Chapter 1
Introduction to Human Resource Management

1.1 Introduction:

"If you pick the right people and give them the opportunity to spread their wings and put compensation as a carrier behind it, you almost don't have to manage them."

Jack Welch

Human Resource Management involves all management decisions and actions that affect the relationship between management and the employees. In recent years increased attention has been devoted to how organizations manage human resources. Human Resource Management is primarily concerned with how people are managed within organizations, focusing on policies and systems. Within each functional area of human resource management, many activities must be accomplished so that the organization’s human resources can make an optimal contribution to the organization’s success. There are various core functions of human resource management such as manpower planning or human resource planning, recruitment and selection, training and development, performance appraisal, wage and salary administration, industrial relation, workers participation in management etc.

In this chapter, Researcher has discussed technical terms and concepts relating to Human Resource Development (HRD) policy, Motivation and Performance. HRD policy is a statement of intention, which indicates an agreement to a general course of action, indicating specifically what the organization proposes to do and thus suggests the values and viewpoints, which dominate the organization’s actions and also it is a positive declaration and a command to an organization. These policies translate the goals of an organization into selected routes and provide general guidelines that both prescribe programmes which, in turn, dictate practices and procedures. These various policies increase motivation and performance of employees. Organization applies tools and techniques of motivation and reviews the employee’s performance appraisal. There are various key terms related to human resources. These are as following.
1.2 Key Terms Used

Various concepts and technical terms frequently used in the discussions on Human Resource Development, Policies and Practices have been defined in this section.

1.2.1 Human Resource - According to Leon C. Megginson- “The total knowledge, skills, creative abilities, talents and aptitudes of an organizations workforce, as well as the value, attitudes and beliefs of the individuals involved.”

1.2.2 HRD (Human Resource Development) - The Concept of HRD formally introduced by Leonard Nadler in 1969 in a conference organized by the American Society for Training and Development. Leonard Nadler defines HRD as-“Those learning experiences which are organized for a specific time and designed to bring about the possibility of behavioural change.”

Among the Indian authors T.Ventateswara Rao worked extensively on HRD. He defines HRD in the organizational context as a process by which the employees of an organisation are helped in a continuous, planned way to-

1. Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
2. Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and organizational development purposes.
3. Develop an organizational Culture in which superior –Subordinate relationship, team work and collaboration among sub-units are strong and contribute to the professional well-being motivation and pride of employees. Next part that follows key to organizational success for HRD and objectives of HRD are in details-

1.2.3. Key to organizational success for HRD - This is the LPG world. In this Liberalisation, Privatisation and Globalisation environment, all business firms are dynamic. They have been changing continuously in terms of technology because of the competition. However, there is a need for a systematised HRD system in the organisations. That’s why there are some reasons as to why a systematised human resource development policy is needed.
1. Changing Job designs
2. Need for multi-skilled Human Resources
3. Increasing the knowledge and skills
4. Changes in Economic Policies
5. Changing Business Environment
6. Technological Advances
7. Sound Human Relationship
8. Decreasing Organizational Complexity
9. Individual Goal and organizational Goal.\(^4\)

HRD is one of the essential parts of the human resource management. It increases the skills and abilities of employees. The broader angle of human resource management is as follows-

### 1.3 Human Resource Management-

**1.3.1 Meaning and Definition:** Human Resource Management means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements with a view to contribute to the goals of the organization, individual and the society.

**Definition:** According to Pulapa Subba Rao, “Human Resources Management (HRM) is managing (Planning, organizing, directing and controlling) the functions of employing, developing, compensating and utilizing human resources, resulting in the creation and development of human and industrial relations which would shape the future policies and practices of human management, with a view to contribute proportionately (due to them) to the organizational, individual and social goals.”\(^5\)

**1.3.2 Significance of Human Resource Management in Twenty-First Century:** Human Resource Manager plays a crucial role in organization. Organizational success is not only based on conventional factors such as large size, a unique image, the right market niche, competition in the market share, but on how human resources are treated. The word "human resources," is shifted from "personnel.

The following reasons make Human Resource Management significant-
1. **Goals and Objectives:** Employees accomplish these goals and objectives through the human resource management.

2. **Motivation:** Human resource management provides suitable and most productive employment, which might bring them psychological satisfaction. It motivates them through sound HRD policies and practices.

3. **Maximum Utilization:** HRM makes maximum utilization of the resources in an effective manner and paying the employee a reasonable compensation in proportion to the contribution made by him.

4. **Sound Relationship:** Sound Human Resource Management practices can help the organization to create and maintain co-ordinal relationship between the employer and employee. It can avoid lay-off, lock-outs, strikes, absenteeism.

5. **Proper team work:** Effective Human Resource practices provide knowledge to individual’s team work and adjustment. The individuals become very comfortable while working in team, thus team work improves the performance of an individual.

