in its operating environment, mainly because such changes were slow and, to some extent, foreseeable. The opposite seems to be happening currently however; as the speed at which change is occurring is very rapid and the course the business world is taking is less predictable.

Therefore, HR managers not only have to make mere adaptations but also face organizational transformations. Within such a context, we think survival will only be possible for firms who understand that their HR managers have a primary and not a secondary role in the strategic decision-making process. From a professional point of view, HR managers must gain sufficient relevance within the firm’s business policy to enable them to face the organizations’ increasingly difficult challenges with managerial-type decisions." (JGasc’, Llopis and González, 2004)

Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. Human Resource Management can also be performed by line managers.

Human Resource Management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.
1.3 Objectives of Human Resources Management (HRM)

The job of a human resources manager starts from identifying the staffing requirement of the company. Human resources manager should make sure whether he has to keep full time staffing, hire employees or give contracts. Staffing involves advertising to find the right candidates, interviewing and negotiating. Once the staffing is done normally the employees pass through a period of apprenticeship. It is the duty of the human resources manager to see the development of the selected candidates through his training period and induce him to the right project. Human resource manager's duty does not end here. He has to do routine appraisals and offer promotions and performance incentives. To create and utilize and motivate workforce, the following HRM goals are required to achieve:

- To establish and maintain sound organizational structure and desirable working relationships among all the members of the organization.
- To secure the integration of individual or groups within the organization by coordination of the individual and group goals with those of the organization.
- To create facilities and opportunities for individual or group development so as to match it with the growth of the organization.
- To attain an effective utilization of human resources in the achievement of organizational goals.
- To identify and satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security and measures for challenging work, prestige, recognition, security, status.
- To maintain high employees morale and sound human relations by sustaining and improving the various conditions and facilities.
- To strengthen and appreciate the human assets continuously by providing training and development programs.
- To consider and contribute to the minimization of socio-economic evils such as unemployment, under-employment, inequalities in the distribution of
income and wealth and to improve the welfare of the society by providing employment opportunities to women and disadvantaged sections of the society.

- To provide an opportunity for expression and voice management.
- To provide fair, acceptable and efficient leadership.
- To provide facilities and conditions of work and creation of favorable atmosphere for maintaining stability of employment.

Management has to create conducive environment and provide necessary prerequisites for the attainment of the personnel management objectives after formulating them.

Modern organizations are knowledge organizations. In the national and global economies, the service sector has become dominant. The number of knowledge organizations has been growing slowly and gradually. As a result, human resources known as “knowledge workers” are employed in such companies. Knowledge worker may be defined as one whose entire job is the accumulation, transfer, validation, analysis and creation of information. Information leads to knowledge which results into wisdom which is ultimately reflected into human and organizational excellence.

According to Maccoby (1988), Knowledge workers are employed and retained by knowledge organizations in general and techno service organizations in particular. Techno service implies the use of systematic knowledge and information communication technology for the benefit of clients and customers. Such knowledge Organizations (KOs) are characterized by flat hierarchy, front line freedom to make decisions, customer satisfaction and flexible work roles. The competence and work values of knowledge workers determine the company’s work performance to a very high degree than the traditional organizations. The managers in KOs are required to perform three important roles namely.
1. A facilitating role between the top management and knowledge workers.
2. A mediating role between the clients and the knowledge workers.
3. An integrating role between the knowledge workers.

Different competencies and skills are required to perform each role. The manager has to apply organizational controls and mobilize the resources to perform the first role. To perform the second role, he is required to solve the conflicts between knowledge workers and clients. He has to balance the factors of time, cost and quality in this respect. The manager must create team spirit and manage the innovation process in order to perform the third role effectively and efficiently. High-tech and professional knowledge workers generally resist organizational controls. Hence, they cannot be given a free rein in the interests of the organizations. Their creativity has to be regulated and controlled moderately. They have to be creative within the budget and time table that their organization can afford. “Pleasing the boss” is not so important for the knowledge workers because they are not dependent on their managers for their career progress. It is also easier for them to find another job than for the manager. Implementation of ideas may give rise to conflict between clients and knowledge workers. Knowledge workers are more likely to pursue their own specialization and provide solutions according to their familiar techniques. They may argue that their job is to provide ideas only. It is the duty of the managers in the client system to ensure implementation.

