Chapter 1- Introduction to HRD and Insurance Industry

1.1 Insurance sector- An Introduction

The insurance industry forms an integral part of the global financial market. In recent decades, the insurance sector, like other financial services, has grown in economic importance. This growth can be attributed to a number of factors including rising income and demand for insurance, rising insurance sector employment, and increasing financial intermediary services for policyholders. A sound national insurance market is an essential characteristic of economic growth. This is a fact that the insurance industry forms a major component of an economy because of amount of premiums it collects, the scale of its investment, and the essential social and economic role it plays by covering personal and business risks. By encouraging these factors that promote insurance demand and helps in financial development, policymakers possess a strong tool to stimulate economic growth.

The life insurance market of India has tremendous growth potential. A number of foreign insurance companies have set up representative offices in India and have also tied up with various asset management companies. Since the life insurance sector was opened up in 2000, it has now gone through two clear cycles - the first of very high growth (CAGR of over 12 per cent in number of new policies between 2000-10) and then one of substantive moderation (CAGR of over 9 per cent between 2010-12). Despite this, long-term growth prospects for the industry remain intact. Higher personal disposable incomes is the main factor in the growth or development of insurance sector as it would result in higher household savings that can be channeled into different financial savings instruments like insurance and pension policies. Guidelines for traditional and pension products, are in the draft stage and efforts are made to standardized them, Because standard guidelines reduces approval time, and therefore time to develop and market new products. Customers have varied needs and insurers should offer products that cater to the specific needs of the distinct segments. India was ranked 10th among 147 countries in the life insurance business, with a share of 2.03% in 2013. The country was ranked 19th among 147 countries in the non-life premium income, with a share of 0.66% in 2013.
The life insurance premium market expanded at a compound annual growth rate (CAGR) of 16.6% from US$ 11.5 billion in 2003 to US$ 53.3 billion in 2013. The non-life insurance premium market rose at a CAGR of 15.4%, from US$ 3.1 billion in 2003 to US$ 13.1 billion in 2013. The share of the private sector has been growing over the years, from around 2% in 2003 to 27% in 2013.

The Insurance Regulatory and Development Authority (IRDA) have recently allowed life insurance companies that have completed 10 years of operations to raise capital through initial public offerings (IPOs). Insurance products are also covered under the exempt, exempt, exempt (EEE) method of taxation, which translates to an effective tax benefit of approximately 30 per cent on select investments. The Government of India has extended Rashtriya Swasthya Bima Yojana (RSBY) to cover un-organized sector workers in hazardous mining and associated industries.

The new Bancassurance regulations are also prevalent. This allows a bank to collaborate with more than one insurer. While this will allow for more choices for a customer of the bank, choices will remain limited if the number of insurers is restricted to one per state or zone as proposed in the draft regulation.

Government spending will have to be efficient and sectors that will have a long term impact on the economy, such as education, infrastructure and health, will have to be monitored. All these and tax incentives for long-term protection products will fuel growth of the sector.

1.1.2 History of life insurance industry

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). Insurance in India has evolved over time heavily drawing from other countries, England in particular. In 1818 the life insurance business in India started with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had started life insurance business in the Madras Presidency. The British Insurance Act was enacted in 1870.

In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to
regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers. In 1938, with a view to protect the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January, 1956 for nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

1.1.3 Global insurance markets
As per the world insurance report, published by the reinsurance major “swiss re”, the global life insurance premium grew by 2.3% in 2012 after a contraction of 3.3% in 2011. As per the report, growth in life insurance remains sluggish in 2013 due to weak economic growth in advanced countries, but Asian countries performed better and there was steady growth in life insurance in these economies.

1.1.4 Indian Insurance sector- An overview
At the end of September 2013, there are 52 insurance companies operating in India out of which 24 are in life insurance business and 27 are in non-life insurance business. In addition, general Insurance Corporation is sole national re-insurer. The life insurance industry recorded a premium income of Rs. 2,87,202 crore during 2012-13 as against 2,87072 crore in previous financial year, registering a growth of 0.05%. While private sector insurers posted 7.38% decline in the premium income in year 2012-13 as compared to 4.52% decline in 2011-12. Life insurance Corporation of India (LIC), the state owned
An insurance company recorded 2.91% growth (0.29% decline in year 2011-12) on the basis of total premium income. The market share of LIC increased marginally from 70.68% in 2011-12 to 72.70% in 2012-2013. Accordingly, the market share of private insurers has declined marginally from 29.32% in 2011-12 to 27.30% in 2012-13.

The Indian life insurance industry remained a monopoly till it was privatized in 1999. Since then it has been under a consistent process of transition from the stage of monopoly towards perfect competition. The current stage of competition in Indian life insurance is the presence of 24 life insurers.

1.1.5 Sector outlook

1.1.5 (a) Life insurance density
Life insurance density expanded from US$ 13.4 in 2004 to US$ 42.7 in 2013 at a CAGR of 13.7%.

Chart 1.1 Life insurance Density

| LIFE INSURANCE DENSITY CAGR 13.7%* |
|-------------------------------|----------------|
| FY13                          | $42.7          |
| FY12                          | $48.6          |
| FY11                          | $52.5          |
| FY10                          | $47.7          |
| FY09                          | $40.9          |
| FY08                          | $43.9          |
| FY07                          | $31.2          |
| FY06                          | $20.4          |

Source: IRDA Annual report 2012-13

The level of life insurance penetration and density reflects the level of development in insurance sector in the country. Insurance density is calculated as the ratio of premium to population (per capita premium). The insurance density of life insurance business had gone up from USD 9.1 in 2001 to reach the peak at USD 52.5 in 2011. During 2012-13, the level of life insurance density was only USD 42.7.

1.1.5 (b) Market share of major companies in terms of total life insurance premium collected
LIC is still the market leader, with 72.7% share in 2013.
Chart 1.2 Market shares of major companies in Life insurance

Source- IRDA Annual report 2012-13

The Pie chart 1.2 depicts the market share of different players of life insurance sector. LIC is the market leader with 72.7% market share and is only company in public sector. Among all the private sector companies ICICI prudential has highest market share 4.7%. HDFC standard have market hare up to 3.9%. The SBI Life, Bajaj Allianz, Max life, & Birla sun-life has market share of 3.6%, 2.4%, 1.8%, & 2.3% respectively. Rest of the companies in the insurance sector has collectively reported 8.5% market share.

1.1.5 (c) Growth in life insurance premiums

Over FY03–FY13, life insurance premiums expanded at a CAGR of 16.6%.

Chart 1.3 Growth in Life insurance Premiums

Source- IRDA Annual report 2012-13

The chart 1.2 explains the increase in life insurance premium. It was 24.0 billion in 2006 and increased to the maximum level of 64 billion in 2011. Now it reported 53.3 Billion in 2013 with 16.6% Compounded Annual Growth Rate.

1.1.5 (d) Break-up of non-life insurance market in India

Motor insurance forms the largest non-life segment at 43.2 per cent share in 2013.
Chart 1.4 Break-up of non-life insurance market in India.

Source- IRDA Annual report 2012-13

The pie chart 1.4 shows the break-up of non life insurance market in India. In which motor insurance forms the largest non life segment at 43.2 % share in 2013. After this the medical insurance have share of approximately 21.8 % and fire insurance have share of about 9.8%. Crop insurance and Engineering insurance have share of 4.3% and 3.6% respectively in 2013. The miscellaneous non life insurance have share of approximately 17.2 % in 2013.

1.1.6 Profitability of Insurance Industry

During the financial year 2012-13, the life insurance industry reported net profit of Rs. 6948 crore as against Rs. 5974 crore in 2011-12. Out of 24 life insurers during 2012-13, 17 companies reported profits in life insurance industry.

They are Aviva life, Bajaj Allianz, Birla Sunlife, Canara HSBC, HDFC Standard, ICICI prudential, IDBI Federal, ING VYASA, Kotak Mahindra, Max life, PNB Met life, Reliance life, Sahara India, SBI Life, Tata AIG, Shriram Life and LIC of India. Life insurance industry reported a net profit of 1437.59 crore i.e. an increase of 9.46% over Rs. 1313.34 crore in 2011-12.

1.1.7 Factors of growth in Indian insurance industry

A well developed insurance sector is a boon for economic development of a country. It provides long-term funds for infrastructural development and strengthens the risk-taking ability of the country. India’s rapid rate of economic growth has been one of the most
significant developments in the global economy. The Indian insurance industry is on its way to development and a number of factors govern this growth are as follows:

**Significantly untapped latent potential:** India’s insurance sector has witnessed rapid growth during the last decade and many foreign companies are investing in domestic companies. And still there is big untapped market for insurance in India.

**Recent regulatory developments governing current market state:** The nature and quality of regulation governs development of the insurance industry in India. The Overall regulatory environment is favorable and takes care of all those players who follow the regulatory standards. The primary objective for the current regulations is to promote stability and fair play in the market place.

**Market forces:** There are certain factors which are considered growth measures in the Indian insurance industry. Some of these include:

**Distribution channels:** The effectiveness and cost of diverse distribution strategies are crucial in ensuring the success of players in the insurance business.

**Focus on financial inclusion:** Presently the focus of economy is the financial inclusion which is extended in the insurance sector.

**Consumer needs and preferences:** The growth in insurance industry has been shown by product innovation, vibrant distribution channels, attached with targeted publicity and promotional campaigns. All these efforts have brought insurance closer to the customer as well as made it more relevant.