6. **Right recruitment and selection:** HRM maintains a balance the jobs available and the jobseekers according to the qualifications and needs. In multinational company, human resource manager faces all the challenges related to various issues. Global perspective of HRM is as follows.

### 1.3.3 Global Perspective of HRM-

Human resource management plays a key role in globalization. Global or international human resource management is the process of employing, developing and rewarding people for their performance in international or global organizations. In multinational company latest technology, new trends in business environment, changing production methods and working are continuously demanding more qualified, skilled, competent, talented, committed and devoted workforce to face the challenges in HRM in globalization era. There are various issues in international or global human resource management. Now-a-days, the industries have realized the importance of human resources in the organizations. The employees are valuable asset of the organization. In order to acquire and retain the competent workforce, the organizations are prepared to develop and implement the best practices by incurring heavy cost on development of the
human resources to have better performance on their part so that the challenge arisen in this competitive world can be faced efficiently.

After discussing the various dimensions of HRM, the next part is important i.e. Human Resource Development Policy which provides continuing guidelines on how people should be managed in the organization.

1.4 Human Resource Development Policy-

1.4.1. Definition: Yoder -“Policy is a pre-determined selected course established as a guide towards accepted goals and objectives. It represents a network of selected courses and intentions and facilities delegation to lower levels limiting the range of individual decisions. It gives rise to management by exception, enabling the higher management to concentrate on complex problems which are not covered by it.”

1.4.2 Types of HRD Policies or Personnel Policies-

There are two types of HRD or Personnel Policies. These are functional or organizational grouping of policies and the centralized policies.

The functional grouping of policies are those policies which are grouped for different categories of personnel i.e. its related to main functions of manager, HR planning or personnel planning, organizing, directing, developing and utilizing manpower properly.

The Centralized policies are framed for companies with several locations. They are formulated at the head office of the company and its distributed and applied throughout the company or organization. Also policies may be classified into two parts i.e. major and minor. Major policies covered over-all subjects, major objectives and procedures of an organization which is related to finance, production, sales, marketing, personnel and other. Board of director has the right to formulate these policies and then it circulated to other managers, executives. Minor policies are the outgrowth of major policies and preserve their unity of purpose. It covers relationships in a segment of an organization, with considerable focus on details and procedures.
1.4.3 Formulation of HRD Policy-

When the organization wants to make a HRD Policy manual, the first step is to organize a policy making body. It consists of top executives and functional staff. Explicitly staff members provide specialized knowledge, skill and prepare tentative drafts of policy statement. Policy making body should consider all the suggestions from all sources. Indeed, attempts should be made to obtain the reactions and suggestions of employees and supervisors employing attitudinal surveys.

In addition, while formulating policies, attempts are also made to balance values and objectives, needs and goals of different parties involved and to assess their impact on working relationships competence on the part of the policy formulates. The competence in policy formulation can be assessed by the extent of acceptance, support and identification of an employee with the specific policies developed. In formulation of policy, participation of employees can be great help. Participation leads to enhanced commitment and motivation of employees. Manager and policy making body also should think about the principles of policy. It will be give benefit to the organization and employees.⁹

1.4.4 Implementation and Testing of HRD Policy-

A Policy must be implemented skilfully to obtain desired results. The HR department should send the policy draft to the top management for its approval.

The HRD policy should be communicated in written form to participants to maintain exactness and precision. After getting the approval of the top management this process starts. The employer’s manual can be used to publish the policies effectively. The statement of policy should be accompanied by its rationale, and background as well as the readers should be requested to make quires, if any.

Sometimes, managers themselves not agree with the policy which they have to implement. In such a situation, organisation should find out the draw backs and to take remedial actions accordingly. Moreover, attempts should be made to establish an
education programme to teach the managerial personnel how to solve different personnel problems in the light of the new policies.

**Testing** - The best test of the policy relates to its historic performance. Yoder provides six criteria to assess the effectiveness of a Policy. First, it should be precisely asserted to make its purpose explicit. Second, it should be in line with public Policy. Third, the general Policy should have uniformity in the entire organizational setting. Forth, it should possess a maximum degree of acceptability among the participants in the organisation. Fifth, it should be based on a proper theory. Last but not the least; it should be subjected to constant review and assessment. Good Policy pays in many ways. From time to time the Policy should be evaluated in terms of experience of those who use it and of those who are affected by it.\(^10\)

1.4.5 **Core Procedures and Programmes of HRD Policy** –

Personnel or HRD Policies are an expression of intents and plans of managements design to attain the objectives of an organization. They are a guidelines and a plan of action. The success of personnel policies is determined largely by three areas of activity – The success of the top management how they determines labour policies wisely. The success is also depending upon the personnel manager that how they interprets these personnel policies properly, and the success of the line executives themselves, particularly the first line supervisors, in fulfilling their obligations to management and to the workers by interpreting policies wisely.