Sometimes, the clients put pressure in terms of cost and time which may lead to compromises in quality and dissatisfaction for the knowledge workers. This acute problem is many times felt by software companies. The software user community continuously puts the development process under extreme time pressure. Then, they are forced to accept product with inferior quality. (Sheth, 2001)
1.4 Developing Human resource Management (HRM) strategy

Faced with rapid change organizations need to develop a more focused and coherent approach to managing people. In just the same way a business requires a marketing or information technology strategy it also requires a human resource or people strategy. In developing such a strategy two critical questions must be addressed. (Barney, Patrick and, Wright, 1998)

• What kinds of people do you need to manage and run your business to meet your strategic business objectives?

• What people programs and initiatives must be designed and implemented to attract, develop and retain staff to compete effectively?

In order to answer these questions four key dimensions of an organization must be addressed. These are:

• **Culture**: the beliefs, values, norms and management style of the organization
• **Organization**: the structure, job roles and reporting lines of the organization
• **People**: the skill levels, staff potential and management capability
• **Human resources systems**: the people focused mechanisms which deliver the strategy - employee selection, communications, training, rewards, career development, etc.

Frequently in managing the people element of their business senior managers will only focus on one or two dimensions and neglect to deal with the others. Typically, companies reorganize their structures to free managers from bureaucracy and drive for more entrepreneurial flair but then fail to adjust their training or reward systems.

When the desired entrepreneurial behavior does not emerge managers frequently look confused at the apparent failure of the changes to deliver results. The fact is that seldom can you focus on only one area. What is required is a
strategic perspective aimed at identifying the relationship between all four dimensions.

If you require an organization which really values quality and service you not only have to retrain staff, you must also review the organization, reward, appraisal and communications systems.

The pay and reward system is a classic problem in this area. Frequently organizations have payment systems which are designed around the volume of output produced. If you then seek to develop a company which emphasizes the product's quality you must change the pay systems. Otherwise you have a contradiction between what the chief executive is saying about quality and what your payment system is encouraging staff to do.

There are seven steps to developing a human resource strategy and the active involvement of senior line managers should be sought throughout the approach

1.5 Steps in developing HRM strategy

For developing the HRM strategy, normally the following steps are involved:

1.5.1 Step 1: Get the 'big picture'

Understand your business strategy.

• Highlight the key driving forces of your business. What are they? E.g. technology, distribution, competition, the markets. (Murrell,1965 and, Grandjean,1969)

• What are the implications of the driving forces for the people side of your business?

• What is the fundamental people contribution to bottom line business performance?
Step 2: Develop a Mission Statement or Statement of Intent that relates to the people side of the business.

Do not be put off by negative reactions to the words or references to idealistic statements - it is the actual process of thinking through the issues in a formal and explicit manner that is important.

- What do your people contribute?

Step 3: Conduct a SWOT analysis of the organization

Focus on the internal strengths and weaknesses of the people side of the business.

- Consider the current skill and capability issues.

Vigorously research the external business and market environment. Highlight the opportunities and threats relating to the people side of the business.

- What impact will/might they have on business performance?

- Consider skill shortages?

- The impact of new technology on staffing levels?

From this analysis you then need to review the capability of your personnel department. Complete a SWOT analysis of the department - consider in detail the department's current areas of operation, the service levels and competences of your personnel staff.

Step 4: Conduct a detailed human resources analysis

Concentrate on the organization's COPS (culture, organization, people, HR systems)
Chapter 1 Conceptual Framework of Human Resource Management

• Consider: Where you are now? Where do you want to be?

• What gaps exists between the reality of where you are now and where you want to be?

Exhaust your analysis of the four dimensions.

Step 5: Determine critical people issues

Go back to the business strategy and examine it against your SWOT and COPS Analysis

• Identify the critical people issues namely those people issues that you must address. Those have a key impact on the delivery of your business strategy.

• Prioritize the critical people issues. What will happen if you fail to address them?

Remember you are trying to identify where you should be focusing your efforts and resources.

Step 6: Develop consequences and solutions

For each critical issue highlight the options for managerial action generate, elaborate and create - don't go for the obvious. This is an important step as frequently people jump for the known rather than challenge existing assumptions about the way things have been done in the past. Think about the consequences of taking various courses of action.