### 1.1.8 Future outlook of life insurance sector

Life Insurance is one of the sectors which have an adequate growth potential. It is the only financial asset which provides return in addition to the life risk coverage. In the modern era term assurance has got less importance since it provides only risk coverage and no return. The investors in life insurance are looking for both good return and life risk coverage. Hence the new policies were framed by the companies which have both the elements. After privatization of life insurance sector in 2000, drastic changes occurred in the sector. Linked policies were framed in place of the conventional policies. The investors are looking for the gains from the securities market also. These investors can invest in mutual funds but it does
not cover life risk. The potential for growth and spread of life insurance in India is high due to large population and no pension system among the larger work groups which leads to no old age income. The insurance sector provides for the long term contractual savings for the investors. In life insurance business, India ranked 9th among the 156 countries. During 2010-11, the estimated life insurance premium in India grew by 4.2 per cent (inflation adjusted). However, during the same period, the global life insurance premium expanded by 3.2 per cent. The share of Indian life insurance sector in global market was 2.69 per cent during 2010, as against 2.45 per cent in 2009. India's growing economy, coupled with a significant rise in the young working population, has potential for development of the life insurance sector. This is in addition to the large population that remains uninsured. Moreover, of the insured population, a significant percentage remains under-insured. So, while premium as percentage of GDP is 4.47 per cent, sum assured as a multiple of GDP is just 0.3. It is estimated that the sector will grow at a compounded average growth rate of 15-20 per cent over the next 20 years.

1.2 Human Resource Management & Human Resource Development – An Introduction

The prosperity of a business or industrial undertaking depends upon the efforts of the human beings employed in it. If every employee is suited to his job, does it efficiently and enthusiastically and actively promotes the interests of the business, it will prosper to the fullest extent allowed by external influences.

The personnel manager is concerned with the selection, development and effective utilization of the labor force. He must attempt to fit the right person into the right job, help to qualify the worker for any higher position that may be within his capabilities, and plan in advance for the need of the undertaking.

The essentials of personnel management were first exemplifies by the work of Robert Owen (1771-1858). He recognized the significant importance of the human factor in the industry. The impact of HRM practices on business performance has been studied in the recent past. These studies have found a positive relationship between HRM practices and firms’ performance (Becker & Huselid, 1998; Chang & Kuo, 2004; Jarventaus, 2007; Rizov
The purpose of HRD policy is the development of Human Resources. In a research paper, (Sriyan, 1997) found human resource development is the process of increasing knowledge, skills, and the capacity of people in society. In economic terms, it could be described as the accumulation of human capital and its effective investment in the development of an economy. In political terms, human resources development prepares people for adult participation in the political processes particularly as citizens in a democracy. From the social and cultural point of view, the development of human resources helps people to lead richer and fuller lives, less bound by tradition. Frederick and Charles (1964) argued that the process of human resources development unlocks the door to modernization. The challenge of development is to improve the quality of life. Most of the economists argue that it is the human resources of a nation, not its physical capital or its natural resources that ultimately determine the character and pace of its economic and social development. Not gold but only men, can make a nation great & strong. According to late Professor Frederick Harbison of Princeton University: Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations, and carry forward national development (Michael, 2000). Clearly, a country which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else.

1.2.1 CONCEPT OF HUMAN RESOURCE

Human resource is of paramount importance for the success of any organization. It is a source of strength and aid. Human resource is the wealth of the organization which can help it in achieving its goals. Every person works basically to satisfy his fundamental needs. Due to this phenomenon it seems a typical task to pursue a group of persons in a particular direction to achieve some predetermined goals of the organization. Managing good human relations become essential to ensure achievement of goals. The term human relation is usually taken to mean "getting along with others." The study of human
relations in the world of work is not the mere study for its own sake. It is the study of the practical attempts to achieve the two separate goals namely, i) the best result of work done and ii) greater satisfaction within the group. Human resource can be divided into two parts in an organization viz. one who manage and one who are managed.

1.2.2 HUMAN RESOURCE MANAGEMENT

Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms "Human Resource Management" and "Human Resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations. In simple words, HRM means employing people, developing their capacities, utilizing, maintaining and compensating their services in tune with the job and organizational requirement. Human Resource Management (HRM) is seen by practitioners in the field as a more innovative view of workplace management than the traditional approach. Human resource management (HRM) refers to the policies and practices involved in carrying out the human resource (HR) aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labor relations (Dessler, 2007, p. 4).

Synonyms such as personnel management are often used in a more restricted sense to describe activities that are necessary in recruiting workforce, providing its members with payroll and benefits, and administrating their work-life needs. So if we move to actual definitions, Torrington and Hall (1998) define personnel management as being:

“a series of activities which: first enable working people and their employing organizations to agree about the objectives and nature of their working relationship and, secondly, ensures that the agreement is fulfilled” (p. 49).

While Miller (1987) suggests that HRM relates to:
"those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage" (p. 352).

According to filippo

"Human Resource management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished."

The goal of human resource management is to help an organization to meet strategic goals by attracting and maintaining employees and also to manage them effectively. The key word here perhaps is "fit", i.e. a HRM approach seeks to ensure a fit between the management of an organization's employees, and the overall strategic direction of the company.

HRM reflects a new outlook which views organization's manpower as its resources and assets. HRM is that process of management which develops and manages the human elements of an enterprise. Human Resource Management (HRM) and Human Resource Development (HRD) are used interchangeably. These are two different terms. HRD is at the centre of HRM. So HRM is a wider term than HRD. There is a growing need to develop skills, talents, capabilities, potentialities of people in the organization and this task is taken up in human resource management. HRD strategy is to bring about the changes in personnel so that new challenges are met. HRD aims to develop individual employee in accordance with his aspirations and potentialities on the one hand and the company's requirements on the other. HRD programs are described as training and education programs.

1.2.3 HUMAN RESOURCE DEVELOPMENT

Human Resource Development aims at assisting people to acquire capabilities and competencies that are essential to perform their duties in an efficient manner and let them to achieve organizational goals. HRD is a process to make people grow continuously and growth of people will ultimately lead to the growth and development of the organization.
(Rao and Pereira 1986). It is the ultimate responsibility of HRD department to develop their manpower to the extent so that they can handle the managerial obligation and sharpen their existing knowledge in this dynamic challenge of time (Michael 1995). HRD process was existed to some extent in India earlier, but a professional outlook to HRD began only in 1970s. Larsen and Turbo was the first company in India to design and implement an integrated system of HRD in their company. After that human resources are being given paramount importance in all innovative enterprise & their development and growth are the main concern of the organizations. HRD as an activity and as a process plays a crucial role in identifying the hidden potential of the workforce and to polish their skills, talents and technical knowledge in order to develop them and prepare them for facing the challenges. It aligns the goals of the individual with the organization for the sole purpose of their fulfillment. Human resource is the most crucial resource of any organization and with the changing market conditions, technological advancement and in dynamic management systems, It is essential to acknowledge the development aspect for human resource and to recognize the significance of their up-gradation and progression (Rao: 2005).

Hence, we could say that HRD is an organized learning experience aimed at matching the need of the organization with those of the individuals for career growth and development. It is a systematic process of producing behavioral changes in human being to develop their knowledge and skills to make them more competitive in this globalized era.

Human resource development is a people-oriented concept that focuses on developing the skills, knowledge and competencies of people. Human resource development can be applied both at the organizational level as well as on the national level. Various authors have not yet been fully successful in conceiving the whole concept of human resource development. They have defined the term from their standpoint due to the fact that it is a recent concept and therefore is still in the conceptualizing stage. Lifelong learning has become an important topic under the globalization perspective & the whole world develops into a “learning society” (Gass, 1996). Work organizations are becoming important partners in this learning society, as they provide more and more opportunities for continuous learning to their employees with the objective to optimize organizational learning as a whole (Karen et al., 2001). However, many interesting initiatives are being undertaken by HRD
practitioners in facilitating employee learning and professional development (Tjepkema, 2000). Many organizations have renamed their training departments to human resource development departments. Surprisingly some organizations renamed their personnel departments to human resource development departments. Some educational institutions started awarding degrees and diplomas in human resource development, with the fact remaining that the concept is not yet crystal clear. In this concept sufficient human input could have been possible.

The concept of human resource development was introduced by Nadler (1984) in a conference organized by the American society for training and development. Nadler (1984) defines human resource development as “Those learning experiences, which are organized for a specific time and designed to bring about the possibility of behavioral and attitudinal change.

**General Assembly resolution 44/213 of UN in 1989 states:** “HRD is a broad concept requiring integrated and concentrated strategies, policies, plans and programs to ensure the development of the full potential of human beings, so that they may, individually and collectively, are capable of improving their standard of living”.

Alvin Toffler, the author of "future shock" and "The Third Wave" wrote about the importance of learning in the 21st Century and express how the learning skills will describe literacy. The definition he used was more meaningful than ever in current times and can serve as a gauge for us as individuals and as organizations both in measuring our own concepts regarding HRD skills and in planning, learning experiences with others. The term learning experience refers to purposeful or intentional learning not incidental learning as cited by John (2005).

Organizational view point is that human resource development is a process in which the employees of an organization are motivated to acquire and develop technical, managerial and behavioral knowledge, skills and abilities (John 2005). Their values beliefs and attitudes are reshaped in order to perform present and future roles.
To appreciate the significance of the term ‘HRD’ many economists, thinkers, social scientists, and industrialists come forward to define the term from different aspects. Certain eminent definitions of HRD are:

“Human Resources Development (HRD) as a theory is a framework for the expansion of human capital within an organization through the development of both the organization and the individual to achieve performance improvement” (Kelly: 2001).

In the words of M.N. Khan “HRD is the process of increasing knowledge, skills, capabilities and positive work attitude and values of all people working at all levels in a business undertakings” (Khan:1987).

According to Pareek, U: 1991, “HRD is a new systematic approach to proactively deal with issues, related to individual employees and teams, and organizations and a movement to develop organizational capability to manage change and challenge” (Singh: 2008).