The details of above some specific procedures and programmes of HRD Policies are as following.\(^11\)

1. **Human Resource Forecasting and Planning**-

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. Human Resource Planning has got an important place in the arena of industrialization. It includes importance, need and process of Human resource forecasting and planning.
Importance of Manpower Planning-

1) Human Resource planning is a key to all managerial functions.
2) Setting of large scale enterprises requires management of large scale manpower. It can be effectively done through staffing function.
3) It helps in creating and maintaining better human relations.
4) It helps to take steps to improve human resources contributions in the form of increased productivity, sales, turnover etc.

Process of Human Resource Planning-

a) Formulating the objective of the company
b) Analyzing current objectives of human resource or manpower
c) Forecasting manpower needs
d) Estimating the man power or human resource supply
e) Formulating the human resource or manpower plans

2. Recruitment and Selection-

Edwin B. Flippo defined recruitment as “The process of searching for prospective employees and stimulating them to apply for jobs in the organisation.”

Objectives of Recruitment-

1) To attract people in the organization with good skills and experiences that suits the present and future organizational strategies.
2) To add a fresh blood and new ideas at all levels in the organization
3) To develop an organizational culture that attracts competent people to the company
4) To search a creative people whose skills fit the company’s values
5) To search for talent globally and not just within the company.
Sources of Recruitment

In the sources of recruitment there are basically two main sources-

- Present permanent or Employee referrals
- Temporary employees Walk-in-consult in
- Retired employees Head hunting
- Disabled retired Mergers and Acquisitions
- And permanent employees Reputed Institutions
- Campus Recruitment Tele Recruitment
- Private and Public Outsourcing
  Employment Exchange
  And Agencies

After the recruitment process, selection process starts.

Selection- After recruitment, selection process starts. The development of job analyses, human resource planning and recruitment are necessary perquisites to the selection process. Selection procedure is as follows-

1. Receiving and screening the application
2. Blank Application Form
3. Written Examination
4. Preliminary Interview
5. Tests
6. Final Interview
7. Medical Examination
8. References Verification
9. Opportunity of Job Offer
3. Training and Development-

The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. Each organization or company should have well-established training policy. This policy may represent the top management’s commitment to the training of its employees and comprises rules and procedures governing the standard of scope of training.

Training Methods—There are basically main two types of training methods i.e. i) On the Job Training ii) Off the Job Training

4. Employee Benefits:

The organisation or company facilities following benefits to the employees-

The Company provides the premium payments. It includes holiday payments, overtime pay, shift differentials, the cost of living bonus, and bonus in lieu of vacation. Also Leave and Travel facility, Loan facility, health and safety benefits, rewards in various forms, uniforms of employees, various monetary and non-monetary incentives etc.

5. Communication with Employees on all levels-

Communication policy may be cover suggestions system in which any employees can give any suggestions related to organizations matter and the organization give
rewards for best suggestions. Also this policy covers formal or informal meetings between top management and junior management. This policy may be reduces the gap between employer and employee. It increases the motivation and performance of the employees in the organization. This is important policy for the development of the employees as well as for the organization. It creates and maintains sound and healthy relationship between employer and employee.  

6. Promotion

Promotion is a greatest opportunity of employees in his career. Promotion means the advancement of an employee from one job position to another job position that has higher salary range, a higher level job title and often, more and higher level job responsibilities is called a promotion.

7. Performance Appraisal

After the employee’s recruitment and selection, training the evaluation of performance is essential. Performance appraisal is the mechanism to assess the contribution of all human resources working at each level of an organization during a specific period of time. Performance appraisal enables the employees to know as to what is a standard performance. They can make comparison between the two performances.

It is a crucial method of judging the relative worth or ability of an individual employee in performing his tasks. It builds a good relationship between employer and employee. Performance appraisal is done by the immediate supervisors or a specially trained person meant for the job. It is a systematic and objective way of evaluating both work related behavior and potential of employees. This process determines and communicates to an employee how he is performing the job and ideally establishing a plan of improvement.