Consider the mix of HR systems needed to address the issues. Do you need to improve communications, training or pay?

What are the implications for the business and the personnel function?
Once you have worked through the process it should then be possible to translate the action plan into broad objectives. These will need to be broken down into the specialist HR Systems areas of:

- Employee training and development
- Management development
- Organization development
- Performance appraisal
- Employee reward
- Employee selection and recruitment
- Manpower planning
- Communication

Develop your action plan around the critical issues. Set targets and dates for the accomplishment of the key objectives.

**Step 7: Implementation and evaluation of the action plans**

The ultimate purpose of developing a human resource strategy is to ensure that the objectives set are mutually supportive so that the reward and payment systems are integrated with employee training and career development plans.

There is very little value or benefit in training people only to then frustrate them through a failure to provide ample career and development opportunities. (Summers and Summers, 1997)
1.6 Significance of Human Resource Management

Arthur Lewis observed, “there are great differences in the development between countries which seen to have roughly equal resources, so it is necessary to enquire into the difference in human behavior”. (Arthur, 2005) It is often felt that though the exploitation of international aid play prominent role in the growth of modern economies, none of these factors is more significant than efficient and committed manpower. It is in fact, said that all development comes from the human mind.

Modern organizational setting is characterized by constant change relating to environmental factors and human resources. As regards environmental factors, we find changes in the operating organization structure, the network of working procedures, customs or norms and the economic, political and social patterns in which organizations exist. Moreover, there is constant change in human resources – new individuals are being employed with their new ideas and expectations, while the existing work force is constantly changing vis-à-vis ideas, attitudes and values.

This researcher illustrates the general principles by highlighting the different types of human resource models, and points out problems that model builders should consider when they the develop new models of this type. Here some of the basic human resource models are discussed

1.6.1 Manpower; the process of determining the numbers and types of people necessary to accomplish a given task.

1.6.2 Personnel: the process of managing people, either directly by management action or indirectly through incentives that affect behavior, so that an appropriate type of person, as defined by the manpower process, is available to be "assigned" to a given unit.

1.6.3 Assignment; the process by matching members of the available pool of personnel to specific jobs.
1.6.4 Training; the process by which a person who has specific skills or attributes is given a new set.

1.7 Human Resource Management Models

With the development of the subject matter Human Resource Management, the number of models has been developed to deal the HR factor efficiently. These models of Human Resource Management are discussed here in brief:

1.7.1 Manpower Model

Manpower requirements models are designed to tell the human resource planner how many of what types of people are needed to produce given levels of output. Models range from large-scale simulation types to statistical models that show the numbers and types of people historically used to accomplish a measured amount of work. Simulation models tend to explore manning situations beyond the range of direct observation. By and large, industrial engineering approaches, which emphasize statistical analysis of workload and manpower actually employed, have gained broad acceptance as the prime tools for determining manpower requirements. (Warner, McCall, and Gotz, 1976)

1.7.2 Personnel Model

The traditional feature of military personnel systems is that it has an "in-at-the-bottom, up-through-the-ranks" structure. These systems are frequently modeled as a Markovian process, where movement through the system is determined by a set of transitional probabilities.* These probabilities are either explicit policies—only a specified percentage of a cohort will be allowed to pass to the next year—or averages of observed behavior over time. In general application today, personnel planners and managers use three kinds of models: steady state, dynamic, and transition. (Doralyn Rossmann, 2005)
1.7.3 Dynamic Model

Dynamic model takes a given, non-equilibrium distribution of personnel and applies a Markovian process to obtain a new personnel profile for a specific period in the future. Thus, though the steady-state/equilibrium solution is not calendar specific, the results of a dynamic model do change from period to period. In real-world applications, desirable steady-state policy solutions are often rejected when the near-term effects, as determined by applying the policies through a dynamic model, are shown to be unacceptable. An example is the analysis of alternative retirement systems developed by the President's Commission on Military Compensation. The steady-state analysis of alternative systems showed the benefits of proposed changes in the retirement rules. But, applying the new policies to the existing force, as was done in a dynamic analysis, revealed the magnitude of the increases in near-term costs associated with the proposals. The proposals were never adopted.

