Chapter 2

Human Resources Management
# Chapter 2 - Human Resources Management

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Chapter 2
Human Resources Management

2.1 Introduction
Human Resource Management (HRM) is one of the greatest important sources in the field of productivity. “Development of any sector mainly depends upon proper utilization of human resources. HRM is useful to achieve long-range objectives and for solving problems. This statement can be corroborated by tracing the evolution and growth in prestige of finance, production, engineering, sales, research, and other management functions.

The general manager's job is to organize and integrate all the units of the company so that each can make its maximum contribution to profits. Bringing human resources management closer to the general manager, therefore, is bound to result in greater long-term company growth, security, and profitability. In all but a very few companies today, however, the development of this potential has scarcely reached the gleam in father's eye stage.”

2.2 Definition
Management has been defined as control and creation of a technological and human environment that can support optimal utilization of resources and competencies for achieving organizational goals. “Management has also been variously defined as development of people; the process of decision making and control over actions of human beings; planning, organizing, and controlling of people and resources; the process of accomplishing the desired organizational objectives; effective utilization of available resources for delivery of services and goods.

Human Resources Management can be defined as a strategic and coherent approach to the management of the most valued assets of an organization, i.e., people, who individually and collectively contribute to the organizational objectives.”

2.3 Nature of HRM
Simply put, Human Resource Management (HRM) is a management function that helps managers to recruit, select, train and develop members for an organization. Obviously, “HRM is concerned with the people’s dimension in organizations.

Specifically, the following constitute the core of HRM:

1. Organizations are not mere bricks, mortar, machineries or inventories. They are people. It is the people who staff and manage organizations.
2. HRM involves the application of management functions and principles. The functions and principles are applied to acquisitioning, developing, maintaining, and remunerating employees in organizations.

3. Decisions relating to employees must be integrated. Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.

4. Decisions made must influence the effectiveness of an organization. Effectiveness of an organization must result in betterment of services to customers in the form of high-quality products supplied at reasonable costs.

5. HRM functions are not confined to business establishments only. They are applicable to non-business organizations, too such as education, health care, recreation, and the like.

Obviously, HRM refers to a set of programmers, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.”

Human Resource Management is a process bringing people and organizations together so that the goals of each are met. “It tries securing the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. It has the following features.”

- Pervasive force
- Action oriented
- Individually oriented People oriented
- Future-oriented
- Development oriented
- Integrating mechanism
- Comprehensive function
- Auxiliary service
- Inter-disciplinary function
- Continuous function
2.4 Scope of HRM
The scope of HRM is indeed vast. “All major activities in the working life of a worker from the time of his or her entry into an organization until he or she leaves would come under the purview of HRM. Specifically, the activities included are- HR planning, job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, motivation and communication, welfare, safety and health, industrial relations (IR) and the like.”
Scope of HRM is very comprehensive as compare with personnel management. “It is discussed in detail in the following table;”
### Table 2.1
Differences between HRM and PM

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Personnel Management</th>
<th>Human Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employment contract</td>
<td>Careful delineation of written contracts</td>
<td>Aim to go beyond contract</td>
</tr>
<tr>
<td>2. Rules</td>
<td>Importance of devising clear rules</td>
<td>Can do outlook, impatience with rule</td>
</tr>
<tr>
<td>4. Behaviour referent</td>
<td>Norms / customs and practices</td>
<td>Values/mission</td>
</tr>
<tr>
<td>5. Managerial task vis-a-vis labor</td>
<td>Monitoring</td>
<td>Nurturing</td>
</tr>
<tr>
<td>6. Key relations</td>
<td>Labor management</td>
<td>Customer</td>
</tr>
<tr>
<td>7. Initiatives</td>
<td>Piecemeal</td>
<td>Integrated</td>
</tr>
<tr>
<td>8. Speed of decision</td>
<td>Slow</td>
<td>Fast</td>
</tr>
<tr>
<td>9. Management role</td>
<td>Transactional</td>
<td>Transformational leadership</td>
</tr>
<tr>
<td>10. Communication</td>
<td>Indirect</td>
<td>Direct</td>
</tr>
<tr>
<td>11. Prized management skills</td>
<td>Negotiation</td>
<td>Facilitation</td>
</tr>
<tr>
<td>12. Selection</td>
<td>Separate, marginal task</td>
<td>Integrated, key task</td>
</tr>
<tr>
<td>13. Pay</td>
<td>Job evaluation (fixed grades)</td>
<td>Performance related</td>
</tr>
<tr>
<td>14. Conditions</td>
<td>Separately negotiated</td>
<td>Harmonization</td>
</tr>
<tr>
<td>15. Labor management</td>
<td>Collective-bargaining contracts</td>
<td>Individual contracts</td>
</tr>
<tr>
<td>16. Job categories and grades</td>
<td>Many</td>
<td>Few</td>
</tr>
<tr>
<td>17. Job design</td>
<td>Division of labor</td>
<td>Team work</td>
</tr>
<tr>
<td>18. Conflict handling</td>
<td>Reach temporary truce</td>
<td>Management climate and culture</td>
</tr>
<tr>
<td>19. Training and development</td>
<td>Controlled access to courses</td>
<td>Learning companies</td>
</tr>
<tr>
<td>20. Focus of attention for interventions</td>
<td>Personnel procedures</td>
<td>Wide-ranging cultural, structural and personnel strategies</td>
</tr>
<tr>
<td>21. Respect for employees</td>
<td>Labor is treated as a tool which is expendable and replaceable</td>
<td>People are treated as assets to be used for the benefit of an organization, its employees and the society as a whole</td>
</tr>
<tr>
<td>22. Shared interests</td>
<td>Interests of the organization are uppermost</td>
<td>Mutuality of interests</td>
</tr>
<tr>
<td>23. Evolution</td>
<td>Precedes HRM</td>
<td>Latest in the evolution of the subject</td>
</tr>
<tr>
<td>24. Locus of control</td>
<td>External</td>
<td>Internal</td>
</tr>
<tr>
<td>25. Organizing principles</td>
<td>Mechanistic Top-down Centralized</td>
<td>Organic Bottom-up Decentralized</td>
</tr>
</tbody>
</table>