8. Health and Safety: Health and Safety policies cover provision of health and safety places and system of work to employees where they work. Written health and safety policies are required to demonstrate that top management is concerned about the
protection of the organization’s employees from hazards at work and to indicate how this protection will be provided. They are, therefore, first a declaration of intent is necessary. Second, a definition of the means by which that intends will be realized and third, a statement of the guidelines that should be followed by everyone concerned—which means all employees –in implementing the policy. To protect employee’s health and safety is primary responsibility of the organization or company.\(^\text{18}\) Armstrong p.961

9. **Reward:** The Reward policy which may be increases the motivation and performance of employees. This policy could cover such matters as rewards are in two types- monetary or non-monetary. Providing an equitable pay system to all employees in all levels. Equal pay for work of equal value. Paying for best performance, competence, skill or contribution in the organization. Participate in the success of the organization i.e. gain sharing or profit sharing. The relationship between levels of pay in the organization and market rates. The provision of employee benefits, including flexible benefits, if appropriate.\(^\text{19}\)

10. **Career Planning:** Career planning policy is an important for the growth. It may be increases knowledge, skills and widespread increase in job opportunities. It may be creates and maintains sound relationship between employer and employee. The process of career planning and development is as follows-

1. Identify and analysis of potential, individual skills, knowledge, abilities, aptitudes, new ideas, strategy.
2. Analysis of career opportunities both within and outside the organization.
3. Analysis of career demands on the incumbent in terms of skills, knowledge, abilities, aptitude etc. and in terms of qualifications, experience and training received etc.
4. Relating specific jobs to different career opportunities.
5. Establishing short-term and long-term realistic goals and targets.
6. Formulating career strategy covering areas of change adjustment.
7. Preparing and implementing action plan including acquiring resources for achieving goals.\(^\text{20}\)
11. **Appreciation of e-mail suggestions**- Some companies have always believed that reasonable use of the telephone is acceptable and that policy may be extended to the internet. This policy state that the sending or downloading of offensive e-mails is prohibited and that the senders or downloader’s of such messages are subject to normal disciplinary procedures. Many companies accept employees’ suggestions through internet appreciate it and provide reward to best suggestions. It gives motivation to employees.\(^{21}\)

12. **Leave and Travel Policy** Under this leave and travel policy, it assistance employee to enjoy their holidays. LTA (Leave and travel assistance) is given to all confirmed associates. It is paid by company which is considered as a remuneration of employees. LTA can be claimed as per Income Tax Rules for travel in India. Tax exemption under this scheme is as per Income Tax Rules section 10. The LTA cycle for an associate is on a calendar year basis and for new associates it’s on completion of twelve months. Leave per year for accounting purposes is as per the financial year i.e. from 1st April (current year) to 31st March (next year).\(^{22}\)

13. **Compensation Package**- Compensation Package consists of two kinds of payments during employment and after employment. In during employment package consists of four main components the basic salary, cash allowances, bonus and non-cash perquisites. In allowances it consists of dearness allowance, house rent, travel allowance, daily allowance in case of outstation travel, shift allowance etc. The concept allowance is based on the cost of living index as dearness alliance and house rent allowance are to compensate for the extra efforts needed to perform ones normal duties. Perquisites or perks include such children’s education, paid holidays, generous medical benefits, furnishing and refurnishing of residence and many such perks.\(^{23}\) HRD Policy is the framework of valuable guidelines and it implements in HRD Practices. In the next part researcher focuses on importance of HRD Practices in detail.
1.5 HRD Practices

There are various important HRD Practices followed by the organization. Such as manpower planning, staffing, apprising, compensating, training and development, employee influence, work systems, changes in strategies, changes in choices etc. Well planned and implemented HRD practices can influence financial and other performance indicators of corporations by generating employee satisfaction, which in turn can influence customer satisfaction.

HRD practice means any practice that deals with enhancing competencies, commitment and culture building can be considered an HR Practice.

1.5.1. Importance of HRD Practices- the HRD department or the function has sometimes been treated as an HRD instrument as it is essentially for development. Human Resource Development through education, training and development of employees at all levels is a vital component.

Good HRD practices may build the competencies and commitment of employees to such an extent that they make sure that the other variables are taken care of to a great extent. These practices make an organization differently on various ways. They increase internal capabilities of an organization to deal with current or future challenges to be faced by an organization. It creates and maintains the loyalty of employees through the
organization. Yeung and Berman (1977) point out that HR practices can play three major roles. These are:

1. Building critical organizational capabilities
2. Enhancing employee satisfaction
3. Improving customer and shareholder satisfaction

Sound HRD policies and practices impacts on increasing motivation of employees. In the next part the researcher tries to focus on various angles of motivation in detail.

1.6 Motivation

1.6.1 Meaning and Definition- The term motivation is derived from the Latin word 'movere’ which means ‘to move’. Motivation encourages people to take better imitative and interest in the work assigned. Motivation of a person influences his own behaviour.

Motivation increases the performance of the employees. A basic principle is that the performance of an individual depends on his or her ability backed by motivation. There is a principle of motivation is performance = \( f(\text{ability} \times \text{motivation}) \)

Definition-According to MC Farland- “Motivation refers to the way in which urges, drives, desires, aspirations, and strivings or needs direct, control or explain the behaviour of human beings.”