1.7.4 Transition Models

Transition models have gained importance recently, which is goal-linear programming models. They incorporate constraints and objective functions, such as manpower requirements and budget ceilings, and are used to help formulate personnel policies and monitor progress against goals, budgets, and force levels. They are designed to describe the force structure that will come closest to satisfying a given set of manpower requirements given existing personnel constraints. Such applications are useful in the development of "optimal" combinations of policies that deal with a number of real-world constraints simultaneously. (Charnes and, 1961)

1.7.5 Assignment Models

Manpower models are designed to help personnel planners determine the numbers and types of people needed to perform specific tasks. Personnel models are used to predict the likely outcomes of changes in a personnel policy.
Assignment models, by contrast, are designed to match given individuals with given jobs in such a way as to maximize some objective function, subject to a set of constraints. As used today, assignment models are employed in the initial classification and assignment process, as well as the reassignment of individuals. As structured, these models match men and jobs/school seats. They often consider the attributes of assignees, their preferences, and the goals of the Service. (Charnes and Cooper, 1961)

It should be noted that these matches are not optimal over time. A specific match depends on the time that an individual, billet, or school seat is entered into the model, as well as matches performed. The Army recently proposed a multiyear, multimillion-dollar program to expand the present personnel allocation/assignment system and develop a new one that will more than match recruits against the minimum eligibility requirements for job/school seats. Noting the sequential nature of the personnel process, the Army wants to expand its assignment models to be able also to look ahead and answer such questions as these: (a) what is the effect of filling a training seat with a minimally qualified volunteer? (b) What is the "cost" of deliberately leaving a training seat empty? and (c) What is the probability that a more qualified person will become available to fill some specific training seat in the next 24 hours somewhere in the U.S.?

A work of caution for those who develop assignment models: If such models are to be used, they must recognize that their subjects are human, not inanimate, and that people intervene in the assignment process. Many technically elegant models are never used because they are too mechanistic in their approach. Models can help in the assignment process. However, it is not realistic to believe that assignments can be made by computer without human intervention.

1.7.6 Human Resources Capability Model

The model intends to look at the development needs of people working in the HR area with a view to strengthening the capabilities in this area. The Model is
therefore a timely and useful initiative.' This model will provide a useful tool in shaping future development activities for HR practitioners in the challenging times ahead. The Model will be particularly useful to the Services as a tool for linking HR more clearly with organizational strategy.

Figure-1.1 Human Resources Capability Model

The Program is practical in its approach and design with a focus on developing skills that will give HR people greater ability to be effective in strategic HR roles. It helps participants develop the capabilities necessary to understand key
business issues in their agencies and how these issues need to drive HR services and initiatives. HR people have a unique role in their agencies. Working 'at large' across the organization means that they have the opportunity to see and understand challenges being faced across their agencies and assist their agencies in achieving their business outcomes. HR people support the Executive, line managers and staff with HR initiatives designed to get the right people, with the right skills, in the right place at the right time.

The HR Capability Model sets out the skills required of highly effective human resource people, who effect organizational change, build agency capability and strengthen the impact of HR on business outcomes. It can be used by

- HR people to focus on their development needs.
- Agencies to assist in defining the skills required when looking for HR people.
- Agency heads and line managers to see the contribution that HR people can make to business outcomes.

1.7.7 Control Based and Commitment Based HR Model

“For any social group to perform its tasks efficiently and achieve its common objectives, the management of its most important resources - the people - is of utmost importance. Recent thinking has moved from the control-based model to the compliance model. The soft edge of the latter involves eliciting employee commitment and expecting effectiveness and efficiency to follow. The hard edge of the latter involves ridding the organisation of unnecessary layers of middle management which, when stripped of control functions, have very little by way of value added.” (Lundy, 1994)
### Table-1.1 The difference between Control-based HRM and Commitment-based HRM