The scope of HRM is very wide. “Research in behavioral sciences, new
trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years, The Indian Institute of Personnel Management has specified the scope of HRM.”6 Thus:

- **Personnel aspect:** This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity.
- **Welfare aspect:** It deals with working conditions and amenities such as canteens crèches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities,
- **Industrial relations aspect:** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes.

### 2.5 Importance of HRM

People have always been central organizations, but their strategic importance is growing in today’s knowledge-based industries. “An organization’s success increasingly depends on the knowledge, skills and abilities (KSAs) of employees, particularly as they help establish a set of core competencies that distinguish an organization from its competitors. With appropriate HR police and practices an organization can hire, develop and utilize best brains in the marketplace, realize its professed goals and deliver results better than others.

Human Resource Management helps an organization and its people to realize their respective goals. Thus:

**i. At the enterprise level:**

- Good human resource practices can help in attracting and retaining the best people in the organization. Planning alerts the company to them. Types of people will need in the short, medium and long run.
- It helps in training people for challenging roles, developing right attitudes towards the job and the company, promoting team spirit among employees and developing loyalty and commitment through appropriate reward schemes.

**ii. At the individual level:** Effective management of human resources helps
employees thus:

- It promotes team work and team spirit among employees.
- It offers excellent growth opportunities to people who have the potential to rise.
- Employment opportunities multiply.

**iii. At the society level:** Society, as a whole, is the major beneficiary of good human resource practices.

- Employment opportunities multiply.
- Scarce talents are put to best use. Companies that pay and treat people well always race ahead of other and deliver excellent results.

**iv. At the national level:** Effective use of human resources helps in exploitation of natural, physical and financial resources in a better way. People with right skills, proper attitudes and appropriate values help the nation to get ahead and compete with the best in the world leading to better standard of living and better employment.”

### 2.6 Objectives of HRM

The principal objectives of HRM may be listed thus:

- a. To help the organization reach its goals
- b. To employ the skills and abilities of the workforce efficiently
- c. To provide the organization with well-trained and well-motivated employees
- d. To increase to the fullest the employee’s job satisfaction' and self-actualization
- e. To develop and maintain a quality of work life
- f. To communicate HR policies to all employees
- g. To be ethically and socially responsive to the needs of society

### 2.7 Functions of HRM

In order to realize the objectives stated above, HRM must perform certain functions. These functions have been stated while outlining the scope of HRM. “Generally, it may be stated that there is a correlation between the objectives and the functions. In other words, some functions help relies specific objectives. For example, the organizational objective is sought to be met by discharging such functions as HR
planning, recruitment and selection, training and development, and performance appraisal. Similarly, the personal objective is sought to be realized through such functions as remuneration, assessment, and the like.”

Table 2.2 contains the full list of objectives and functions.

<table>
<thead>
<tr>
<th>HRM Objectives</th>
<th>Supporting Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Societal Objectives</td>
<td>1. Legal compliance</td>
</tr>
<tr>
<td></td>
<td>2. Benefits</td>
</tr>
<tr>
<td></td>
<td>3. Union – management relations</td>
</tr>
<tr>
<td>2. Organizational Objectives</td>
<td>1. Human resource planning</td>
</tr>
<tr>
<td></td>
<td>2. Employee relations</td>
</tr>
<tr>
<td></td>
<td>3. Selection</td>
</tr>
<tr>
<td></td>
<td>4. Training and development</td>
</tr>
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<td></td>
<td>5. Appraisal</td>
</tr>
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<td></td>
<td>6. Placement</td>
</tr>
<tr>
<td></td>
<td>7. Assignment</td>
</tr>
<tr>
<td>3. Functional Objectives</td>
<td>1. Appraisal</td>
</tr>
<tr>
<td></td>
<td>2. Placement</td>
</tr>
<tr>
<td></td>
<td>3. Assignment</td>
</tr>
<tr>
<td>4. Personnel Objectives</td>
<td>1. Training and development</td>
</tr>
<tr>
<td></td>
<td>2. Appraisal</td>
</tr>
<tr>
<td></td>
<td>3. Placement</td>
</tr>
<tr>
<td></td>
<td>4. Compensation</td>
</tr>
<tr>
<td></td>
<td>5. Assignment</td>
</tr>
</tbody>
</table>

Source: William B. Werther, Jr and Keith Davis, Human Resources and Personnel management, P.15

2.8 History of Personnel/ Human Resource Management (P/HRM)

The field of P/HRM as it currently exists represents a crystallization of a variety of historical and contemporary factors. “Industrial revolution, scientific management, trade unionism, human relations movement and human resources approach are main factors;

1. **The Industrial revolution**: During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialization increased speed and efficiency but left workers with dull ‘boring and monotonous jobs workers were treated like glorified machine tools.’ Employers were keen to meet production targets rather than satisfy workers’ demands. Government did very little to protect the of workers.