1.6.2 Objectives of Motivation:
1. To create sound conditions in which people are willing to work with enthusiasm, interest.
2. To provide a high individual, group moral satisfaction with a sense of responsibility, loyalty and discipline.
3. To create a positive attitude towards the organization.
4. To increase a loyalty, devotion of hearts, minds and souls.
1.6.3 Techniques of Motivation:

These are classified in two types:  

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<thead>
<tr>
<th>Financial Techniques of Motivation</th>
<th>Non-financial Techniques of Motivation</th>
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<tbody>
<tr>
<td>Wage and salary</td>
<td>Delegation of Authority</td>
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<tr>
<td>Bonuses</td>
<td>Participation in Management</td>
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<td>Profit-sharing</td>
<td>Job Security</td>
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<td>Leave with pay</td>
<td>Job Satisfaction</td>
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<td>Allowances</td>
<td>Job Enlargement</td>
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<td>Medical reimbursement</td>
<td>Job Rotation</td>
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<td>Reinforcement</td>
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<td>Quality of Work Life</td>
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1.6.4 Essentials of a Sound Motivation System-

Motivation is a state of mind. High motivation leads to high morale and greater production. A motivated employee gives his best to the organization. A sound motivation system in an organization should have the following features:


1.6.5 Theories of Motivation-

Theories of Motivation - There are mainly two types of theories i.e. classical or traditional theories of motivation and modern theories of motivation.

1. Classical or Traditional Theories of Motivation - This is the first type theory. The motivation concepts were mainly developed around 1950’s. During this period, three main theories were made. These three classical theories are as follows:-
1. Maslow’s hierarchy of needs theory
2. Herzberg’s Two factor theory
3. Theory X and Theory Y

2. Herzberg’s Two Factor Theory of Motivation-

According to Herzberg, the first group of needs is such things as company policy and administration, supervision, working conditions, interpersonal relations, salary, status, job security and personal life. Herzberg called these factors as ‘dissatisfactory’ and not motivators. By this, he means that their presence or existence does not motivate in the sense of yielding satisfaction, but their absence would result in dissatisfaction. These are also referred to as a ‘hygiene’ factor which is shows the following figure:

**Herzberg’s Classification of Maintenance and Motivational Factors**

<table>
<thead>
<tr>
<th>Maintenance Factors or Dissatisfies or Hygiene Factors</th>
<th>Motivational Factors or Satisfiers</th>
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<tbody>
<tr>
<td>Job Context</td>
<td>Job Context</td>
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<tr>
<td>Extrinsic Factor</td>
<td>Intrinsic Factors</td>
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<tr>
<td>Company Policy and Administration</td>
<td>Achievement</td>
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<td>Quality of Supervision</td>
<td>Recognition</td>
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<td>Relations with Subordinates</td>
<td>Advancement</td>
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<td>Peer Relations</td>
<td>Work Itself</td>
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<td>Pay</td>
<td>Possibility of Growth</td>
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<td>Job security</td>
<td>Responsibility</td>
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<td>Work Conditions</td>
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<td>Status</td>
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</table>
3. Theory X and Theory Y-Douglas McGregor was the founder of this X and Y theory. He was formulated this theory in 1960. According to theory X and Y, X type of People possess negative attitudes and Y type of people possess positive attitudes.36

![Diagram of Theory X and Theory Y]

Maslow’s hierarchy of needs theory37

4. Fear and Punishment Theory-

This approach involves the use of coercion and threat, close supervision and tight control of behaviour. The main purpose behind this approach is that people work for the sake of money and that they will work only to ensure that the job is not lost. Management assumed that workers were imbued with self-interest and self-preservation. The approach was authoritarian and military in tone and individual had no option but either to “toe the line or leave the job.” It was based on “neither makes reply, nor reason why, but do not die”.

This approach worked well when workers were living on the fringe of starvation. It leads to frustration and is especially difficult during times of full employment. Therefore, this approach is not suitable to motivate people.38
5. Reward (“Soft” OR “Weak”) Theory-

This approach focuses to motivate people by providing the offer of some reward and good working conditions to work better and harder. Frederic Taylor was formulated this theory. He said” Give a man more money and he will produce more”.

The problems are in this theory is that it leads frequently to indifferent performance. Sometimes people take advantage of this approach. They continually expect more, but they give less and less.

6. Carrot and Stick Approach Theory-

This approach focuses that people motivates when they gets rewards in various forms, it increases their performance. Persons are rewarded for special accomplishments but are penalized if their performance falls below some minimal level.

Vroom and Deci observe that organization-mediated rewards and penalties have most clear-cut motivational effects where the outcomes, on the basis of which rewards and penalties are allocated, are under the control of an individual. Where such control is weakened, the motivational advantages tend to break down.