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Control-Based HRM</th>
<th>Commitment-based HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job design principles</td>
<td>sub-division of work; specific job responsibility - with accountability; planning separate from implementation</td>
<td>broader jobs; combined planning and implementation; teams</td>
</tr>
<tr>
<td>Management Organisation</td>
<td>top-down control and coordination; hierarchy; status symbols</td>
<td>flat structure; shared goals for coordination and control; status minimized</td>
</tr>
<tr>
<td>Compensation</td>
<td>fair day's pay for a fair day's work; job evaluation and appraisal; individual incentives</td>
<td>reinforcing group achievements; pay geared to skill and other contribution criteria; profit sharing</td>
</tr>
<tr>
<td>Employee Voice</td>
<td>Unionised (damage control, bargaining); Non unionised (attitude surveys)</td>
<td>mutual mechanisms for communications and participation; mechanisms for giving employee voice on issues</td>
</tr>
<tr>
<td>Labour Management Relations</td>
<td>adversarial</td>
<td>mutuality; joint problem-solving and planning</td>
</tr>
<tr>
<td>Management Philosophy</td>
<td>the boss dictates; management obligated to stakeholders</td>
<td>fulfilment of employee's needs is a goal rather than an end</td>
</tr>
</tbody>
</table>

Source: Lundy O (1994)

#### 1.7.8 Sub-System Model

A nation with abundance of physical resources will not benefit itself unless human resources make use of them. In fact, human resources are solely responsible for making use of national resources and for the transformation of traditional economies into the modern in industrial economies. Lack of organization of human resources is largely responsible for the backwardness of
the nation. Countries are underdeveloped because their people are underdeveloped. In essence, “the difference in the level of economic development of the countries is largely a reflection of the differences in quality of their human resources”. (Adam, 2003) “The shift from manufacturing to service and the increasing pace of technological changes are making human resources the ingredient to the nation’s well-being and growth. And in a service-oriented industry like banks, railways, the quality, quantity and utilization of human resources become all the important”. (Myrdal, 2006)

Most of the problems in organizational sections are human and social rather then physical, technical or economic. No industry can be rendered efficient so long as the basic fact remains un-recognized that it is principally human. It is not a mass of machines and technical processes but a magnified nervous system.

Management of an organization in modern economies is not only complex and sophisticated but it is also vital influencing the economic growth of a country. Its efficiency determines the property and well being of the people of the nation. “Perhaps today there is no other latest activity which is as important and dynamic as management – the oldest of arts and newest of profession”. One of the fundamental areas is the management of human resources.

Thus, “in the management of four M’s – money, materials, machines and men – it is needless to labor the obvious point that, considering the nature of man, the management of men is not only fundamental but also dynamic and challenging.” (Rudrabasavaraj, 2005)
One of the fundamental tasks of management is to manage human resources, in the service of the economic objectives of the enterprise. Successful management depends not solely, but significantly upon the ability to predict and control human behavior among other things, if a company is economically successful, it means the management has been able to manage human resources effectively. (McGregor, 2004) The human resources are the active force of industrialization, and the strategies for development should concentrate on their enhancement.

Human resources system in an organization is not only unique sub-system but a principal and central sub-system and it operates upon and controls all other sub-systems. Thus, in the words of Weldell French, “Personnel management is a major pervasive sub-system of all organization”. (Drucker, 2006)
Whatever in the environment affects the organization like – economic, social, cultural, legal, political, historic, competitors, consumers, etc., as a whole also affects the personnel system. The human resources system receives inputs from the organization in the form of objectives and it results in individual and organizational performance that may be viewed as individual and organizational output. Both the personnel system and the entire organizations operate under the same cultural, economic, social, legal, political and other constraints.

Hence, greater the effectiveness and productivity of personnel, the more will be the effective functioning of an organization. Drucker (2006) has rightly observed the significance of personnel as "managers are found of repeating the truism that the only real difference between one organization and other is the performance of people. In essence, the survival, development and performance of an organization – although not solely but heavily – depend on the quality of personnel".

1.8 Nature of Human Resources Management

The term Human Resource Management has been understood in different ways by different subject experts. It has been summerised below:

1.8.1 Inherent part of Management

Human resources management is inherent in the process of management. This function is performed by all managers throughout the organization rather than by the personnel department only. If a manager is to get the best of his people, he must undertake the basic responsibility of selecting people who will work under him. Also take interest in training and motivating the employees and of appraising their performance for improving their quality. (Memoria and Memoria, 1996)

1.8.2 Pervasive Function

Personnel management is a pervasive function of management. It is performed by all managers at various levels in the organization. In other words, every
manager from managing director to the foreman is required to perform the personnel function on a continuous basis. It is not a responsibility that a manager can leave completely to someone else. However, he may secure advice and help in managing people from experts who have special competence in personnel management and industrial relations. (Coff, 1997)

1.8.3 Basic to All Functional Areas

Human Resources Management or Personnel Management permeates to all the functional areas of management such as production management, financial management, and marketing management. That is, every manager from top to bottom, working in any department has to perform the personnel functions. Though the personnel department is created under the supervision of a person designated a “Personnel Manager” or “Human Resources manager”, it should not be assumed that the other managers are relieved of this responsibility.