2. **Scientific management**: To improve efficiency and speed F W Taylor
advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.

3. **Trade unionism**: Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labor practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.

4. **Human relations movement**: The famous Hawthorne experiments conducted by Elton Mayo and his Harvard colleagues during 1930s and 1940s demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioral science techniques in industry for the first time which included supervisory training programmers, emphasizing support and concern for workers, programmers to strengthen the bonds between labor and management and counseling programmers whereby employees were encouraged to discuss both work and personal problems with trained counselors. The movement was also influenced by the growing strength of unions during the late 1930s and 1940s. The rise of unionism during this period was due to the passage of the Wagner Act which gave workers the legal right to bargain collectively with employers over Irritators concerning, wages, job security, benefits and many other conditions of work.

5. **Human resources approach**: However, during early 60s the 'pet milk theory', (advocating that happy workers are productive workers or happy cows
give more milk) of human religionists had been largely rejected. Recognizing the fact that workers are unique in their own way - having individual needs. It was recognized that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily, the trend towards treating employees as resources or assets emerged.

“The Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees… The emphasis in the human resource approach is on individual involvement in the decisions made in the organization.” In addition, this approach emphasizes the following things.

- People do not inherently dislike work and if they are helped establish objectives they want to achieve them.
- Most people can exercise a great deal more self-direction, self-control and creativity than are required in their current jobs (Theory Y).
- The managers' basic job is to use the untapped human potential in the service of the organization.
- The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacities. The environment should provide a healthy, safe, comfortable and convenient place to work.
- The manager should provide for self-direction by the subordinates and they must be encouraged to participate fully in all important matters.
- Expanding subordinates' influence, self-direction and self-control will lead to direct improvements in operating efficiency.
- Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

The contribution of behavioral science to management practice consists primarily of producing new insights rather than new techniques. It has developed and expanded into a useful way of thinking, about the role of the manager, the nature of organizations and the behavior of an individual within an organization.”9
2.9 Evolution of the Concept of HRM
The early part of the century saw a concern for improved efficiency through careful design of work. “During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity.”

2.10 Human Capital Management
The journey of people management is touching yet another milestone. The term HRM is now sought to be replaced by Human Capital Management (HCM). HCM refers to the task of measuring the cause and effect relationship of various HR programmers and policies on the bottom line of the organization. It seeks to obtain additional productivity.

HR professionals must now become human capital developers. As capital developers, HR executives focus on the future, often one employee at a time, developing plans that offer each employee opportunities to develop future abilities, matching expectations with opportunities. The role also includes helping employees unlearn old skills and acquire new ones. HR professional should invest resources to shape employees for the future, and not the past. Often, these employee development plans may be carried out online through an employee portal where opportunities in the firm are listed and employees ascertain if they are prepared for such opportunities. At other times, employee development programmers are embedded in HR programmers like performance or career management.

What is the difference between HRM and HCM? The former is a one-size-fits-all approach. What one company follows can be replicated in another. In HCM, the professional seeks to identify what is best for his company. He or she seeks to fine tune HR policies and practices to fit the culture of his or her company. Secondly, HRM is the responsibility of a centralized or a decentralized department. HCM is the job of everyone in the business, from employees to executives.”

Human resource management as any other profession, is incomplete without a set of basic guides or principle that guide the conduct of the human resource managers. “A mere description of functions, objectives, and programmers of human resource
management does not adequately discuss the field of human resource management. There is an absolutely essential need for certain guiding principles which helps the human resource manager in the formulation of personnel policies, procedures, and programmers, as well as in the solution of personnel problems. In view of this need, some principles of personnel management are suggested.”

2.11 HRM Models

Four major models have been identified and all these serve as many purposes.

1. They provide an analytical framework for studying HRM (for example, situational factors, stakeholders, strategic choice levels, competence).

2. They legitimize certain HRM practices; a key issue here being the distinctiveness of HRM practices. "It is not the presence of selection or training but a distinctive approach to selection or training that matters."

3. They provide a characterization of HRM that established variable and relationship to be researched.

4. They serve as a heuristic device – something to help us discover and understand the world for explaining the nature and significance of key HR practices.

The four HR models are:

(i) The Fombrun,

(ii) The Harvard,

(iii) The Guest,

(iv) The Warwick.