This approach is meaningful only so long as an individual is struggling for subsistence. It does not work at all once he has reached an adequate subsistence level and is motivated primarily by higher needs. Traditional theories provide the knowledge of motivation. Other than modern theories of motivation is also important.

B. Modern Theories of Motivation-

The contemporary or modern theories of motivation are explained below:

1. The Porter and Lawler Model-

This model starts with the premises that a) motivation (effort or force) does not equal satisfaction and/or performance. Motivation satisfaction and performance are all separate variables and related in different ways b) effort (force or motivation) does not directly lead to performance. It is mediated by abilities or traits and role perceptions and
c) the rewards that follow and how these are perceived will determine satisfaction. This model suggests that performance leads to satisfaction. Efforts, Performance, rewards, and satisfaction are major variables in the model.

This model is more application-oriented; it is still quite complex and has proved to be a difficult way to bridge the gap to actual management practice. It states that i) Management should go beyond traditional attitude measurement and attempt to measure variables such as the values of possible rewards, the perception of the effort-reward possibilities and role perceptions. These variables can help managers better understand what goes into employee effort and performance. ii) The managers should critically re-evaluate concentrated effort to measure how closely levels of satisfaction are related to levels of performance.40

2. Alderfer’s ERG Theory –

This theory was proposed by Alderfer. It is the modified version of Maslow’s Need Hierarchy Theory. Basically this theory explains three types of needs- Existence, relatedness and growth needs.

**Existence Needs**- Existence needs are concerned with survival or physiological well-being.

**Relatedness needs**- This needs talk of the importance of interpersonal and social relationships.

**Growth needs**- This needs are concerned with the individual’s intrinsic desire for personal development.41

3. Mc Clelland’s Theory of NeedsDavid C. McClelland, a Harvard psychologist, has proposed that there are three major relevant motives or needs in work-place situations. According to him, the motives are: 1. the need for achievement 2. The need for application 3. The need for power

McClelland found that, achievement motive is a “desire to perform in terms of a standard of excellence or to be successful in competitive situations.” In his opinion, “high
achievers” differentiate themselves from others by their desire to do things better. The need for application is closely related to having a strong desire to maintain close friendship and to receive affection from others. Such people constantly seek to establish friendly relationships. Last the need for power is closely related to managerial success. People with high needs for power situations in which they can get and maintain control of the means for influencing others. They like being in the position of making suggestions giving their opinions, and talking others into things. This satisfies their need for “power”.

4. **Goal Setting Theory of Motivation**—Edwin Locke developed this goal setting theory of motivation in 1960’s. It explains that in any small, medium and large organization at any level of individual, team and organization, goals determine is necessary. For increasing productivity and accomplishing higher task performance, setting goals are necessary. It gives direction to employees.

The main feature of this theory is as follows—Goals should be SMART (Specific, Measurable, Achievable, Relevant and Time Bounded). It gives motivation to individuals and becomes competitive to face any challenge in organization.

5. **Equity Theory of Motivation**—

Credit of developing this theory goes to J.Stacy Adams. This theory stipulates that employees compare the ratio of their outcome to their input to the job against the ratio of the outcome over the input of other relevant persons. This can be presented as below:

\[
\frac{\text{My outcome}}{\text{My input}} = \frac{\text{other’s outcome}}{\text{other’s Input}}
\]

When the ratio is equal to zero, equity is perceived. Input is any effort, offer or trade in exchange with the organization, and outcome comprises of those factors that the organization is perceived to offer in return for input(e.g. pay, promotion, better working conditions, etc.). Existence of inequity is tension-generating, and individual’s attempt to reduce it by changing in the comparison to others, changing once perception of input and outcome or by leaving the exchange relationship.
6. Vroom’s Expectancy Theory of Motivation-

The expectancy theory was developed by Victor H. Vroom and it expands upon those developed by Maslow and Herzberg. The theory states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome to the individual.

This theory states that employee’s motivation is an outcome of how much an individual wants a reward i.e. Valence, the assessment that the likelihood that the effort will lead to expected performance and the belief that the performance will lead to reward. Expectancy Theory considers one’s perspective most important in motivation. People will be motivated to undertake those activities that they find attractive and achievable. An important contribution Vroom’s theory is that it expands how the goals of individuals influence their effort and that the behavior individuals select depends upon their assessment of the probability that the behavior will successfully lead to the goals.

After motivating to employees evaluating their performance is necessary. Whenever motivation to employees is the investment and performance is the output of any organization. Next part that follows various issues related to performance in detail.

1.7 Performance –

1.7.1 Meaning and Definition: Employees performance is the output of efforts and it is a rating system used in many organizations to determine the skills, abilities, talents and output of an employee. Organizations divided the performance into five components: Planning, monitoring, developing, rating and rewarding.