1.8.4 People Centered

The Human Resources Management is people centered and is relevant in all types of organizations. It is concerned with all categories of personnel from top to bottom of the organization. The broad classification of personnel in industrial enterprise may be as follows:

- Blue collar workers (i.e. those working on machines and engaged in loading, unloading etc.) and white collar workers (i.e. clerical employees).
- Managerial and non-managerial personnel.
- Professional (such as Accountant, Company Secretary, lawyer, etc.) and non-professional personnel. (Leonard, 1998)

1.8.5 Personnel Activities or Functions

Personnel management involves several functions concerned with the management of people at work. It includes manpower planning, employment,
placement, training, appraisal and compensation of employees. For the performance of these activities efficiently, a separate department known as Personnel Department is created in most of the organizations. (Barney and Wright, 1998)

1.8.6 Continuous Process

Personnel management is not a ‘one shot’ function. It is to be performed continuously if the organizational objectives are to be achieved smoothly. To quote G.R Terry, “The personnel management requires a constant alertness and awareness human relations and their importance in everyday operations”. (Terry, 2005)

1.8.7 Based on Human Relation

Personnel management is concerned with the motivation of human resources in the organization. The human beings cannot be dealt with the physical factors of production. Every person has different needs, perception and expectations. The managers should give due attention to these factors. They require human relations skills to deal with the people at work. Human relations skills are also required in training, performance appraisal, transfer and promotion of subordinates. If the personnel function is performed properly, the human relations in these organizations will be cordial. (Chhabra, 2007)

Today in HR manager has emerged as an executive who is important, if not more than, as the financial controller or the production manager. His necessitates that he has a global vision and a keen foresight and acts as catalyst or organizational change. HRM is viewed within a free enterprise world, where the factor markets as well as the product market have been liberated. The nature of this relationship will depend on the role of the state, the consciousness of the working class. Alienation of the workforce, anomie, labor aristocracy and the model of the production function will become useful points of reference in any future theories. The model above describes HRM as a line function, which facilitates the
interaction between the owners of capital and the owners of labor power, so that the objective function of the organization is optimized hence there is a need to study organizational effectiveness and organizational development. (Gratton, 1998)

1.8 Functions of Human Resource Management

The central focus for HR management must be on contributing to organizational success. As Figure 3 depicts, key to enhancing organizational performance is ensuring that human resources activities support organizational efforts focusing on productivity, service, and quality.

**Productivity:** As measured by the amount of output per employee, continuous improvement of productivity has become even more important as global competition has increased. The productivity of the human resources in an organization is affected significantly by management efforts, programs, and systems.

**Quality:** The quality of products and services delivered significantly affects organizational success over the long term. If an organization gains a reputation for providing poor-quality products and services, it reduces its organizational growth and performance. An emphasis on quality requires continuous changes aimed at improving work processes. That need opens the door for reengineering the organizational work done by people. Customer value received and satisfaction become the bases for judging success, along with more traditional HR measures of performance and efficiency.

**Service:** Because people frequently produce the products or services offered by an organization, HR management considerations must be included when identifying service blockages and redesigning operational processes. Involving all employees, not just managers, in problem solving often requires changes in corporate culture, leadership styles, and HR policies and practices.