(i) The Fombrun, Tichy and Devanna Model

Being the first model, this emphasizes just four functions and their inter relations. The four functions are: selection, appraisal, development and rewards. These four constituent components of HRM are expected to contribute to organizational effectiveness as shown in Fig. 2.1.
The Fombrun model of HRM

![Diagram of the Fombrun model of HRM]

Source: Figure is based on Human Resource Management by John Baratton and Jeffrey Gold

The Fombrun model is incomplete as it focuses on only four functions of HRM and ignores all environmental and contingency factors that impact HR functions. Nevertheless, the model deserves appreciation for being the first and has set stage for other theories to emerge. It is also a simple model that serves as a heuristic framework for explaining the nature and significance of the key HR activities. The model also deserves appreciation for emphasizing interrelationship among the four activities and their collective impact on organizational effectiveness.

(ii) The Harvard Model

The Harvard model claims to be comprehensive in as much as it seeks to comprise six critical components of HRM. The dimensions included in the model are: stakeholders interests, situational factors, HRM policy choices, HR outcomes and long-term consequences.

The stakeholder’s interests recognize the importance of tradeoffs' between the interests of the owners and those of employees. Timed offs also exists among other interest groups. But this is the challenge of HR manager. He or she needs to balance the interests of all stakeholders.

The situational factors influence management's choice of HR strategy. The contingent factors included in the model include work force characteristics, management philosophy, labor market, task, technology, and laws and social values. These situational factors do influence HR strategy and their inclusion in the model is a welcome thing.
HRM policy choices emphasize the management's decisions and actions in terms of HRM. It can be fully appreciated only if it is recognized that they result from an interaction between constraints and choices. The model depicts management as a real actor, capable of making at least some degree of unique contribution within environmental and organizational parameters and of influencing those parameters themselves overtime.

Organizational commitment, employee competence, congruence and cost effectiveness constitute HRM outcomes. The assumption here is that employees have talents which are rarely exploited for organizational growth and that they are willing to grow with the organization if a participative environment is available.

**Fig. 2.2**

The Harvard Model of Human Resources Management

Source: Figure is based on Human Resource Management by John Baratton and Jeffrey Gold

The long-term consequences include societal well-being, organizational effectiveness, and individual welfare. There is obvious linkage among the three. Employee welfare leads to organizational effectiveness and efficacy of all organizations contributes to societal well-being.

The feedback loop is the sixth component of the Harvard model. As was stated above, situational factors' influence HRM policy and choices, and are influenced by
long-term consequences. Similarly, stakeholders' interests influence HRM policy choices, and into, are impacted by long-term outcomes (See Fig. 2.2).

**(iii) The Guest Model**

Yet another HRM model was developed by David Guest in 1997 and claims to be much superior to other models. The details will justify the claim. This model claims that the HR manager / has specific strategies to begin with, which demand certain practices and when executed, will result in outcomes. These outcomes include behavioral, performance related and facial (See Fig. 2.3).

**Fig. 2.3**

The Guest Model of HRM

<table>
<thead>
<tr>
<th>HRM Strategies</th>
<th>HRM Practices</th>
<th>HR Outcomes</th>
<th>Behavioral Outcomes</th>
<th>Performance Outcomes</th>
<th>Financial Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hiring</td>
<td>Commitment</td>
<td>Motivation</td>
<td>Positive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>Quality</td>
<td>Co-operation</td>
<td>Productivity</td>
<td></td>
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<tr>
<td></td>
<td>Appraisal</td>
<td>Flexibility</td>
<td>Organizational</td>
<td>Innovation</td>
<td></td>
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<tr>
<td></td>
<td>Compensation</td>
<td></td>
<td>citizenship</td>
<td>Quality</td>
<td></td>
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<tr>
<td></td>
<td>Relations</td>
<td></td>
<td></td>
<td>Low-productivity</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Absenteeism</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Turnover</td>
<td></td>
</tr>
</tbody>
</table>

Source: Figure is based on Human Resource Management by John Baratton and Jeffrey Gold

The model emphasizes the logical sequence of six components: HR strategy, HR practices, HR outcomes, behavioral outcomes, performance results and financial consequences. Looking, inversely, financial results depend on employee performance, which in turn is the result of action oriented employee behaviors. Behavioral outcomes are the result of employee commitment, quality and flexibility, which, in turn, are impacted by HR practices. HR practices need to be in tune with HR strategies which are Invariably aligned with organizational strategies (Read Chapter 3 for more details).

The claim of the Guest model that it is superior to others is partly justified in the sense that it clearly maps out the field of HRM and delineates the inputs and outcomes. How HRM can contribute to organizational effectiveness is clearly shown in the model. But the dynamics of people management are so complex that no model (including the Guest model) can capture them comprehensively.
(iv) The Warwick Model
This model was developed by two researchers, Hendry and Pettigrew of University of Warwick (hence the name Warwick model). Like other models, the Warwick proposition centers around five elements: (see also Fig. 2.4):

- Outer context (macro environmental forces).
- Inner context (firm specific or micro environmental forces)
- Business strategy content
- HRM context
- HRM content

Fig. 2.4
The Warwick Model of Human Resource Management

Source: Figures 2.2, 2.4 are based on Human Resource Management by John Baratton and Jeffrey Gold