Definition

1) “The degree of success of an investment in making money for you”.
2) “The job related activities expected of a worker and how well those activities were executed. Many businessperson directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify suggested areas for improvement.”

The organization should identify dimensions, which are broad aspects of performance. A performance appraisal is a systematic and periodic process which assesses an individual employee’s job performance and productivity in relation to certain pre-established criteria and organizational objectives. The various dimensions of performance appraisal are in details.

1.7.2. Performance Appraisal-

Performance appraisal is most important function of the HR manager. Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees. It is a crucial method of judging the relative worth or ability of an individual employee in performing his tasks. It builds a good relationship between employer and employee. Performance appraisal is done by the immediate supervisors or a specially trained person meant for the job. It is a systematic and objective way of evaluating both work related behavior and potential of employees. This process determines and communicates to an employee how he is performing the job, and ideally establishes a plan of improvement.
1.7.3 Performance Appraisal or Evaluation Process –

The evaluation process passes through a series of actions as mentioned below:

1. **Establish Performance Standards** - This is the first step and an important step. In this step, performance standards should be determined. These should be clear, understood and measured. These should be discussed with the supervisors because he can give the points to each factor and these then should be indicated on the appraisal form.

2. **Communicate performance expectations to employees** - The performance standards should be communicated to the employees for their feedback.

3. **Measure actual performance** - In this step, the actual performance is measured. To measure this performance, four sources of information are frequently used i.e. personal observation, statically reports, oral reports and written reports.

4. **Compare actual performance with standards** - The employee is appraised and judged of his potential for growth and advancement. Attempts are made to not deviations between ‘standard performance’ and ‘actual performance.’

The evaluation process passes through a series of actions as mentioned below:

1. Establish Performance Standards
2. Communicate performance expectations to employees
3. Measure actual performance
4. Compare actual performance with standards
5. Discuss the appraisal with employees
6. If necessary, initiate corrective action

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5. **Discuss the appraisal with the employee**- The supervisor discusses the result of appraisal periodically with the employees. The information that the subordinate receives about his assessment, has a great impact on his self-esteem and on his subsequent performance.

6. **If necessary, initiate corrective action**- This initiative for corrective action is taken when it is necessary.⁴⁸

1.7.4 **Methods for appraising Performance** Main methods of Performance Appraisal are discussed in this section.

(A) **Traditional Methods**- Following are the traditional methods used in Business organizations:

1. **Straight Ranking Method**: The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

2. **Forced Distribution method**- This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (e.g. superior, above average, average) or percentiles (e.g. top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale; the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % poor.
3. **Grading Method** - Under this method, the actual performance of an employee is compared with these grade definitions such as A- outstanding, B- Very good, C- good or average, D- fair, E- poor and –B(or B-) very poor or hopeless. Then rater allot the grade which best describes his performance.

4. **Graphic or Linear Rating Scale** - This is the most common method of performance appraisal. Under it, a printed form, one for each person to be rated according to employee characteristics and employee contribution is given. These traits are then evaluated on a continuous scale, wherein the rater places a mark. Sometimes a discontinuous or multiple type of scale is used, where in one factor is used along a discontinuous scale, consisting of appropriate boxes or squares which are to be ticked off.

5. **Checklists and Weighted Checklists** - In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behaviour of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater. A checklist is constructed for each job after consulting the persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

6. **Free Essay Method** - This is a very easy method of performance appraisal. In this method, the supervisor takes a free form for an, open-ended appraisal of an employee in his words and puts down his impressions about the employee. He takes some note of the factors such as what is the relationship of employees with his fellow supervisors and other staff, job knowledge and potential, employee characteristics and attitudes, understanding and application of company policies and procedures, production, quality and cost control, physical conditions etc.

7. **Critical Incident Method** - In this method the supervisor keeps a written record of the events (either good or bad) that can easily be recalled and used in the course of a periodical or formal appraisal. Feedback is provided about
the incidents during performance review session. Various behaviors are recorded under categories such as the type of job, requirement for employees, judgment, learning ability, productivity and precision of work, responsibility and initiative.

8. **Group appraisal Method**- In this method of group appraisal the group consists of their supervisor and three or four other supervisors, who have some knowledge of their performance. The supervisor explains to the group the nature of his subordinate’s duties. Then the group discusses the standards of performance for that job, the actual performance of the job-holder, and the causes of their particular level of performance and offers suggestions for future improvement, if any.

9. **Field Review Method**- This system is basically used in large organizations. Under this method, a trainer employee from the personnel department, interviews line supervisors to evaluate their respective subordinates. The appraiser asks the questions to test. The supervisor gives his opinion about the performance of the subordinates whether it is good or bad. The type of the questions is oral. The success of this system depends upon the competence of the interviewer.