To accomplish these goals, HR management is composed of several groups of interlinked activities. However, the performance of the HR activities must be done in the context of the organization, which is represented by the inner rings in Figure-3. Additionally, all managers with HR responsibilities must consider
external environmental forces—such as legal, political, economic, social, cultural, and technological ones—when addressing these activities. These external considerations are especially important when HR activities must be managed internationally, the HR activities for which a brief overview follows are:

**Figure-1.3 Human Resource Management Activities**

1.8.1 HR Planning and Analysis

HR planning and analysis activities have several facets. Through HR planning, managers attempt to anticipate forces that will influence the future supply of and demand for employees. Having adequate human resource information systems (HRIS) to provide accurate and timely information for HR planning is crucial. The importance of human resources in organizational competitiveness must be addressed as well. As part of maintaining organizational competitiveness, HR analysis and assessment of HR effectiveness must occur. The internationalization of organizations has resulted in greater emphasis on global HR management. Equal Employment Opportunity Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR
activities and is integral to HR management. For instance, strategic HR plans must ensure sufficient availability of a diversity of individuals to meet affirmative action requirements. (Ragburam and Arvey, 1994)

1.8.2 Staffing
The aim of staffing is to provide an adequate supply of qualified individuals to fill the jobs in an organization. By studying what workers do, job analysis is the foundation for the staffing function. From this, job descriptions and job specifications can be prepared to recruit applicants for job openings. The selection process is concerned with choosing the most qualified individuals to fill jobs in the organization. (Summers and Summers, 1997)

1.8.3 HR Development
Beginning with the orientation of new employees, HR training and development also includes job-skill training. As jobs evolve and change, ongoing retraining is necessary to accommodate technological changes. Encouraging development of all employees, including supervisors and managers, is necessary to prepare organizations for future challenges. Career planning identifies paths and activities for individual employees as they develop within the organization. Assessing how employees perform their jobs is the focus of performance management. (Duncan, Ginter and Swayne, 1998)

1.8.4 Compensation and Benefits
Compensation rewards people for performing organizational work through pay, incentives, and benefits. Employers must develop and refine their basic wage and salary systems. Also, incentive programs such as gain sharing and productivity rewards are growing in usage. The rapid increase in the costs of benefits, especially health-care benefits, will continue to be a major issue. (Joan E. Pynes, 2000)

1.8.5 Health, Safety, and Security
The physical and mental health and safety of employees are vital concerns. The traditional concern for safety has focused on eliminating accidents and injuries at work. Additional concerns are health issues arising from hazardous work with certain chemicals and newer technologies. Through a broader focus on health,
HR management can assist employees with substance abuse and other problems through Employee Assistance Programs (EAP) in order to retain otherwise satisfactory employees. Employee wellness programs to promote good health and exercise are becoming more widespread. (Sisson, 1993)

Workplace security has grown in importance, in response to the increasing number of acts of workplace violence. HR management must ensure that managers and employees can work in a safe environment. (Gillian Flynn, 1997)

1.8.6 Employee and Labor/Management Relations

The relationship between managers and their employees must be handled effectively if both the employees and the organization are to prosper together. Whether or not some of the employees are represented by a union, employee rights must be addressed. It is important to develop, communicate, and update HR policies and rules so that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well. (Spencer, 1995)

1.8.7 Performance Appraisal

Performance Appraisal is a process of systematically evaluating Performance and providing feedback upon which Performance Adjustments can be made. Similarly, (Nelson, 1991) has defined Performance Appraisal as a comparison of actual Performance with expected to assess an employee contribution to the organization. Performance appraisal play very important role for overall development of human resources.

"Human Resources Development is the process by Which corporate management stimulates the motivation of employees to perform productively. Performance Appraisal is a part of Performance Management.

Performance Management may be defined as “Multi-step process of aligning employees' work behaviors with the strategy and goals of the organization. It is the process of creating a work environment in which people are enabled to perform to best of their abilities. It is based on the principle of
management system by agreement rather than management by command. A performance measurement system is a tool for implementing strategic planning and achieving continuous improvement at all levels of an organization. (Becker & Gerhart, 1996)

Performance Management essentially consists of Performance planning, Performance analysis, Performance appraisal, Performance development, Performance management audit.

Performance appraisal is one tool available to successfully manage performance management process. Performance Appraisal may be defined as "The process by which an employee's contribution to the organization during a specified period is assessed." It is an important strategic management tool.

With the passage of time the role of HR has changed from conventional to modern one. The transforming of these functions is given in the figure-4.