Prof C.S. Sanker observes, “HRD is a development oriented planning efforts in the personnel area which is basically concerned with the development of human resources in the organization for improving the existing capabilities and acquiring new capabilities for achievement of the corporate and individual goals” (Sanker :1984).

Dr. Len Nadler says, “HRD means an organized learning experience, with an objective of producing the possibility of performance change” (Gupta and Gupta: 2008).

Human Resources Development is a combination of training and education, in a broad context of adequate health and employment policies that ensures the continual improvement and growth of the individual, the organization, and the national human resourcefulness. Adam Smith states, “The capacity of individuals depends on their access to education”.

"Human resource development (HRD) encompasses a range of organizational practices that focus on learning: training, learning, and development; workplace learning; career development and lifelong learning; organization development; organizational knowledge and learning".

Human Resource Development (HRD) is a process by which the employees of an organization 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 potentials for their own and for organizational development purposes, and 3) develop an organizational culture in which supervisor-subordinate relationships, teamwork, and collaboration among sub-units are strong and contribute to the professional well being, motivation, and pride of employees. (Rao: 1985).

Human Resources Development is the medium that drives the process between training and learning in a broadly fostering environment. Human Resources Development is not a defined object, but a series of organized processes, “with a specific learning objective” (Nadler, 1984) within a national context, it becomes a strategic approach to inter sector linkages between health, education and employment.

A comparative analysis of these definitions seems elaborate and comprehensive as it deals with the developmental aspects of human resources. Furthermore, it deals with all skill sets, the present and future organizational needs and aspects of contributions at organizational level.

The analysis of the definitions further shows that there are three aspects in human resource development:

• Organizational employees are helped and motivated.
• Various aspects of human resources are acquired, developed and molded.
• Contribute to the organizational, group, individual and social goals.

Initially the helping and motivating factors of human resource development, like organizational structure and climate, human resource development climate, knowledge and skills of managers, resource planning and recruitment & selection may be called enabling factors. The second aspect deals with techniques or methods, which mean to acquire, develop and shape up the various human resources. These techniques include; performance appraisal, potential appraisal, career planning, Training & development, management development, social and cultural programs, workers participation in management and quality circles. The third category includes the outcomes contribution of the human resource development process to the goals of the organization, group, individuals and society.
Human Resources Development is the structure that allows for individual development, potentially satisfying the organizations, or the nation's goals. Development of the individual benefits the individual, the organization—and the nation and its citizens. In the corporate vision, the Human Resources Development framework views employees as an asset to the enterprise, whose value can be enhanced by development. Its primary focus is on growth and employee development. It emphasizes development of individual potential and skills. Human Resources Development can be in the form of in-room group training, vocational courses or mentoring and coaching by senior employees with the aim for a desired outcome that develops the individual's performance.

At the organizational level, a successful Human Resources Development program prepares the individual to undertake a higher level of work, "organized learning over a given period of time, to provide the possibility of performance change" (Nadler 1984). In these settings, Human Resources Development is the framework that focuses on the organizations competencies at the first stage, training, and then developing the employee, through education, to satisfy the organizations long-term needs and the individuals’ career goals and employee value to their present and future employers. Human Resources Development can be defined simply as developing the most important section of any business, its human resource, by attaining or upgrading employee skills and attitudes at all levels to maximize enterprise effectiveness. Human Resources Development from a business perspective is not entirely focused on the individual's growth and development, "development occurs to enhance the organization's value, not solely for individual improvement. Individual education and development is a tool and a means to an end, not the end goal itself.

Human resource development could be expressed in the following terms:

- Human resource development makes a major contribution to the successful attainment of the organization’s objectives and that investment in it benefits all the stakeholders of the organization.
- Human resource development plans and programs should be integrated with and support the achievement of business and human resource strategies.
- Human resource development should always be performance-related—designed to achieve specified improvements in corporate, functional, team and individual performance, and make a major contribution to bottom-line results.
- Individuals in the organization should be encouraged and give the opportunity to learn & develop their skills and knowledge to the maximum of their capacity.
- Personal development processes provide the framework for individual learning, where investment in learning and development provides opportunities for individual development but the prime responsibility for development rests with the individual, who will be given the guidance and support.

T.V. Rao and Udai Pareek have given six dimensions of human resource development

1. Performance appraisal.
2. Potential appraisal.
3. Employee counseling.
4. Career development and planning.
5. Training.
6. Organizational development.

HRD has been defined in numerous ways to stress its strategic role in Organizational Development. It “is a process for Enhancing and unleashing human expertise through personnel training and development for the purpose of improving performance” (Swanson and Holton III, 2001). According to McLean and McLean (2001): “HRD is any process or activity to develop work-based knowledge, expertise, productivity, and satisfaction, whether for personal or group/team gain, or for the benefit of an organization, community, nation, or ultimately, the whole of humanity.”

Eurich (1990) “It seems reasonable to infer that a knowledge-based organization must also be a learning based organization in which learning is not confined to company classrooms” (p. 171). It is clear that “Human Resource Development aims at providing opportunities to individuals for full expression of their potential and focuses on the creation of values and culture conducive to individual growth in the organizational context.
The Environment of business is dynamic and fast changing, and for the success of a corporation, it is necessary to change the approach of working. In this context, it is essential to understand the basic philosophy of HRD. HRD philosophy represents all those basic beliefs, ideals, principles and views which are held by the management with respect to the development and growth of its employees. A well established HRD philosophy plays two important functions. First, it improves the manager’s outlook toward development of people and second, it makes organizational goals more explicit. HRD philosophy described the following beliefs which are essential for the success of any HRD program thereby result in achievement of organizational objectives. The beliefs are as follows:

- Human potential inherent in every employee is vast; it can further be enhanced by various interventions, like, training, job rotation, counseling, organizational action, etc.
- The people are major assets and that an organization can foster full realization of individual potential by providing a developmental environment and opportunities, by encouraging and rewarding innovativeness, etc.
- Such people who are not able to contribute to the organization fully due to reasons beyond their control can also give the best if they work in proper environment and conditions.
- Competencies can be developed in people at any point of time, so it is desirable on the part of manager to encourage them to acquire competency.
- HRD provides for higher quality of work-life through opportunities for a meaningful career, job satisfaction and professional development.
- HRD philosophy emphasizes on human well-being and organizational growth, these HRD policies are relationship centered and the extent of relationships under HRD ambit is life-long and not merely for 8 hours.
- The Corporation must provide for employee growth, if an employee perceives a nurturing environment, there would be a positive response to matching individual aspirations with organizational needs. In order to be effective, HRD processes have to be planned and continuous.
Human Resource Development is a multi-dimensional concept. Dr. Len Nadler observed, \"HRD means an organized learning experience within a period of time with an objective of producing the possibility of performance change.\" According to John E. Jones \"HRD is an approach to the systematic expansion of peoples abilities, focused on the attainment of both organizational and personal goals.\" But the thinkers like Dr. Nadler and Jones used the terms 'HRD' in a limiting sense to mean training, development and education. But the concepts of these thinkers are practical and pragmatic. HRD could be initiated and facilitated by the HRD departments, but the achievement of its goals depends entirely on various implementing agencies. At the organizational level, these are line managers and at the national level, these are the various agencies and agents working for development.

Basically, HRD involves two issues; relationship of the person to (i) oneself, and (ii) to the society. A person may be an asset or a liability to himself and to the society depending upon the development of his skills and abilities and his social attitudes and values.

1.2.4 Relationship between Human Resource Development and Human resource management

Traditionally, it was thought that human resources development is a component of human resource management, in which human resources development supports the training and development activities and it is a part of the overall human resources function. The term human resources development and human resources management was same and used interchangeably. A symbiotic relationship exists between human resources management and human resources development. HR management generally employs more than one person to manage routine HR activities but professionals in HRD are responsible for employee growth. HR personnel recruit and hire people, among other things, and HRD employees develop those workers into productive assets. HR and HRD duties often overlap, because both human resources departments work together to help an organization reach its full potential.
1.3 HISTORY AND ORIGIN OF HRD

The origin of HRD is not clear that when it was originated but its roots may be looked back to the 1960’s in USA. Nadler was pioneered in using the term HRD in the George Washington University in 1968. In 1969, again it was used at the American Society for Training and Development Conference. But by the middle of 1970’s, it gathered more acceptances. Prof Udai Pareek and Prof T.V. Rao from the Indian Institute Of Management, Ahmadabad (IIMA), have started using the concept of HRD in the company Larsen and Turbo and contribute in a publication entitled “Review Exercise of the Performance Appraisal System” around 25 years ago. In the early seventies, this company, in association with IIMA reviewed all aspects of its operations. In 1974, the consultants studied the organization and prepared a new integrated system called Human Resource Development (HRD) System. The new system established the linkages between the personnel related aspects such as performance appraisal, employee counseling, potential appraisal, training etc. It is a philosophical value concept. By the late seventies, this outlook on HRD spread to a few other public sector organizations, such as BHEL, SAIL, Maruti Udyog Ltd, Indian Air Lines and Air India; and the private sector organizations, like L&T Ltd. and TISCO. Based on the recommendations given by Prof Udai Pareek and Prof T.V. Rao, a separate HRD Department was created. A high level internal team headed by a General Manager, supervised the progress of implementation of the new system initially, which was subsequently handed over to the HRD Department. In the opinion of some management thinkers, Japan is the first country to stress and use HRD Practices. According to Prof. Udai Pareek, In India, State Bank of India has introduced the term HRD in first time in 1972. The HRD system should be reviewed from time to time and improvements should be made, retaining the basic philosophy. The original consultancy reports of Dr. Udai Pareek and Dr. T.V.Rao have paved the way for this new function and new profession. This pioneering work of Dr. Rao and Dr. Pareek lead the HRD Departments of top establishments like the State Bank of India and its Associates, and Bharat Earth Movers Limited in Bangalore in 1976 and 1978. The establishment of a separate Ministry of Human Resource Development (HRD) in 1986 is a logical expression of the realization of the importance of the human factor in the development by Government of India. Presently it has become the key
phenomenon because every employer takes interest in facilitating Human resource development.