The Warwick model takes cognizance of business strategy and HR practices (as in the Guest model), the external and internal context (unlike the Guest model), in which these activities take place, and the process by which such changes take place, including interactions between changes in both context and content. The strength of the model is that it identifies and classifies important environmental influences on HRM. It maps the connection between the external and environmental factors and explores how HRM adapts to changes in the context. Obviously, those organizations
achieving an alignment between the external and internal contexts will achieve performance and growth.”13

2.12 Performance Appraisal
An organization's goals can be achieved only when people put in their best efforts. “How to ascertain whether an employee has shown his or her best performance on a given job? The answer is performance appraisal. Employee assessment is one of the fundamental jobs of HRM, but not an easy one though.”14 After an employee has been selected for a job, has been trained to do it and has worked on it for a period of time, his performance should be evaluated. “Performance evaluation or Appraisal is the process of deciding how employees do their jobs. Performance here refers to the degree or accomplishment of the tasks that make up an individual job. It indicates how well an individual is fulfilling the job requirements. Often the term is confused with efforts, which means energy expended and used in a wrong sense. Performance is always measured in terms of results. A bank employee, for example, expert a great deals of effort while preparing for the examination but managers to get a poor grade. In this case the effort expended is high but performance is low. Performances appraisal is a method of evaluating the behavior of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance. “It is systematic and objective way of evaluating both work related behavior and potential of employees. It is a process that involves determining and communicating to an employee how he or she is performing the job and ideally, establishing a plan of improvement.”15

2.12.1 Appraisal of Human Resources
The discovery and determination of weaknesses through appraisals often prevents them from becoming more serious, thus resulting in damage to the individual, to the company, or even to both. “Another purpose of human resource appraisal is to let the manager know where he stands with his superior. Every employee has the right to know how well he is doing or what he can do to improve his present performance and go up in the managerial hierarchy. Most subordinate managers are anxious to know how they are doing in the eyes of their
superiors. In some cases the subordinate's desire to know how he stands with his boss can be interpreted as asking for reassurance as to his future in the company. In other cases this expressed desire can be interpreted in several other ways. For example, the subordinate realizes that he is doing a relatively poor job but hopes that his superior is not aware and is anxious to be assured in this direction. And then again, another subordinate, knowing that he is doing an outstanding job, wants to make certain that his boss is aware of it and wants more recognition for it. The great majority of subordinate managers do want to know about their own situation, realizing full well that more than reassurance is needed for the development and growth of a manager. It is a grave mistake to shy away from straight forwardness with all merely because a few might wither before it.

The mere existence of regular appraisals is an important incentive to the employees of the company. It often happens that a subordinate manager in a big company has the feeling that due to the great amount of specialization, their individual contributions, which necessarily are small, are lost and forgotten. With appraisals they have the assurance that there is a potential possibility to develop themselves to the maximum for their own personal satisfaction and for the benefit of the corporation.

The appraisal procedure must be regarded as an effort to help the individuals in their development. Although the appraisal of incumbent management has become routine procedure in most large scale companies, and even in many medium size companies, there still are a large number of companies which do not believe in it: In those instances management feels that the superior manager will eventually emerge. There is a fatalistic attitude that whenever an opening comes up, someone will be there ready to fill it, and if this is not so, some executive from the outside can be brought into the enterprise.

If management has this attitude, it does not fulfill its staffing function in the proper way. Such an attitude on the part of top management clearly neglects its duty to produce its own leaders, something which some writers consider even more important than the
enterprise's ability to put out a product efficiently and cheaply. There are instances where capable men have left an organization because they felt that no one other than their immediate superior knew what they were doing. They felt that if the enterprise had had an appraisal procedure they could have more readily seen their possibilities of getting ahead.”

Performances appraisal could be taken either for evaluating of employees or for developing them, the evaluation is of two types: telling the employee where he stands and using the data for personal decisions concerning pay, promotions. “The developmental objectives focus on finding individuals and organizational strength and weaknesses; developing healthy superior subordinate relations; and offering appropriate counseling/coaching to the employee with a view to develop his potential in future.”

Appraisal of employees serves several useful purposes:

a. **Compensation decisions:** It can serve as a basis for pay raises. Managers need performance appraisal to identify employees who are performing at or above expected levels. This approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority. Under merit systems, employee receives raises based on performance.

b. **Promotion decisions:** It can serve as a useful basic for job change or promotion. When merit is the basic for reward, the person doing the best job receives the promotion. If relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.

c. **Training and development programmers:** It can serve as a guide for formulating a suitable training and development programme. Performance appraisal can inform employee about their progress and tell them what skills they need to develop to become eligible for pay raises or promotions or both.

d. **Feedback:** Performance appraisal enables the employee to know how well he is doing on the job. It tells him what he can do to improve his present performance and go up the ‘organization ladder’

e. **Personal development:** Performance appraisal can help reveal the causes of good and poor employee performance. Through discussion with individual employee, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.
2.12.2 Nature and need for HR evaluation

HRM evaluation refers to the procedures and processes that measure evaluate and communicate the value added of HRM practices to the organization. “HRM evaluation assumes significance because of the intensive emphasis on cost control, need for efficient allocation of resources, contribution to the bottom line and capability of human resources to provide a competitive advantage to the firm. HRM evaluation has been advocated for a number of reasons including:” 18

- Promotion of the HR function, through demonstration of bottom-line contributions through reduced turnover.
- The demonstration of accountability in utilization of resources.
- Promotion of change by identifying strengths and weaknesses.
- Introduction of financial assessment as a decision tool in human resource programme selection.
- Highlighting key HR practices.
- Gauging the performance of HR function.
- Demonstrating the function’s role in the accomplishment of firm's goals.