**Figure -1.4 Shifts in HR Management**

![Figure -1.4 Shifts in HR Management](image-url)

SOURCE: Watson, 2008
1.9 Balanced Scorecard Approach

The BSC provides executives with a comprehensive framework that translates a company’s vision and strategy into a coherent set of performance measures. BSC translates mission and strategy into objectives and measures, organized into four different perspectives; financial, customer, internal business process, and learning and growth. The scorecard provides a framework, a language, to communicate mission and strategy; it uses measurement to inform employees about the drivers of current and future success. A lot of people think of measurement as a tool to control behavior and to evaluate past performance. However, the BSC should be used in a different way – to articulate the strategy of the business, to communicate the strategy of the business, and to help align individual, organizational, and cross-departmental initiatives to achieve a common goal. The BSC should be used as a communication, informing, and learning system, not a controlling system. (Kaplan & Norton, 1996)

1.10 Human Resource Information Systems (HRIS)

Computers have simplified the task of analyzing vast amounts of data, and they can be invaluable aids in HR management, from payroll processing to record retention. With computer hardware, software, and databases, organizations can keep records and information better, as well as retrieve them with greater ease. A human resource information system (HRIS) is an integrated system designed to provide information used in HR decision making. (Wolfe, 1998)

1.10.1 Uses of an HRIS

An HRIS has many uses in an organization. The most basic is the automation of payroll and benefit active ties. With an HRIS, employees’ time records are entered into the system, and the appropriate deductions and other individual adjustments are reflected in the final paychecks. As a result of HRIS development and implementation in many organizations, several payroll functions are being transferred from accounting departments to HR departments.
Another common use of HRIS is EEO/affirmative action tracking. Beyond these basic activities, many other HR activities can be affected by the use of an HRIS.

Figure-1.5 Uses of a Human Resource Information System (HRIS)

Source: Susan Wolfe, 1998
1.11 Organizational Effectiveness

Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to procure. Even with the best management, superior strategy and flawless execution an organization can be less successful than it could be. Organizations who understand employees as partners stand a much better chance of achieving high organizational effectiveness and efficiency. "Organizational effectiveness is about each individual doing everything they know how to do and doing it well". The need to align people's skills with business goals in an ever more competitive market has become a continuous need that needs to be satiated. The best business strategy requires the best people strategy. People drive an organization's success. (Smith and Marinakis, 1997)

Effectiveness tends to refer goal-achieving behavior & its result & efficiency refers to input-output relationship. It involves many approaches in conceptualizing the term “Effectiveness”. These approaches can be grouped into three:

- Goal Approach
- Functional Approach
- System Resource Approach
- Organizational Development Approach
- Balance Scorecard Approach
Figure 1.6 Overview of the Evaluation Process for HR

- **Organizational Goals**
  - Profitability
  - Market Share
  - Survival
  - Others

- **Finance Goals**
  - Net Profit
  - Return on Investment

- **HR Goals**
  - Productivity
  - Quality
  - Service
  - Others

- **Marketing Goals**
  - Market Share
  - Sales Growth

- **HR Efforts to Meet Goals**
  - Planning
  - Legal Compliance
  - Staffing
  - Development
  - Compensation
  - Employee Relations

- **Measure Outcomes of Efforts**
  - Collect Data
  - Standards

- **Compare Performance to Measurable Standards**
  - Benchmarking
  - Internal Cost Standards

- **HR Efficiency/Effectiveness**

- **Organizational Effectiveness**

Source: Mark Smith and Susan Marinakis, 1997
Chapter- 1 Conceptual Framework of Human Resource Management

1.12 Conclusions

Human resources play a crucial role in the development process of modern economics. With increasing globalization of economy, market palace has become increasingly complex, competitive and highly uncertain. It is the difficult task to manage the people. The greatest resources of the world are the human resources. Without human resources nothing could achieve. Human Resources Development is organized learning experiences provided by employers within specified time to bring about the possibilities of performance. It is forecasting long term work related learning capacity at individual, group and organizational level. In order to developed the human resources there is a need not only by providing training and development but also there is a need to make a performance appraisal and potential appraisal among the workforce and senior level human resource too. Therefore the innovative method of human resources management and it appraisal are being adapted by mangers from time to time. The Balanced Scorecard Method is the one of the latest technique for managing the human resource effectively. After going through the concept of Human Resource Management in detail, the next concern is to discuss the conceptual framework of Balance Score Card. The conceptual framework of Balance Score Card is discussed in detail in the next chapter.