In the last few years, ever since the Central Government started a ministry called HRD, quite a few organizations have introduced this department in their organizations. Previously, the department was called Personnel Department, but now it has been renamed as HRD Department. In some organizations, there are HRD officers or Managers who are merely carrying out the training activities. In effect, some training managers are now being called HRD managers. One must admit that the phrase is becoming increasingly popular.

The role of Indian Institute of Management, Ahmadabad; Centre for HRD at Xavier Labor Relations Institute, Jamshedpur; Indian Society for Training and Development at New Delhi; and National HRD Network at New Delhi and some individual researchers are important in carrying the HRD movement in India.

There are several trends from which the HRD Concept has emerged. Let us look into those trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence.

Table 1.1 Evolution of HRD in a Chronological Sequence

<table>
<thead>
<tr>
<th>Concept</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Commodity Concept</td>
<td>Human resource was referred as ‘a commodity’ to be bought and sold. Wages were decided on the basis of demand and supply forces. Government also did not care much about the work force at that time.</td>
</tr>
<tr>
<td>The Factor of Production Concept</td>
<td>Labor is treated as any other factor of production, viz; money, material, land, etc.</td>
</tr>
<tr>
<td>The Goodwill Concept</td>
<td>Welfare measures like safety, first aid, lunch room, rest room etc. These measures proved to be a source of boosting up the morale of workers, and enhancing their performance.</td>
</tr>
<tr>
<td>The Paternalistic Concept</td>
<td>Management must assume a fatherly and protective attitude towards employers. Paternalism does not mean merely providing benefits but it signifies to satisfy various needs of employees just as parents meet the requirements of the children.</td>
</tr>
<tr>
<td>The Humanitarian Concept</td>
<td>To improve the productivity, workers need be it physical, social</td>
</tr>
</tbody>
</table>
and psychological must be fulfilled. Elton Mayo and some other along with him stated that money is less a factor in determining output, than group standards, group incentives and security. The Organization is a social system that has both economic and social dimensions.

<table>
<thead>
<tr>
<th>The Human Resource Concept</th>
<th>Employees are the most valuable assets of an organization. There should be a conscious effort to realize organizational goals by satisfying needs and aspirations of employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Emerging Concept: HRD</td>
<td>Employees should be accepted as partners in the progress of a company. They should have a feeling that the organization is their own. To this end, managers must offer better quality of working life and provide opportunities to people to exploit their potential fully. There should be opportunities for self fulfillment in one’s work.</td>
</tr>
</tbody>
</table>


The focus should be on From the Commodity concept, going through the factor of production, goodwill and paternalism, the era of concepts moves towards the humanitarian and human resource concept and finally reaching to the concept of HRD. Therefore, the above mentioned table exhibits the chronological arrival of various concepts that have prevailed and are prevailing in the society at large. (Rao: 2005)

1.4 INTEGRATED HUMAN RESOURCE DEVELOPMENT SYSTEM & APPROACHES OF HR MODELS

HRD has gained increasing attention in the last decade from Human Resource specialists, training and development professionals, chief executives and line managers. Many Dimensions of HRD have been integrated into research, training and organizational design and change. It explores the different mechanism for developing Human resource and the link between them. In sum, the Integrated HRD systems approach of Pareek and Rao (1975) has the following elements:

(i) A separate and differentiated HRD department with full time HRD staff.
(ii) Six HRD subsystems including OD,
(iii) Inter-linkages between the various subsystems,

(iv) Linked to other subsystems of Human Resource Function.

After L&T accepted these recommendations in full and started implementing the State Bank of India the single largest Indian Bank and its Associates have decided to use the Integrated HRD systems approach and decided to create new HRD Department. Since then, by mid eighties a large number of organizations in India have established HRD Departments.

As HRD came to prominence in the last decade, other frameworks and models came into existence. Some of these are briefly reviewed here.

(a) **The Strategic HR Framework Approach.** This framework originated by Ulrich and Lake (1990) aims to leverage and/or align HR practices to develop critical organizational capabilities that enable an organization to achieve its goals. This framework offers sophisticated tools and paths to identify how a firm can support its HRD practices. Business strategy, organizational capabilities and HR practices are the three important elements in this framework.

(b) **The Integrative Framework.** The integrative framework offered by Yeung and Berman (1997) identifies three paths through which HR practices can contribute to business performance:

1. by building organizational capabilities;
2. by improving employee satisfaction; and
3. by shaping customer and shareholder satisfaction.

Yeung and Berman (1997) stressed for dynamic changes in HR activities to refocus the priorities and resources of the HR function. They argued that HR measures should be business driven rather than HR driven; impact driven rather than activity driven; forward looking and innovative rather than backward looking; and instead of focusing on individual HR practices should focus on the entire HR system, taking into account synergies existing among all HR practices.
(c) **Human Capital Appraisal approach.** This approach outlined by Friedman et al (1998) of Arthur Anderson consulting company and is based on the belief that there are five stages in the management of human capital: clarification stage, assessment stage, design stage, implementation stage and monitoring stage. There are five areas of human capital management: Recruitment, retention and retirement; Rewards and performance management; career development, succession planning and training; organizational structure; and human capital enablers. A $5 \times 5$ matrix using these five stages and five areas could be used to evaluate and manage the human capital well. For example in the clarification stage the managers examine their human capital programs to fit into their strategy and overall culture. They may also examine each of the areas to fit into the strategy etc.

(d) **HRD Score Card Approach.** A recent approach formulated by Rao (1999) suggested that HR interventions should be mature to develop HRD system, Competencies, Culture (including styles) and business linkages in order to make the successful business impact. The maturity level and the appropriateness of each of the HR subsystems, HR Structures, HR staff, HRD culture (defined in terms of Openness, Collaboration, Trust, Autonomy, Pro action, Authenticity, Confrontation and Experimentation) and the extent to which all the systems and practices result in employee satisfaction and customer satisfaction are assessed through a well formulated HRD audit.

(e) **PCMM Approach.** Curtis and team (Curtis et. al, 1995) developed this approach for software organizations. The People Capability Maturity Model (P-CMM) aims at providing guidance on how to improve the ability of software organizations to attract, develop, motivate, organize and retain the talent needed to increase the software development capability. A fundamental premise of the maturity framework is that a practice cannot be improved if it cannot be repeatedly used. The P-CMM includes practices such as work environment, communication, staffing, managing performance, training, compensation, competency development, career development, team building, and culture development. The P-CMM is based on the assumptions that organizations establish and improve their people management practices progress through the following five stages of maturity: initial,
repeatable, defined, managed, and optimizing. Each of the maturity levels comprises of several Key Process Areas (KP As) that identify clusters of related workforce practices. When performed collectively, the practices of a key process area achieve a set of goals considered important for enhancing work force capability.

The integrated systems approach of Pareek and Rao envisaged a separate HRD department for effective implementation of HRD systems. It expressed strategy as a starting point (as in Ulrich and Lake, 1990); and therefore focus of all the system are achievement of business goals and employee satisfaction. It aimed at synergy (like in the integrated approach of Yeung and Berman), proposed the phased evolution of HRD function (like PCMM approach) and included most of the elements of the Human Capital approach. While each of the latter models has brought to focus one or the other most neglected dimensions. It is with this view that an attempt is made to assess the current status of HRD structures and practices in Indian Industry.

Organizations across the globe are finding that the winds of change and of competition are blowing across stronger than ever before. To cope with the External circumstances, organizations are looking out for ways to continue existing and to keep prospering.

1.5 HUMAN RESOURCE DEVELOPMENT COMPONENTS

Jayagopal (1988) proposed a comprehensive framework for human resource development program, comprised upon four major areas with nineteen functions under them, and also suggest a dense network of interconnections between these functions. That framework was thrashed and most necessary components are only discussed in detail.

TRAINING AND DEVELOPMENT

Training has become an integral part of any company’s operations. Training is a comprehensive process that tries to improve skills or add to the existing knowledge so that the employee is better equipped to do his present job and make them fit for a higher job involving higher responsibilities. It bridges the gap between what the employee has & what the job demands. Training is a learning process that aims to permanently improve the ability
and behavior of the employees by enabling them to acquire new skill, knowledge and attitude for more efficient performance. This whole process includes:

- Identification of training needs
- Developing suitable training programs
- Providing requisite job skills and knowledge to employees
- Evaluating the effectiveness of training programs

Development occurs when a gain in experience is effectively combined with the conceptual understanding that can illustrate it, giving increased confidence both to act and to perceive how such action relates to its context (Bolton 1995). One of the objectives of the corporation is to involve all people working in the corporation to the best of their ability. John (2005) defined training as: A planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity or range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy the current and future needs of the organization.

Training is an integral part of the Human Resource Development program. A clear training policy becomes essential to set the goals, indicate the strategies and give proper direction in the area of training. Since training involves time, effort & money by an organization, so an organization should be very careful while designing a training program. The objectives & need for training should be clearly identified & the method or type of training should be chosen according to the needs & objectives. Once this is done accurately, an organization should take a feedback on the training program from the trainees in the form of a structured questionnaire so as to know whether the amount & time invested on training has turned into an investment or it was a total expenditure for an organization.

Training is a continuous or never ending process. Training given to the existing employees known as Refresher training which enable them to keep up with the new methods & techniques, and the training given to new employees is known as Induction Training which helps them get acquainted with the work environment & peers.
Methods of Training & Development
The most widely used methods of training used by organizations are classified into two categories: On-the-Job Training & Off-the-Job Training.