“In simple terms, performance appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

The other terms used for performance appraisal are: performance rating, employee assessment, employee performance review, personnel appraisal, performance evaluation, employee evaluation and (perhaps, the oldest of the terms used) merit rating. In a formal sense, employee assessment is as old as the concept of management, and, in an informal sense, it is probably as old as mankind. Nor performance appraisal is done in isolation. It is linked to job analysis as shown in Fig 2.5.

Job analysis sets out requirements, which are translated into performance standards, which in turn from the basic for performance appraisal.
Fig. 2.5
Relationship of Performance Appraisal and Job Analysis

<table>
<thead>
<tr>
<th>Job Analysis</th>
<th>Performance Standards</th>
<th>Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe work and personnel</td>
<td>Translate job requirements into levels of acceptable or un</td>
<td>Describe the job-relevant strengths and</td>
</tr>
<tr>
<td>requirement of a particular job</td>
<td>unacceptable performance</td>
<td>weaknesses of each individual</td>
</tr>
</tbody>
</table>


Performance management refers to the entire process of appraising and giving feedback to the employees and offering rewards or punishments to them.” 19

2.12.3 The Performance Appraisal Process
Performance appraisal is planned, developed and implemented through a series of steps.

a. Establish performance standards: “Appraisal systems require performance standard, which serve as benchmarks against which performance is measured. To be useful, standards should relate to the desired results of each job. What about those appraisals which are carried out without any clear-cut criteria? Observe the following case:

Raju, who had just finished his first year as an office assistant was summoned to his manager office for his annual performance review. Slightly uneasy, but confident that he has done a godson Raju arrived at his manager's office at the appointed hour. After the initial exchange of pleasant Raju was given a copy of an appraisal form, which was completed as follows:

Raju got the shock of his life. Why did he receive any negative feedback about his performance until now? How did the manager rate his personality and interpersonal behaviour so badly? Looking at his unhappy reactions, the manager proceeded to explain how he has failed to win the confidence of his teammates. He also advised Raju to talk to him directly instead of writing to the Director of the company. Speechless and dejected, Raju left the office, wondering as to what he must to do to improve his performance and obtain better grades.
To avoid embarrassments of this kind, performance standards must be clear to both the appraiser. The performance standards or goals must be developed after a thorough analysis of the job. Goals must be written down. Just talking about them is not enough. They must be measureable within certain time and cost considerations. For example, the regional sales office may be asked: “The sales of color television sets in Ghaziabad must increase by 1000 per months in the next 6 months and the budget toward promotional expenses would Rs 5,000 per month.”

b. Communicate the standards: Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraise whose performance is being evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly; help the appraise set his goals and targets; analyze results objectively; offer coaching and guidance to the appraise whenever required and reward and reward good results. The appraise should be very clear about what he is doing and why he is doing it. For this purpose, performance standards must be communicated to appraises and their reactions should be noted down right away. If necessary, these standards must be revised or modified. As pointed out by De Cenzo and Robbins, “too many jobs have vague performance standards and the problem is compounded when these standards are set in isolation and do not involve the employee”.

c. Measure actual performance: After the performance standards are set and accepted the next step is to measure actual performance. This requires the use of dependable performance measures, the rating used to evaluate performance. Performance measures – to be helpful- must be easy to use, reliable, and report on the critical behaviors that determine performance. Four common sources of information which are generally used by managers regarding how to measure actual performance are personal observation, statistical reports, oral reports and written reports. Performance measures may be objective or subjective. Objective performance measures indications of job performance that can be verified by others and are usually quantitative. Objective criteria include quality of production, degree of training needed and accidents in a given per absenteeism, length of services, etc. Subjective performance measures are
ratings that are based the personal standards or opinions of those doing the evaluation, and are not verifiable by others. Subjective criteria include ratings by superiors, (knowledge about) overall goals, and (nontribal to) socio-cultural values of the environment. It should be noted here that objective criteria can be laid down while evaluating lower level jobs which are specific and defined clearly, this is not case with middle level positions that are complex and vague.

d. **Compare actual performance with standards and discuss the appraisal:** Actual performance may be better than expected and sometimes it may go off the track. Whatever be the consequences, there is a way to communicate and discuss the final outcome. The assessment of another person’s contribution and ability is not an easy task. It has serious emotional overtones as it affects the self Esteem of the appraise. Any appraisal based on subjective criteria is likely to be questioned by the appraise and leave him quite dejected and unhappy when the appraisal turns out to be negative.

e. **Taking corrective action, if necessary:** Corrective action is of two types: one puts out the fires immediate, while the other destroys the root of the problem permanently. Immediate action sets things right and get things back on track whereas the basic corrective action gets to the source of deviations and seeks to adjust the difference permanently. Basic corrective steps seek to find out how and why performance deviates.”

