CHAPTER I
INTRODUCTION

Of all the resources employed in an organisation, personnel represents the most vital resource. All the activities of an organisation are initiated and carried out by persons who make-up that organisation. Plants, offices, computers, automated equipment and all else that a modern firm uses are unproductive except for personnel effort and direction. Even poorly devised machinery may be made to work if it is manned with well trained, intelligent, imaginative and devoted staff. On the other hand, the best planned organisation may produce unsatisfactory results if it is operated by mediocre or disgruntled people.

Personnel constitutes the most complex aspect of administration in an organisation; and as such they are subject to many and varied influences. Moreover, human beings are sensitive. They think, they speak, they act. Employees, therefore cannot be handled like a machine or shifted and altered like templates in a room layout. It is through the combined effort of people that monetary and material

resources are utilised for achieving organisational objectives. Without human efforts organisations cannot achieve their objectives. Thus, personnel, as a resource occupies a significant place in any organisation. Handling it is a challenging task before the management.

Personnel Management

Of all the tasks of management, managing the personnel is of central importance, because all else depends on how well this is done. Since every organisation is made up of people, acquiring their service, developing their skills, motivating them to high levels of performance and ensuring their commitment to the organisation are essential to achieving organisational objectives. According to Edwin B. Elippo, "Personnel Management is the planning, organising, directing and controlling of the procurement, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and social objectives are accomplished." "Personnel Management," in the words of Robert L. Mathis and John H. Jackson, "is a set of activities that must be managed. All organisations with people in them must deal, with specific: personnel activities of work analysis, staffing, training and development, appraisal, compensation, maintenance and Union

Paul Pigors, op. cit., p. 36.


relations." Personnel Management is also known as Human Resource Management and Personnel Administration. David A. Decenzo and Stephen, P. Robbins, define human resource management as "a process consisting of four functions - acquisition, development, motivation and maintenance - of human resources. These functions are described as getting people, preparing them, activating them and keeping them." According to Rudrabasavaraj, Personnel Administration deals with "Placing right people on the right jobs, training and developing them, instituting proper promotion, transfer and performance appraisal policies and programmes, influencing employee morale, developing adequate systems of compensation, providing various employee benefits and services, developing proper union-management relations, advising on labour legislation, evolving appropriate communication systems, redressing employee grievances, promoting better relations within industry and generally contributing to the employee welfare as well as organisational welfare."

Foregoing definitions thus reveal that the Personnel Management is concerned with the employees, their welfare and the relationships with employers.

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Objectives of Personnel Management

Personnel management aims at utilising the human resources effectively by providing opportunities for individual development and establishing desirable working relationship in the organisation. With a view to achieving the aims, the personnel management may have the following objectives:

* Effective utilisation of human resources in the achievement of organisational goals;
* Establishment and maintenance of an adequate organisational structure and desirable working relationships among all members of the organisation;
* Securing integration of the individual and informal groups with the organisation and thereby their commitment, involvement and loyalty;
* Recognition and satisfaction of individual needs and group goals;
* Provision of maximum opportunities for individual development and advancement;
* Maintenance of high morale of human organisation;
* Integration of the organisation with the socio-economic system of the economy.

Functions of Personnel Management

In the early part of the present century, functions of personnel management were concerned only with labour welfare in industrial undertakings. The scope of personnel management functions has expanded in the recent years for various reasons such as professionalisation of management, application of behavioural approach to management,
advancement in management techniques and the consequent need for training and development of managers. As a result personnel management has become a specialised profession.

Personnel Management, to achieve the objectives, performs two types of functions - managerial and operative. Managerial functions include planning, organising, directing and controlling whereas operative functions include procurement, development, compensation and integration of personnel.

The latest concept of personnel management represents an advancement from the existing personnel management concepts. Three frameworks developed in India, U.S.A. and Europe are shown in Exhibit: 1. The Indian and American frameworks focus on developmental aspects. The framework provided by Smiley of International Management Institute goes even further. He refuses to look at Human Resource Management functions without the linkages with organisational strategic planning and management.

The functions of personnel management, thus encompasses manpower planning, recruitment and selection, training and development, promotion, transfer, salary administration, welfare measures, working conditions and environment, performance appraisal, employee discipline, grievance redressal, employee union - management relationship.


### Exhibit - 1

Some Recent Frameworks on Human Resources Management

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ASIRD - American Society for Training and Development
MIH - International Management Institute

Principles of Personnel Management

A principle is a fundamental truth, generally stated in the form of a cause-and-effect relationship. Principles are discovered by research, investigation, and analysis. Policies are established on the basis of known principles. 12

A mere description of functions and objectives of personnel management does not adequately explain the field of personnel management. There is an essential need for certain guiding principles which assist the personnel executives in the formulation of policies, procedures, and programmes as well as in the solution of personnel problems.