(i) On-the-job training
It is given at the work place by superior in relatively short period of time. This type of training is less time-consuming and inexpensive. This training can be imparted by basically by two methods:

  Coaching is learning by doing, where superior guides his subordinates & gives them job instructions. The superior points out the mistakes & gives suggestions for improvement.
  Job Rotation moves trainees from one job to another, so that they should be able to perform all types of jobs. For Example in Insurance industry, employees are trained for both back-end & frontend jobs. In case of absenteeism or resignation, any employee would be able to perform any type of job.

(ii) Off the job Training:
It is given outside the actual work place.

  Lectures/Conferences are used to convey specific information, rules, procedures or methods. This method is useful, where the information is to be shared among a large number of trainees at the same time. The cost per trainee is low in this method.
  Films provide information & demonstrate skills that are not easily presented by other techniques. Motion pictures are often used in Conference, Seminar discussions to clarify & amplify those points that the film emphasized.
  Simulation Exercise involves those activities that place the trainees in an artificial environment that closely mirrors actual working conditions. Simulation activities include case experiences, experiential exercises, vestibule training, management games & role-play etc.
  Cases present an in-depth description of a particular problem an employee might face on the job. The employee attempts to find and analyze the problem, evaluate alternative courses of action & decide what course of action would be most satisfactory.
**Experiential Exercises** are usually short, structured learning experiences where individuals learn by doing. For instance, rather than talking about inter-personal conflicts & how to deal with them, an experiential exercise could be used to create a conflict situation where employees have to experience a conflict personally & work out its solutions.

**Vestibule Training** is that where Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. While expensive, Vestibule training allows employees to get a full feel for doing task without real world pressures. Additionally, it minimizes the problem of transferring learning to the job.

**Role Play** is just like acting out a given role as in a stage play. In this method of training, the trainees are required to enact defined roles on the basis of oral or written description.

**Management Games** are prepared on a model of a business situation. The trainees are divided into groups who represent the management of competing companies. They make decisions just like these are made in real-life situations. Decisions made by the groups are evaluated & the likely implications of the decisions communicated to the groups. The game goes on in several rounds to take the time dimension into account.

**In-Basket Exercise** Also known as In-tray method of training. The trainees are presented with a pack of papers & files in a tray containing administrative problems & are asked to take decisions on these problems within a stipulated time. The decisions taken by the trainees are compared with one another. The trainees are provided feedback on their performance.

**PERFORMANCE APPRAISALS**

Performance appraisal is the process which helps to determine the efficiency of a worker in his/her job performance. It provides a mechanism for identification of merits and deficiencies observed in an employee with regards to their job performance. Performance appraisal is a formal structured system of measuring and evaluating an employee’s job related behaviors and outcomes to discover how the employee is presently performing on the job and how the employee can perform more effectively in the future. As performance appraisal is part of organizational control, the components of the control system are indispensable in the appraisal system. In general, a basic control system consists of control
standards, measurement, and corrective actions (Newman, Warren & McGill, 1987). Among these three phases, control standards are based primarily on organizational missions or departmental goals, which reflect the role of performance appraisal. Measurement is concerned with the actual appraisal process, including the appraiser, appraisal criteria, appraisal methods, and appraisal timing. Corrective actions comprise the feedback processes after the performance appraisal is completed. If there is an evident gap between actual performance and performance standards, appropriate corrective actions should be taken to change the behaviors of the employees.

Methods of Performance Appraisal System

(i) Traditional Methods

The older methods of evaluation were based on traits that deemed to be important measures of employee performance in the organization. Some of the traditional methods are discussed below:

**Annual Confidential Report** is prepared at the end of every year, by the employee’s immediate superior. The report highlights the strengths and weakness of the subordinates. It does not offer any feedback to the appraisee. The appraisee is not very sure about why his rating has fallen despite his best effort, why others are rated high when compared to him, how to rectify his mistake, if any: on what basis he is going to be evaluated next year etc. Since the report is generally not made public and hence no feedback is available, superior can make subjective analysis. In the recent years, due to pressure from court and trade unions, the details of the negative confidential report are given to the appraisee.

**Grading:** In this technique, the rater considers certain features of employees and gives marks according to a scale. The selected features may be analytical ability, cooperativeness, dependability, self-expression, job knowledge, leadership and organizing ability. These may be graded as e.g. A-Outstanding, B-Very good, C-Average, D-Fair, E-Poor and F-Very poor. The actual performance of an employee is then compared with these grades and allotted the grade which best describes their performance.

**Graphic Rating Scale:** This is the most commonly used method of performance appraisal. Under it, a printed form, one for each person is given to the rater. The form contains a
number of factors to be rated under two broad categories viz. employee characteristics and employee contribution. Employee characteristics include such quality as initiative, leadership, cooperativeness, dependability, industry, decisiveness etc. In employee contribution are included the quality and quantity of work, specific goals achieved; regularly in attendance etc. These traits are then evaluated on a continuous scale.

**Checklist Method:** Under this method a series of questions are developed related to an employee and his behavior. The rater then checks to indicate if the answer to a question about an employee is positive or negative. Final rating is done by personnel department by assigning value to each question.

**Forced choice method:** This method attempts to reduce rater’s bias to some extent. The typical forced choice rating scale requires the rater to indicate by a check mark those statements that best describe the individual. Several statements equally favorable or unfavorable appear in this method. The person completing the forced choice report form cannot be certain whether the employee is being given a high or low rating.

**Critical incident method:** This method attempts to measure employees performance in terms of certain events or episodes that occur occasionally in the organization. These events are known as critical incidents. The basis of this method is the principle that there are certain significant acts in each employee’s behaviors and performance, which make all the difference between success and failure in the job. The supervisor keeps a written record of the events that can easily be recalled and used in the course of a periodical appraisal. These events could be in the areas of productivity, precision in work, responsibility and initiative etc.

**Field Review Method:** In this method, a representative of the personnel department goes to the work place to obtain information from the supervisor about the work of individual employees. On the basis of such information, evaluation reports are prepared by the personnel department, in consultation with the supervisor.

(ii) Modern Methods

**Human Asset Accounting Method:** In this method monetary value estimates are attached to the firm’s internal human organization and its external customer goodwill. If able, well-
trained personnel leave a firm, the human assets are decreased. On the other hand, if they join it, its human assets are increased. In the situation of distrust and conflict, the human enterprise is devalued. On the other hand, if teamwork and high morale prevail, there is increase in human asset value. Current value of a firm’s human organization is appraised by undertaking periodic measurements of key variable (management policies, leadership, strategic, skills and behavior) and intervening variables (employee’s loyalties, motivation, communication and decision – making). The method is not yet very popular.

Assessment Centre Method for Potential Review:- The review of potential is concerned with forecasting the direction in which an individual’s career should go and the rate at which he is expected to develop. It provides information that help individual to improve his abilities for future jobs. The assessment of potential requires the analysis of existing skills, qualities and how they can be developed to the mutual advantage of the company and the employee, as well as the identification of any weaknesses, which must be overcome if the employee’s full potential is to be achieved.

Results-Oriented methods: -Results-oriented scheme are based on the principle of management by Objectives (MBO). The aim is to relate assessments to a review of performance against specific targets and standards of performance agreed jointly by superior and subordinate. The accent is on analysis of results rather than assessment of the subordinate’s personality (traits), which is done where traditional methods are employed. An employee is judged on the basis of the achievement of the targets that have been set and the superior plays supportive counseling and coaching roles.

360-degree Feedback of Performance Appraisal: - 360 Degree Feedback is a system in which employees receive confidential, anonymous feedback from the people around them. This includes the employee's manager, peers, and direct reports. A mixture of about eight to twelve people fill out an anonymous online feedback form that asks questions covering a broad range of workplace competencies. The feedback forms include questions that are measured on a rating scale and also ask raters to provide written comments. The person receiving feedback also fills out a self-rating survey that includes the same survey questions. Managers and leaders within organizations use 360 feedback surveys to get a better understanding of their strengths and weaknesses. The 360 feedback system automatically
tabulates the results and presents those in a suitable format that helps the feedback recipient create a development plan. Individual responses are always combined with responses from other people in the same rater category (e.g. peer, direct report) in order to keep record confidential and to give the employee a clear picture of his/her greatest overall strengths and weaknesses. 360 degree appraisal has four integral components:

- Self appraisal
- Superior’s appraisal
- Subordinate’s appraisal
- Peer appraisal.

The process of performance appraisal consists of following:

- Setting the standards for performance.
- Communicating the standard to the employees,
- Measuring the performance,
- Comparing the actual performance with the standard set.

**POTENTIAL APPRAISALS**

Potential is the ability possessed by the individual which is not put to use currently. Potential appraisal makes employees assume challenging responsibilities in future assignments. Potential appraisal is different from the performance appraisal which shows an employee’s current performance in present job. The objective of Potential appraisal is to identify the potential of a given employee to occupy higher positions in the organizational hierarchy and undertake higher responsibilities. The appraisal is carried out on the basis of

- Supervisor’s observation
- Performance data relating to various previous roles played by an employee
- Performance on roles in simulated setting relating to a new position.
CAREER PLANNING AND DEVELOPMENT
The concept of career planning originated in the USA in the 1970s. It encouraged employees to analyze and assess their ambitions and provide them with the information about a company’s career opportunities. It focuses on generating an awareness of strengths and weaknesses among employees and at helps them to match their skills and abilities to the demand of the organization. Without development of people in the organization, the organization cannot develop. The General Electric Company (GEC) in USA has brought out the ‘Career Dimensions’ work books. The four areas where career planning program can benefit a company are;
• They maintain a positive relation with employees.
• It helps to avoid mismatches between what an employee wants and what a company needs and can offer.
• It provides a way of identifying opportunities for continuous career growth.
• It improves the utilization of managerial and professional staff.