2.13 Nature of HRP
In simple words, HRP is understood as the process of forecasting an organization’s future demand for, and supply of, the right type of people in the right number. It is only after this that the HRM department can initiate the recruitment and selection process. HRP is a sub-system in the total organizational planning. Organizational planning includes managerial activities that set the company's objectives for the future and determines the appropriate means for achieving those objectives. An integrated part of strategic management HRP is variously called strategic manpower planning, or for employment planning.”
2.13.1 Importance of HRP

In order to highlight the importance of HRP, we outline its role on the following lines:

“Planning is significant as it helps determine future personnel needs. Surplus or 'deficiency in staff strength is a result of the absence of or defective planning. All public sector enterprises find themselves overstaffed now as they never had any planning of their personnel requirements (also see opening case). They went on a hiring spree up to the date 1980s. Since then, recruitment and selection have been almost banned, but the ban came too late. The private sector is no exception. As many as 76.5 per cent of our organizations have surplus labor and the excess varies between 10 and 20 per cent in as many as 47 per cent of the units. The problem of excess staff has become so heavy that many units are resorting to 'voluntary retirement schemes' (VRS) to remove the excess staff. Such surplus labor (even shortage) would not have been there if there were HRP.”

HRP helps determine the number and type of people a firm needs. Job analysis and job design specify the tasks and duties of jobs and the qualifications expected from prospective job holders (see Fig. 2.6). The next logical step is to hire the right number of people of the right type to fill the jobs. Hiring involves two broad groups of activities: (i) recruitment and (ii) selection.

Fig 2.6
Recruitment and Selection Needs

| Human Resources Planning → Determine Recruitment and Selection Needs ← Job Analysis |


Before coming to details of recruitment, it is useful to note that hiring, contrary to popular perception, is an ongoing process and not confined to the formative stages of an organization. Employees leave the firm in search of greener pastures-some retire and some die in the saddle. More importantly, an enterprise grows, diversifies, takes over other units-all necessitating hiring of new men and women. In fact, the hiring function stops only when the company ceases to exist.”
2.14 Evolution of HRM in India

HRM, a relatively new term, emerged during the 1970s. Many people continue to refer to the discipline by its older, more traditional titles, such as personnel management or personnel administration.

“The trend is changing. The term nowadays used in industry circles is HRM. Coming to the evolution of HRM as a subject, it may be stated that concern for the welfare of workers in the management of business enterprises has been in existence since ages. Kautilya's *Arthashastra* states that there existed a sound base for systematic management of resources during as early as the 4th century Be. The government then took an active interest in the operation of public and private sector enterprises and provided systematic procedures for regulating employer-employee relationships.

Elsewhere, human resources in organizations received the managements' attention much earlier. As early as in 1800 BC itself, 'minimum wage rate' and 'incentive wage plan' were included in the Babylonian Code of Hammurabi.

Experts of HRM in India have tried to chronicle the growth of the subject only since the 1920s. This was the period when state intervention to protect the interests of workers was felt necessary because of the difficult conditions which followed the First World War, and the emergence of trade unions. The Royal Commission (1931) recommended the appointment of labor-welfare officers to deal with the selection of workers and to settle their grievances. The Factories Act, 1948, made appointment of welfare officers compulsory in industrial establishments employing 500 or more workers each.

In course of time, two professional bodies, the Indian Institute of Personnel Management (IIPM) and the National Institute of Labor Management (NILM), were set up. IIPM had its headquarters at Kolkata and NILM at Mumbai. These two places were the premier centers of traditional industry (jute and cotton respectively) in pre-independent India.

The aftermath of the Second World War and the country's political independence witnessed increased awareness and expectations of workers. During the 1960s, the personnel function began to expand beyond the welfare aspect, with labor welfare, IR and personnel administration integrating into the emerging profession called personnel management (PM). Simultaneously, the massive thrust given to the heavy industry in the context of planned economic development, particularly since the Second Five-Year Plan and the accelerated growth of the public sector in the national
economy resulted in a shift in focus towards professionalization of management. By the 1970s, a shift in professional values was discernible. It shifted from a concern for welfare to a focus on efficiency. In the 1980s, professionals began to talk about new technologies, HRM challenges and HRD. The two professional bodies, IIPM and NILM, merged in 1980 to form the National Institute of Personnel Management (NIPM).

In the 1990s, the emphasis shifted to human values and productivity through people. Reflecting this trend, the American Society for Personnel Administration (ASPA) was renamed as the Society for Human Resources Management (SHRM). Thus, beginning in the 1920s, the subject of HRM has grown into a matured profession. Table 2.3 shows the evolution of HRM.”