C.i.l. Northcott has identified four principles of personnel management namely, justice, personality, democracy and cooperation. Justice implicit in the recognition by the employer of his obligation in respect of his employees. Personality, a principle which lies behind the need of the worker for satisfaction in work and services. The democratic principle upon which depends the sense of partnership and the rightfulness of the claim of the workers for status in industry commensurate with their position as members of democracy. Cooperation, the establishment of a relationship so all embracing as to be the governing factor in industrial relations generally. 14

13 Ruclrabasavaraj, M.N., op. cit., p. 54.
Some of the principles suggested by Rudrabasavaraj include principle of individual development, scientific selection procedure, incentive, adequate communication, participation, fair compensation, dignity of labour, team spirit, labour and management cooperation and contribution to national prosperity.  

Other principles of personnel management may be set forth as follows:

* People are to be dealt with as complete individuals.
* Employees should be made to feel worthwhile.
* Fairness and justice in action.
* Supply employees with relevant information.
* Judge the strength or intelligence of the people properly.
* Sell the personnel programme.
* Equal wage for equal work.
* Set examples.

Personnel Policies, Programmes, Procedures and Practices

Management policy is, in a sense, the starting point for all managerial relationships with employees. The management of people begins with ideas, implicit or explicit, as to the purposes, goals, and intentions in such employment, on the basis of which policies are formulated to outline the courses to be followed. On the basis of such

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policies, management develop programmes - carefully planned campaigns - presumably designed to carry out established policies. Carrying out the programmes results in certain activities or practices and procedures. 17

Personnel policies are pre-determined written guidelines established for decision making on personnel matters. For instance, in respect of the policy of providing training for all employees as a means of preparing them for promotion, Personnel Managers are often called upon to establish guidelines for the management.

Programmes provide a step by step approach to guide the action necessary to reach pre-determined goals. The programmes are organised within the framework of personnel policies. " They represent simple or complex activities, presumably developed to carry out policies. 19 To implement training policy, for example, management may develop a training programme which may include specific job training for new employees, supervisory training for foremen and supervisors, and management development for members of the management group.

Procedures explain the exact manner in which policies are implemented. While policy indicates 'what' and 'why', procedures explain the methods, processes, movements and specific rules and regulations and indicate the steps, time, place and personnel responsible for implementing them.

18 Rudrabasavaraj, M.N., op. cit., p. 74.
19 Dale Yodar, op. cit., p. 41.
What is actually done is called practice. Practices and procedures are the specific actions that may be combined in a programme. In the supervisory training programme, role playing may be considered as one of the training practices. In some cases, observers may infer policy from practice, but such an inference may be in error.

Thus personnel policies declare what is intended and proposed by the management on personnel matters. Programmes, procedures and practices describe how policies are being implemented.

New Approach to Personnel Management

Personnel Management is concerned with people; and getting things done through people effectively. For this, it is necessary to study the behaviour of the people at work in organisation. Thus emerged the behavioural approach which laid focus on the study and application of knowledge about how people act within organisation.

A powerful influence for maturity in organisational behaviour was Douglas McGregor's theory 'X' and Theory 'Y'. These two theories clearly distinguished traditional autocratic assumptions about people (Theory 'X') from more behaviourally based assumptions about people (Theory 'Y'). The usefulness of the McGregor theories is his convincing argument that most management actions flow directly from the theoretical perception of human behaviour lay managers. Management's

Dale Yodor, Ibid., P-41.

personnel policies, decision making, operating practices and even organisational design flow from assumptions about human behaviour.

McGregor's argument was that management had been ignoring the facts about human nature. It has been following an outmoded set of assumptions about people because it adhered to Theory 'X' when the facts are that most people are closer to the Theory 'Y' set of assumptions. There are important differences among people; a few may come closer to Theory 'X', but nearly all employees have some Theory 'Y' potential for growth. Managers had failed to recognize this potential, consequently their policies and practices, failed to develop it. The result was that many people regarded work as a curse on human kind instead of an opportunity for growth and fulfilment. Management needed to change to a whole new theory of working with people: Theory 'Y'.

Besides Theory 'X' and Theory 'Y', Theory 'Z' has been developed as an approach to managing people at work. Theory 'Z' is developed by William G. Ouchi based on the Japanese Type 'Z' form of organisation. The Theory 'Z' approach to managing has the following characteristics:

* Long-term employment
* Consensual decision-making
* Individual responsibility

Keith Davis, Ibid., p. 10.
12.