QUALITY OF WORKING LIFE
Quality of Work Life is a process which enables employees at all levels to actively participate in shaping the organization environment, methods and outcomes. Conceptual practices which together makes up the quality of working life are fair and adequate compensation, safe and healthy working conditions, immediate opportunity to use and develop human capabilities, opportunity for continued growth and security, social integration in the work organization, work and the total life space and the social relevance of work life.
Thus, quality of work life refers to all the organizational inputs which aim at the employee’s satisfaction and enhancing organizational effectiveness. The concept of QWL is based on the assumption that a job is more than just a job. It is the center of a person’s life. In recent years there has been increasing concern for QWL due to several factors: Increase in education level and consequently job aspirations of employees; association of workers; significance of human resource management; widespread industrial conflicts and unrest; Growing knowledge in human behaviors, etc.
Practices of QWL

Quality of working life though came into circulation in 1970s became popular only in 90s and organizations realized its relevance to enhance the productivity in the new century. An ideal quality of work life program will include practices in eight major areas as discussed below:

Adequate and fair compensation:- This is basic to QWL. Human beings work for livelihood. However, important here is that compensation offered must be fair and adequate implying it must be proportionate to labor, and there should be internal consistency among salaries of employees.

Safe and healthy working conditions:- Unsafe and hazardous working conditions cause problems for both employers and employees. In long terms, it adversely affects the productivity and goodwill of the organization and employee turnover rate increases. Therefore, adequate investment must be made to ensure safe and healthy working conditions.

Immediate opportunity of use and develop human capacities:- The job should provide opportunities to their employees to use new techniques and develop human capacities to make their work meaningful and specialized, and it increases satisfaction among employees. Therefore, efforts should be made to increase the autonomy, perspective and exposure to multiple skills.

Future opportunity for continued growth and security:- This is related to career aspects of employees. Meaningful career paths must be laid down and career mapping of employees is to be followed so that employees can make themselves acquaint regarding their future growth and security. The provisions of advancement opportunities play a central role in QWL.

Social integration in the work organization:- Relationships between and among the employees is an indicator of healthy work organization. Therefore, opportunities must be provided for formal and informal interactions. All kind of classes, religions, races, crafts, and designations must be treated equally on a social platform.
Constitutionalism in the work organization:- This is related to organizational norms that affect the freedom of an individual employee. Efforts must be made to form right norms in the organization. It means norms should accommodate the privacy of an individual employee, freedom of speech, equity and freedom to dissent on some aspects.

Work and the total life space:- Employees should be given proper space within the organization for rest and refresh. They should not be allowed to continuously exert themselves. The continuous hard work causes psychological and physical stress. Therefore, there must be a balance between personal and professional life. Organization must create proper work offs to enrich the life of employees.

The social relevance of work life:- Employees must be given the perspective that how their work in the organization helps the society. This is essential to build relevance of the employee’s existence to the society he/she lives in.

EMPLOYEES COUNSELING

Employee counseling or counseling is a discussion between the counselor and the counseled which is aimed at making the counseled person feel better and comfortable about self, and thus better equipped to deal with the daily life problems and work situations. Thus, counseling is a process of finding a resolution i.e. determination/perseverance of solving the problems faced and not necessarily a solution. It is a process of dealing with the emotional problems and issues of the employees to make them feel light and relaxed at work. It may be of different types i.e. appraisal counseling, career counseling, disciplinary counseling etc. It enables the employees to have positive attitude towards work and to improve their performance. Employee counseling is a process of handling the psychology of the employees and making them happy at work so that they can feel gratified while working which ultimately leads to improved and enriched performance. (Deb: 2010). Some characteristics of Counseling are:

1. Counseling is a communication between the counselor and the counseled. It's an exchange of ideas between the two.
2. Counseling is a process and not an advice giving procedure. It is a long term process and takes some time for the person(s) involved to understand the problem and learn how to cope with it.

3. Counseling is about clarifying and helping the counseled to handle him or her in the time of crisis and be able to meet the demands of life. Both professional and non-professional counselors can provide counseling.

4. Counseling is usually private and confidential so that the employee is free to speak out without a fear of retribution.

5. Counseling is beneficial to the organization as it helps to solve problems relating to both job and personal life of the employees; thus helping them perform better on the job and also giving a more humane look to the organization. Emotional makeup of the employees plays a big part in their work efficiency.

6. Counseling helps in understanding the employee grievances and also lets the employee know about the company rules and policies and disciplinary actions as well without being too much impersonal.

**Types of Employees Counseling**

Counseling session depends upon the counselor to give it a direction. The type of direction the counselor gives to the session differentiates it into three types of counseling:

**Directive Counseling:** In this type of counseling the counselor leads the session completely in giving advice and reassurance. The counselor listens to the counseled and decides on behalf of the counseled as to what should be done. It also helps in releasing the emotional tension. But this form of counseling does not equip the counseled person to handle similar situations in future as no self growth has taken place.

**Non-Directive Counseling:** This type of counseling is counseled oriented. This means that the counselor focuses on the counseled and his or her problems without any sort of interference. The counselor does not act as an advisor; rather the counselor only listens to the counseled, understands the problem but does not offers any solutions. The counseled here has to the find the solution himself. This type of counseling helps in employee orientation as the employees are given a chance to find their own solution.
Co-operative/Participative Counseling: This is a compromise between the above two extreme types of counseling. It is a mutual contribution for diagnosing a problem, analyzing the problem and then looking for a solution. It is a mutual counselor-counselee relationship where both participate to find a solution. Here an exchange of ideas takes place between the two. Both the participants provide a bit of knowledge, experience and insight and thus it is a case of balanced compromise.

COMPENSATION /REWARD SYSTEM
Compensation is related with the determination of adequate and equitable remuneration of the employees for their contribution toward organization goals. The employees can be compensated both in terms of monetary as well as non-monetary rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards, (recognition promotion, praise, achievement responsibility and personal growth) and in many case a system of performance management. Pay arrangements are central to all the initiative as they are the most tangible expression of the working relationship between employer and employee. They are of following types:

Intrinsic rewards:
Intrinsic rewards are less tangible and reflect Herzberg motivators. Example of such factors includes; Variety in Job Content, Sense of being a part of organization, Believe that they are valuable members of a team, increased responsibility and autonomy, Sense of accomplishment, Participation in setting targets and opportunities to achieve them, Feedback information, Recognition, opportunities to learn and grow.

Extrinsic rewards:
Extrinsic rewards are more tangible. Examples include pay, fringe benefits, praise and promotion. The compensation and reward system refers to the establishment and implementation of sound policies and practices. It includes areas such as job evaluation, development and maintenance of wage structure, wage surveys, wage incentives, profit sharing, wage changes and adjustments, supplementary payments, control on compensation
costs, etc. Wages and salaries are important in determining the standard of living, per capita income, productivity, moral and economic well being of the workers and employees.

QUALITY CIRCLE, TASK FORCE, AND ASSIGNMENT GROUPS
Quality circle is a self-governing group of workers with or without their supervisors. Quality Circle is a small group of workers engaged in similar type of job. It is based on the principle of participative management which enables the people to seek guidance from a trainer to understand certain issues related to their job and to find out solutions for the same. They meet voluntarily with each other on regular basis during office hours under the supervision of a supervisor to identify, analyze and solve the problems related to their work area. It promotes respect and understanding among the subordinates and managers and it helps in maintaining healthy and cordial relationship in an organization (Sheikh: 2009). The circle groups discuss issues and problems relating to their work unit and their own jobs, and can meet both during and after working hours. In addition to the quality circles, there are facilitators, coordinators, and the steering committee that play their respective roles at various stages of functioning of the quality circles. The objectives of the quality circle are:

• Enhancement and utilization of human resources effectively.
• Satisfaction of the worker's psychological needs.
• Development of skills like leadership, interpersonal and conflict resolution.
• Developing the skills through participation creating work interest, inculcating problem-solving techniques etc.

ROLE ANALYSES
Role is set of expected behavior patterns attached to a given position in a unit. It is a process of accumulating, examining and recording the information to define the requirement of the roles in order to provide a basis for the role profile. Role analysis technique maximizes the contribution of human beings in attainment of organizational goals. It lays emphasis on the demands made by the role holder, of what they need to learn and what they are capable of performing. However, such analysis should be conducted periodically and must be designed
according to changing internal and external environment. The role should be developed in a way that could create compatibility among the organizational strategies and the employee’s needs.

SELF RENEWAL SYSTEM
Organizations are the interactive social system of our society. They must adapt themselves with the ever-changing environment. Proper research regarding the opportunities and threats must be conducted which should be backed by regular feedback. Self-renewal system implies that an organization must keep itself updated and upgraded. It should be ready to face any type of competition and must be competent enough to survive in the era of cut-throat competition. Self-renewal system requires role efficacy, team building etc. activities for employees.

ORGANIZATION DEVELOPMENTS
Organization Development (OD) is an organization-wide, planned effort emphasizing continuous development activities in the organization. Robbins (1993) describes OD as, ‘A collection of planned change interventions, built on humanistic-democratic values, that seek to improve organizational effectiveness and employee well being’. It consists of the activities related to organizations as social systems which focus on changing the human infrastructure through interventions in the various processes. Strategies are formulated in a planned way focusing on developing and stimulating the adaptive capacities of organizations to allow them to respond to their internal and external environments. Organization development provides a framework within which, changes in the climate and culture of the organization are brought out to harness the human potential for realization of organizational objectives. Organization development exercise includes a team building program, interpersonal sensitivity, role clarity, personal growth and stress management.