Table 2.3
Evolution of HRM in India

<table>
<thead>
<tr>
<th>Period</th>
<th>Development Status</th>
<th>Outlook</th>
<th>Emphasis</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920s – 1930 s</td>
<td>Beginning</td>
<td>Pragmatism of capitalists</td>
<td>Statutory, welfare, paternalism</td>
<td>Clerical</td>
</tr>
<tr>
<td>1940s – 1960 s</td>
<td>Struggling for recognition</td>
<td>Technical, legalistic</td>
<td>Introduction of techniques</td>
<td>Administrative</td>
</tr>
<tr>
<td>1970s – 1980 s</td>
<td>Achieving sophistication</td>
<td>Professional, legalistic, impersonal</td>
<td>Regulatory, conforming, imposition of standards on other functions</td>
<td>Managerial</td>
</tr>
<tr>
<td>1990 s</td>
<td>Promising</td>
<td>Philosophical</td>
<td></td>
<td>Executive</td>
</tr>
</tbody>
</table>


We can consider 4 phases as follows:

**Early phase:** “P/HRM has had its origin dating back to 1800 B.C. For example: the minimum wage rate and incentive wage plans were included in the Babylonian Code of Hammurabi around 1800 B.C. Kautilya, in India (in his book Arthasastra) made reference to various concepts like job analysis, selection procedures, executive development incentive system and performance appraisal.

**Legal phase:** The early roots of HRM in India could be traced back to the period after 1920. The Royal commission on labor in 1931 suggested the appointment of labor officer to protect workers' interests and act as a spokesperson of labor. After Independence, The Factories Act 1948, made it
obligatory for factories employing 500 or more Workers.

**Welfare phase:** During the 1960s the scope of personnel function has expanded a bit, covering labor welfare, participative management, industrial harmony, etc

**Development phase:** In 1960s and 70s the HR professionals focused more on developmental aspects of human resources.”25

### 2.15 Personnel function in future

The personnel function in future is going to evolve thus:

- **Job redesign:** “The focus on job redesign will increase: Flextime, job sharing and alternative work arrangements will come to occupy a centre –stage.

- **Career opportunities:** Apart from compensation, personal growth and self-development may become primary motives for working. HR managers may have to restructure work so that employees may find expression of their needs for creativity, autonomy and entrepreneurship (For example NUT has already started the Netpreneur scheme in 2000 to encourage budding net consultants - either from its own ranks or outside) in their jobs.

- **Productivity:** "Productivity, efficiency, growth" are going to be the new mantras for corporate survival and growth.

- **Recruitment and selection:** Effective selection devices are likely to be used, giving premium to employee skills, knowledge, experience, ability to get along with people etc.

- **Training and development:** As technologies change rapidly, people need to update their skills continuously. A much broader range of abilities is required to keep pace with ever-present changes, forcing companies to spend increasing sums on training and development. (For instance pharmaceutical majors like Dr Reddy Labs, Ranbaxy, Cipla, Sun Pharma have increased their Research and Development budgets in response to WTO conditionality in recent years).

- **Rewards:** Rewards will be tied to performance. Benefits will accrue to those who show merit. Individually-designed packages recognizing talent may out-number group compensation plans. Carrot and stick policies may not find a place in the new
corporate lexicon in the days ahead.

- **Safety and welfare:** Increasing investments may have to be made by companies to improve the work atmosphere, climate and job satisfaction levels of employees.”

### 2.16 Changes in 21st century impacting HRM

Some of the current trends that would have a significant impact on the way HR practices would get transformed in future may be listed thus:

- **HR as a spicing board for success:** “Executives with people management skills would be able to steal the show, since they help integrate corporate goals with employee expectations in a successful way. Senior HR executives would be able to smoothly move into top management positions, using their soft skills to good advantage.

- **Talent hunting, developing and retaining:** *Clear focus areas:* The 21st century Corporation would be looking for people with cross-functional expertise strong academic background and team management skills. The new recruits are is expected to utilize the resources judiciously and produce excellent results-in line with the expectations of internal as well as external groups. As companies realize the importance of human element in gaining a sustainable competitive advantage, there would be a mad scramble for ‘talent;’. This would in turn, compel corporate houses to pay close attention to talent acquisition development and retention through novel development efforts compensation packages and incentive schemes apart from flexible working schedules. More and more workers would be able to process information by working at homes, forcing companies to evaluate each employee’s contribution carefully and pay accordingly.

- **Learn and mean organization:** Organization, global competition and the like would in a way, bye to older employee with limited skills-sets, outsource work to specialized institutions in an attempt to save costs and remain highly competitive. As a result layoffs would occur and unemployed and obtaining employee loyalty and commitment would be quite challenging in such a scenario.

- **Labor relations:** Deregulation, global competition and the like would in a way, mean the end of the road for trade unions. They will lose their count slowly but steadily. The political support enjoyed by them hitherto would also
come down drastically. Economic compulsions would make both the employers and employees realize the folly of pulling down shutters or going on strike, however genuine the cases might be. Governmental influence in labor management relations would have only historical significance as employment related issues begin to be dictated by market forces.

**Health care benefits:** To attract relented work force healthier workforce healthier work environments would be an absolute necessity. Employees would be obliged to give their employees safe, healthy and secure work environments. Wellness programmers also need to be designed to help employees indentify potential health risks and deal with them before they became problems. More importantly, organizations need to pay more attention to issues such as office décor, furniture design, space utilization with a view to improve the comport levels of employees.”27
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