* Slow evaluation and promotion
* Informal control
* Holistic concern for employees

This philosophy is a blending of Japanese and Traditional America! Management Styles. Perhaps the best examples of what quality of work life (QWL) advocates espouse are Japanese run American subsidiaries. Japanese managers have achieved success with American Workers, sometimes when American managers have failed. Well known American Companies have all studied the Japanese form of organisation and have made attempts towards Type '7,' form of organisation. Specific training objectives for organisations wanting to move toward a Type 'Z' form include interpersonal relations, long-term development, participative relationships, the agility to perform several jobs and individual patience and tolerance.

Significance of Personnel Management in Cooperative Banking

Cooperation is one of the economic miracles of the last century. It is a form of economic organisation based on certain higher values. It is a voluntary and democratic association of human beings based on equality (of control and opportunity) and equity (of distribution) and mutuality for the promotion of their common interests as producers or consumers. Solidarity, democratic control, mutuality or self-help


Robert Anderson and Kathlenn Anderson, HRD in 'Z' type companies, quoted in Fred Luthans, Ibid., p. 647.
through mutual help, voluntarism, equality and service motive are its characteristic features.

Of the many factors that affect the performance of cooperatives, the aspect of personnel plays a predominant role. It is the personnel who can give an image, good or bad, to the cooperative. Only when personnel accept individual and corporate responsibilities and discharge their respective obligations a cooperative can work smoothly and can effectively serve the needs of its members.

Unfortunately, scant attention is given to the personnel in cooperatives. Even when cooperative began to diversify and enter specialised and more competitive fields of activity, the elected members continued to believe that the various functions devolving on the cooperative could be managed by themselves, with some assistance from a paid employee. Larger business cooperative like the Central Cooperative Banks and State level Cooperatives have, over the years, developed their own staffing policies and have been generally able to make the work environment for their employees to some extent comfortable and attractive with prospects for career development within their organisation.

The significance of Personnel Management in Cooperative banking is gaining momentum in recent years due to the vast improvement in their business transactions and employee strength. It brings along a

number of problems relating to selection of right person for the right job, training facilities and employer-employee relationship. These problems turn into employee grievances, individual as well as group. Sometimes, when grievances are not redressed, it leads to strikes. To handle such problems, an efficient personnel department is the essentially the need of the hour.

As far as the nature of work is concerned, the Cooperative Banks are in no way different from other commercial banks. But there may be differences in employees' performance which has direct bearing on the personnel, policies and practices of the banks. A rational approach to personnel management is essentially required for cooperative banks to enable them join the mainstream of banking in the country.

One of the greatest challenges facing the cooperative banking today is the motivation of employees. The traditional pattern of motivation which were largely founded on the economic rewards have failed to deliver the expected goods on a long term basis. The complexities arising out of labour welfare approach, growth of unions, rising standard of living, better educational background and awareness have raised the expectational levels of the employees. Thus, Personnel Management has a great role to play in the cooperative banks.

Cooperative banks have their own characteristics which differ from other business enterprises. The elected Directors need not necessarily be well educated persons. Personnel management must therefore play a vital role in assisting management to frame policies
relating to personnel without affecting cooperative character in such a way that both the organisation and its employees can get maximum benefit.

Technology and organisational behaviour affect the personnel in cooperative banks. It therefore demands highly qualified managers who have specialised knowledge in the subjects of behavioural sciences to handle the personnel in cooperative banks.

Cooperative banks in India are rendering services and facilities to the common masses through three tier structures and there is a link within the structure. Given the small size of individual units, scarcity of resources and low operating margins, it will be difficult for an individual cooperative unit organised at grass root level to either have its own expert or to depend on costly sources of outside help to develop human resources systematically. It is only when a federal organisation undertakes the task of manpower planning centrally and devises ways and means to execute such plans in an integrated manner, an individual unit can get the services of competent people.

For regulating and strengthening the cooperative banks, Government not only enacted Cooperative Societies Act and Rules amended from time to time to accommodate latest developments but also provided active assistance in various forms including managerial assistance. It started the system of sending Government Officers on deputation to manage the cooperatives. The Cooperative Societies Act and Rules empowered the Registrar of Cooperative Societies to appoint key
personnel of cooperative banks to formulate the norms for manpower requirements and service conditions for the employees of various categories of personnel. But encouraging result has not been achieved so far. Cooperative banks are not providing scientific base for manpower planning, job analysis, recruitment and selection, performance appraisal and grievance redressal and in such other significant areas of personnel management. These banks are also under the direction and guidance of various agencies like RBI/NABARD. While providing financial assistance to cooperative banks, they inter-alia prescribed norms relating to personnel. To sum up manpower management in cooperative banks is characterised by legislative measures and administrative directions; external direction of policy and alien source of recruiting personnel; and lack of scientific analysis and planning.