JOB ROTATIONS
The distribution of responsibilities should be in such a way that will result in efficiency and effectiveness. However, to utilize the specialization in the best possible way, the work tasks
should be rotated among the employees so as to broaden their field of specialization as well as their knowledge about the organization’s operation as a whole. Therefore, once a year the work-tasks should be rotated among the various employees depending upon their qualifications and suitability to perform the new work-task.

**HUMAN RESOURCE INFORMATION SYSTEM**

A systematic way of gathering and storing information about each individual employee for the benefit of planning, decision-making and supply of returns to external agencies at the organizational level is known as human resource information system. A variety of records are maintained to meet the needs of manpower planning, recruitment, development of people, compensation, integration and maintenance and separations not only for internal control, feedback and corrective action, but also to meet the various constitutional obligations.

**1.6 PRINCIPLES OF HRD**

The major principles which should be kept in mind while framing the aspects of development of the human resource are as follows:

**Principle of Development of Organizational Capability**

An ideal HRD system should be based on the principle of overall development of employees and the organization as a whole. The capabilities include overall development of the work force in all aspects, may it be technical, physical, psychological or moral development in an organized manner.

**Principle of Potential Maximization**

HRD system must enable their employees to identify their hidden potential and make them competent enough to exploit their talent in an optimum manner so that they could contribute their efforts in attaining organizational goals.

**Principle of Autonomy Maximization**

Autonomy is the degree of independence given to employees at work so that they could be able to tackle responsibility to some extent of what they are capable of handling. A proper
HRD system must provide certain level of autonomy to its employees enabling them of handling duties on their own.

**Principle of Maximum delegation**
Delegation of responsibilities means sharing responsibilities of authorities with subordinates so that a cohesive and a congenial environment could be developed in an organization.

**Principle of Participative Decision-making**
Participation of subordinates must be encouraged by top level managers in an ideal HRD system to create a comfortable working atmosphere where workers are free to discuss their ideas and always welcomed for suggestions.

**Principle of Change Management**
Change is the only permanent thing in this universe but usually people resists change. To beat the competition an organization and its human resource should be as much flexible in getting itself adapt to the changing scenario of 21st century. A good HRD system must attempt to strike a balance between the organizational culture and the changing culture.

**Principle of Periodic Review**
Review and renewal of HRD functions like training and development, career planning and development, performance and potential appraisal, counseling etc of employees should take place regularly in an organization at certain periodic intervals. *(Deb: 2010)*

Thus, the principles that have been stated above must be kept in mind while framing a Human Resource Development system so as to have a proper and regular development of the human resource in an organization.

**1.7 PROFICIENCIES REQUIRED FOR THE SUCCESSFUL HRD MANAGER**

To fulfill numerous responsibilities assigned to them and execute several different HRD programs, a HRD manager should be competent enough to handle the responsibilities and to carry out the tasks assigned to him in a well-defined, coordinated and organized manner. The process of management comprises of four crucial steps embracing the people i.e. “Getting them, preparing them, activating them, and Keeping them”. And all these activities
depends upon the skills, proficiencies, capabilities, dedication and the involvement of people responsible for HRD and the top managers.
For carrying out the job in an excellent manner, a HRD manager need to have certain traits, qualities, skills, potential, features, vision etc., otherwise their performance will be affected and they will face many difficulties in performing their duties. Although there are many qualities which a successful manager must possess, but there are few which have been mentioned here:

- The manager should have a positive attitude toward life and work.
- She/he should be a keen learner.
- A HRD manager should also be a good listener.
- He should have enough patience to wait till his actions bear fruits.
- She/he should be of helpful nature.
- She/he should be responsible enough to initiate things on his own, and must possess the leadership quality.
- She/he should have good communication skills.
- She/he should be objective in their approach.
- She/he should have the ability to design and co-ordinate training programs for managers, supervisors, and workers.
- A HRD manager must possess a thorough knowledge and understanding of individual and group behavior.
- HRD manager must possess an in-depth and up-to-date knowledge of happenings in the field of human resource development.
- A HRD manager should be articulate in his practice of dealing with people and issues. A person who is being assigned the job of a HRD manager must broaden his mindset. She/he should be impartial and justified.
- A HRD manager must possess the sharp and updated knowledge of tools and techniques so that he/ she could market the human resource development programs to the top management in an eloquent manner.
- She/he should be proactive, i.e., a HRD manager should take initiative in introducing and implementing new ideas.
A person managing Human resource should set his mind free from red tapism and bureaucracy.

She/he should have a broad farsighted vision, so that policies could be formulated keeping in mind the dynamism of time, and to manage the challenges of time.

A manager should have a sense of belongingness and loyalty towards the organization.

He should have high extension motivation, i.e. a desire to help others. He should be prepared to sacrifice his own personal goals for the benefit of the group (Swarajyalakshmi:2005)

In the context of qualities and traits of a HRD manager Sofo: 1999 argued with the Top management that, “they must understand the internal and external factors that impel the need for organizational transformation…assist in setting the overall strategic direction in relation to HRD…establish appropriate and support structures that communicate, reinforce and institutionalize the new behaviors, values and attitudes, and ensure the success and sustainability of the change effort”.

1.8 HUMAN RESOURCE DEVELOPMENT CLIMATE

An organization’s success is determined by the skill and motivation of its members not by any other factor. The human resource development climate of an organization plays a significant role in ensuring the competency, motivation and development of its employees. The human resource development climate can be created using appropriate human resource development systems and leadership styles of top management.

Ashton and Sung (2002) stated that High performance working practices supported the climate of the organization in a way which results in a working environment which not only provides the potential for developing the personality of the worker, but also raises the productivity of the organization. Climate perceptions are psychologically meaningful, that people can agree to characterize a system's practices and procedures. By its practices and procedures a system may create climates. However, if the climate is one which rewards and supports individual differences, people in the same system will not behave similarly. Human
Resource Development Climate (HRDC) is a component of the wider organizational climate. It refers to perceptions about the prevailing conditions within the organization that affect the life of employees (work and personal life) and the activities within the organization (Smith, 1988) or their perception about an organization’s developmental environment.

Rao and Abraham (1986) list a set of characteristics expected of such developmental climate as:

a) A tendency at all levels starting from top management to the lowest level to treat the people as the most important resource;
b) A perception that developing the competencies in the employees is the job of every manager/supervisor;
c) Faith in the capability of employees to change and acquire new competencies at any stage of life;
d) A tendency to be open in communications and discussions rather than being secretive (fairly free expression of feelings);
e) Encouraging risk-taking and experimentation
f) Making efforts to help employees recognize their strengths and weaknesses through feedback;
g) A general climate of trust;
h) A tendency on the part of employees to be generally helpful to each other and collaborate with each other;
i) Team spirit;
j) Tendency to discourage stereotypes and favoritism;
k) Supportive personnel policies;
l) Supportive HRD practices including performance appraisal, training, reward management, potential development, job-rotation, career planning, etc.

Rao (1986) emphasized the significance of climate. He provided a broader perspective of HRD, proposing that HRD means building competencies, commitment, and culture. All
three are needed to make an organization function well. The culture provides the sustaining force for organizations. The prevalent developmental climate within organizations differ (Srimannarayana, 2007), even units within organizations may not have similar climate state (Venkateswaran, 1997). The current volatile nature of business environment and the need for organizations to help employees in reaching their full potentials compels every organization to improve its developmental climate and make it highly congenial which result in enhanced adaptation, pro-action, performance, creativity and innovation. It is only through a skilled and motivated human resource that organizations can expect to excel in this age of discontinuity, fierce competition, fast-paced technology, changing demographics and constantly changing customer expectations and demands. Creating and maintaining a supportive climate that inspires employees to unleash their potentials, discover, develop and productively utilize skills, knowledge and abilities are indispensable.

Reichers and Schneider (1983) outline a four-fold progress made in climate research. There approach based on perception and aids in the understanding of how work environment affect behavior and attitudes. It provides an alternative to motivation theories as explanations for almost everything that people face while at work. While motivations tend to concentrate on the explanations of phenomena from an individual's perspective, climate research tends to focus on aggregated or group level data to discover relationships between employees and organization.

People in organizations encounter thousands of events, practices and procedures and they perceive these events in related sets. HRD climate is characterized by the tendencies such as treating employees as the most important resources, perceiving that developing employees is the job of every manager, believing in the capability of employees, communicating openly, encouraging risk taking and experimentation, making efforts to help employees recognize their strengths and weaknesses, creating a general climate of trust, collaboration and autonomy, supportive personnel policies, and supportive HRD practices. An optimal level of development climate is essential for facilitating HRD activities (Rao & Abraham 1986). The positive HRD climate renders the existing systems more effective and makes the organizations more receptive to the introduction of relevant additional system (Athreya
A healthy HRD climate certainly bolsters the overall internal environment of the organization, fosters employee commitment, involvement and satisfaction with the job. Elements of Human Resource Development Climate can be further grouped into three broad categories:

- General climate
- Human resource development mechanisms.
- OCTAPAC culture

To begin with the general climate items focus on the importance given to human resources development by the top management and line managers, in general. The items dealing with human resource development mechanisms measure the extent to which human resource development mechanisms are implemented seriously. The OCTAPAC items deal with the extent to which Openness, Confrontation, Trust, Autonomy, Pro-activity, Authenticity and Collaboration are valued and promoted in the organization.

These three groups were taken with the following assumptions:
A supportive overall climate is important for effective implementation of human resource development practices. Such supportive climates consist of not only top management and line management's commitment but also good personnel policies and positive attitudes towards development. An integrated look at human resource development and efforts to use as many human resource development mechanisms as possible will result in the successful implementation of human resource development. These mechanisms include: performance appraisal, potential appraisal, career planning, compensation and rewards, feedback and counseling, training and development, employee welfare, quality of work life, job-rotation etc.