10. **Confidential report system:** It is mostly used in organizations. Generally it is made at the end of every year. It is a descriptive report. The employee's immediate superior prepared this report. The report highlights the strengths and weaknesses of the subordinate. The report is not data based. The opinion or the perception of the superior about the subordinate are merely recorded there. Main feature of this system is that it does not offer any feedback to the appraise. This is the most traditional method and is still in use in number of Indian Organizations. Generally it is assumed that since the immediate superior is one who has maximum contact with the person assessed, he would be the best person to evaluate him.
Some Key factors assessed in Confidential Report writing:

1. Communication of employees with other employees.
2. Percentage of Absenteeism of an employee
3. Employee’s Knowledge about job
4. Nature and quality of work
5. Punctuality of employee
6. Unauthorised absenteeism or leave without permission
7. Behaviour of an employee with colleagues, superiors and with customers
8. Ability of supervision and controlling to employees
9. Integrity and honesty
10. Nature of complaints against employee
11. Team work

(B) Modern Methods of Appraisal

Following modern methods of performance evaluation are used by the organizations with specific management thought.

1) Management by Objectives or Appraisal by Results – This method is formulated by Peter Drucker. In this method, there is maximizing internal motivation, through joint goal setting, between the manager and the subordinate and increasing the subordinate’s own control.

2) Assessment Centre Method- Under this method, many evaluators join together to judge employee performance in several situations with the use of a variety of criteria. It is used mostly, to help select employees for the first level (the lowest) supervisory positions. This method is used for promotion of potential employees. The assessment is generally done, with the help of a couple of employees, and it involves a paper-and-pencil test, interviews and situational exercises.

3) 360 Degree Performance Appraisal- Under this method, the employees’ performance should assess without bias. The appraiser should be honest and intelligent. The appraisers are supervisors, peers, subordinates employees
themselves users of service and consultants. All these parties conduct performance appraisal so it is called “360° appraisal.

4) **Human Asset Accounting Method**- This method refers to activity, devoted to attaching money estimates to the value of a firm’s internal human organization and its external customer goodwill. If able, well-trained personnel leave a firm, the human organization is worthless. If they join it, its human assets are increased.

5) **Behaviorally Anchored Rating Scales (BARS)** - This is a new appraisal technique which has recently been developed. The BARS is usually five stepped: 1. Generate Critical Incidents 2. Develop Performance Dimensions 3. Reallocate Incidents 4. Scale of Incidents and 5. Develop Final Instrument. This technique is more time-consuming and expensive than other appraisal tools, but it is a more accurate gauge, because it is done by persons, expert in the technique. The results are sufficiently accurate. 49

6) **Forced Choice Method**- In its simplest form the method consists of providing a list of behavior related statements. The supervisor is asked to indicate one least and one most descriptive statement for a particular subordinate. These statements are usually grouped in clusters of five based on a broad theme covered by these statements. Each statement carries some weight which is not known to the supervisor.

7) **Balanced Scorecard**- The concept was introduced by Kaplan and Norton (1992) as a tool for performance management. It seeks to widen the definition of performance by considering multiple stakeholders and their impact on the organizational performance. It is a mechanism to measure change in the business process, growth of employees and customer base, when the organization is striving to achieve its goals. The usual measures of the balanced scorecard are financial perspective measures (net income, operating margin, earning per share and revenue), operational perspective measures (safety, productivity, new product Introduction), Customer perspective measures (customer satisfaction, customer loyalty) and learning perspective measures (personal development, employee satisfaction). 50
1.7.5 Key Criteria for appraising performance of Employees in Organization-

<table>
<thead>
<tr>
<th>1. Integrity</th>
<th>2. Discipline</th>
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<td>3. Punctuality</td>
<td>4. Attendance</td>
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<td>5. Honesty</td>
<td>6. Initiative</td>
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<td>7. Tact</td>
<td>8. Leadership</td>
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<td>11. Communication (Oral or Written)</td>
<td>12. Relationship with Superiors, Colleagues and Subordinates</td>
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<td>13. Cost Consciousness</td>
<td>14. Ability to get work from others</td>
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1.8 Summary

The objective or aim of this chapter is to study, the principles and practice of Human Resource Management in theory, and to see how are these theories and practices actually implemented in selected large sample companies in the Nashik District. This chapter has covered the theoretical framework of how motivation can make employees perform better and how they ultimately satisfy the customers of manufacturing enterprises. Its application in selected companies is the main theme of this work, which will be presented in the chapters that follow.

Chapter 2 will present the review of literature related to HRD Policy and Practices, in India and Maharashtra, in relation to Motivation and Performance and research methodology.
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