OCTAPAC culture is essential for facilitating human resource development. Openness is present when employees feel free to discuss their ideas, activities, and feelings with each other. Confrontation involves bringing problems and issues into the limelight with a view to solving them, rather than hiding them for fear of hurting or getting hurt. Trust is taking
people at face value and believing them. Autonomy is the freedom to allow people to work independently with responsibility. Pro-activity is encouraging employees to take initiative and risks. Authenticity is the tendency of interdependencies, to be helpful to each other and work as teams. Collaboration is required so the employees can cope up with the changes and upcoming trends in an organization. The conventional implication with which the term 'climate' has been used in literature is 'Organizational Climate'. The concept of climate with specific reference to the human resource development context, i.e. human resource development climate, has been introduced by Rao (1996).

According to Pareek (1999) the human resources culture should have following characteristics:

- It should be a learning culture.
- The culture should facilitate the identification and development of new competencies of people on a continuous basis.
- The culture should facilitate bringing out the hidden talents and utilize the potentials of people.
- The culture of the organization should have in built motivational value which help employees to take initiatives and work on their own.
- The culture should enable people to take initiative and experiment. Initiative and experimentations are very important for development. They enable individuals, teams, and organizations to discover new potential in them.
- The culture should bring joy and satisfaction in work. Once the employees enjoy their work it will result in overall good work culture. Relationships are important for good working culture.
- It should improve creativity and the problem solving abilities of people.
- It should create team spirit and high morale.
- The culture should enhance the action orientation in the total organization.

OCTAPACE culture, which is an acronym for openness, collaboration, trust and trustworthiness, authenticity, pro-action, autonomy, confrontation and experimentation.
a) **Openness** – is considered where people feel free to express their ideas, opinions and feelings to each other irrespective of their level & designation. The comparative openness in the system influences the design of Human resources systems. Organizations can be termed as either completely open or completely close. It is not possible to find an organization at the two extreme ends. The amount of openness of the organization will be an important factor in determining the nature of the various dimensions of Human resources systems.

b) **Collaboration** – is the culture in which people are keen to help each other. They are ready to put their interest in the background for the larger interest of the organization. Team spirit is the key and people are directed by the broad organizational objectives than the individual interest. People are willing to help each other in order to achieve the organizational goals. Organizations interests are above all and individual or departmental goals take the back seat. There are no inter-departmental or inter-personal conflicts and the spirit of co-operation and collaboration is present.

c) **Trust and trustworthiness**, it is a situation in which there is mutual trust and respect for each other. Members work in an informal system by having full faith and trust. The members are self disciplined hence there is no need for any supervisory control or monitoring. The people respect and value each other. To create a culture of mutual trust it is essential to have a culture of trustworthiness in which the members have proven themselves to over a period of time. If every members of the organization becomes trustworthy and is reliable, mutual trust gets built up automatically.

d) **Authenticity** – is the value underlying trust. It is the willingness of a person to acknowledge the feelings they have, and accept themselves as well as others. Authenticity is speaking the truth without any fear and keeping the promises made. It is higher than the trust or trustworthiness. The members commit and meet the commitments without giving false promises. The members always commit and deliver as per commitment.

e) **Proactive** – being a proactive culture means taking initiatives and explore the alternatives well in advance. Instead of reacting to any particular situation, planning is done in order to take care of eventualities and anticipated situations. This culture encourages the members to take initiatives for new activities, new processes. This can be in all the areas like work
processes, reduction in cost, quality improvement and other areas in which improvement can be done.

f) Autonomy – This culture of autonomy is when members enjoy a great degree of freedom in their activities. They are the decision makers in their areas. Autonomy is very important to bring out the best in areas where individuals need freedom to work the way they want to work. It is very relevant in creating academic excellence, knowledge industry, information technology, research and development etc.

g) Confrontation – This term is used in relation to a culture of facing problems upfront. In this culture, the problem is put in front rather than the back to escaping the problems. A better term would be confrontation exploration that implies facing a problem and working jointly with other concerned to find its solution. If an organization encourages people to recognize a problem, bring it to people concerned, explore with them to understand and search possible ways of dealing with it. Members confront the problems as areas needing improvement rather than finding fault with anybody. This culture helps in building problem solving abilities of the organizations.

h) Experimentation – helps in build a culture in which the members of the organization try out new experiments on their own and take decisions with respect of conducting the experiments. The culture of experimentation manifests the risk taking aspect of the organization. This develops newer ideas and simplifies things. There is an emphasis on value creation and importance is given to innovation and problem solving in the organization.

When there is openness, members can express their opinion easily. Similarly when one is provided with autonomy, collaboration happens naturally. Trust and authenticity go together. Proactive and experimentation go together. These four pairs are the four foundation of human resources culture.
1.9 ORGANIZATIONAL PERFORMANCE

The Essence of performance is the creation of value. When the value creation is concerned with organization then it termed as organizational performance. So the value creation, as defined by the resource provider, is the essential overall performance criterion for any organization. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Although, the concept of organizational performance is used widely in theoretical and empirical research, but still it remains largely unexplained. There is relatively little agreement about definitions and best criteria’s selection for organizational performance. Organizational performance measurement has different perspectives. Though, the traditional ones are: A) finance perspective; B) control perspective; C) operational level perspective; D) managing risk and managing value perspective etc.

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

It is also worth to mention, that organizational performance, as a depended variable, was largely estimated under financial figures, i.e. return on equity, return on assets, profit, turnover etc. One of the most probable explanations of why the financial measures will be used mostly to explain the impact of HRD practices on organizational performance is that “financial measures provide a common language for analysis and comparing companies”. Besides this the financial figures are important for shareholders and Board of Directors.

There was found a strong link between Cost of HRD Practices and financial organizational outcomes in the works developed by many researchers namely Katou(2004), Long (2006), Friedman (1986), Finkelstein, Hambrick (1996), and Grusky (1963). The literature analysis showed that the relation between HRD practices and organizational performance are still inconsistent in previous research discussions.

Organization can establish a sustainable competitive advantage through the implementation of a value creating strategy, which is not being carried out by any current or potential competitors. Under the resource-based view of the firm, successful firms can achieve...
sustainable competitive advantage by acquiring and maintaining valuable resources, which are rare, imperfectly imitable and non-sustainable, and a firm’s HR can be a source of this sustainable competitive advantage (Barny, 1991; Wright et al., 1994).

Recently, many researches have been conducted to examine the relationship of high performance HRD “bundles” or configuration of practices (Miller and Shamsie, 1996) with profitability, sales, and turnover. Empirical evidence has found for ‘bundling’ practices due to added synergies from the aggregation of practices, which leads to additive or multiplicative higher returns than those of individual components. Youndt et al., (1996) determined the extent to which HRD systems directly enhance operational performance. The authors propose that different firm strategies will require different attitudes, roles and behaviors of employees, which can be elicited from employees via different HRD practices. For synergic benefits of integrated subsystems, the HRD mechanisms should not be thought of in isolation. They are designed to work together in an integrated system. HRD instruments should lead to the generation of HRD process like role clarity, performance planning, development climate, risk taking and dynamism in employees. Such an HRD process should result in developing more competent, satisfied and committed people, who by their contribution would make the organization, grow. Such HRD outcomes influence organizational effectiveness. A model explaining the linkages between HRD mechanisms, processes, outcomes and organizational effectiveness can be presented as:
Figure 1.1
MODEL DISPLAYING LINKAGE BETWEEN HRD MECHANISMS AND ORGANIZATIONAL EFFECTIVENESS

HRD Mechanisms or Sub-systems or Instruments
- Performance and potential appraisal
- HRD Department
- Feedback and counseling
- Career Planning
- Role Analysis
- Training and development
- Organizational development
- Honours and Awards
- Job enrichment
- Job rotation
- Employees welfare and QWL
- Other mechanisms

HRD Process and HRD climate variables
- Role clarity
- Employee self Development
- Awareness of Competencies required for job performance.
- Proactive orientation
- Trust, Collaboration and team work.
- Authenticity
- Openness
- Risk Taking
- Value generation
- Clarification of norms and standards
- Better communication
- Fair rewards
- Generation of objective

HRD outcome variables
- Better Developed Roles.
- More Competent people
- Higher work commitment and job involvement
- Problem Solving Skills
- Better utilization of human resources
- Health
- More teamwork
- Synergy and respect for each other

Organization’s Effectiveness
- Higher productivity
- Growth and diversification
- Cost reduction
- Higher profits
- Better image

Other factors
- Environment
- Technology
- Resource availability
- Nature of business

Each of the HRD mechanisms contributes to the achievement of overall HRD goals. Performance appraisal focuses primarily on helping the individual to develop his present role. Potential appraisal focuses primarily on identifying the employee's likely future roles within the organization. Training is a means of developing the individual's personal effectiveness or developing the individual's ability to perform his present job role or future job roles. Training can also strengthen interpersonal relationships and increase team work and collaboration through management and leadership training and team building programs. Feedback and performance coaching help the development of individual as well as relationships. Organization development is the mechanism for developing team collaboration and self renewing skills. In order to promote employee welfare and to ensure the quality of work life, general climate play important role. The overall effectiveness and success of HRD system depends largely upon a well devised HRD strategy. HRD is a total integrated system. That is why, strategies of introducing HRD system must be clear in the mind of the management, a vision that may guide the choice of HRD programs and direction. It should include the following phases systematically in order to make it purposeful, meaningful and effective for the organization. The new human resource practices that are to be used to fulfill the internal needs of the organizations are:

1. HRD climate
2. Training & development
3. Performance Appraisal
4. Career planning
5. Employees Counseling
6. Compensation/Reward system
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