HUMAN RESOURCE MANAGEMENT

SECOND EDITION

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CHAPTER
ONE

Nature and Concept of HRM

Objectives

After studying this chapter, you will be able to understand

- the scope and definition of human resource management (HRM)
- the major functions of HRM
- the importance of HRM in the emerging scenario
- the various facets of HRM
- essential skills for an HR manager

INTRODUCTION

The advent of the era of liberalization and globalization along with the advancements in information technology (IT) has transformed the world around us. It has brought to centre stage the importance of human resources, more than ever before. The purpose of human resource management (HRM) is to enable appropriate deployment of human resources.

In a competitive scenario, effective utilization of human resources has become necessary and the primary task of organizations is to identify, recruit, and channel competent human resources into their business operations for improving productivity and functional efficiency. Several authors have tried to explain the meaning of human resources and one of the comprehensive definitions was given by Leon C. Megginson, who described human resources as the sum total of the knowledge, abilities, and attitudes of all the employees of an organization. Effective utilization of human resources would lead to both accomplishment of individual and organizational goals and creation of assets at the national level. It is in this context that development of human resources, which involves continuous honing of employee skills, has become vital for the very survival of organizations, let alone growth and development.

Definitions

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

It is in this backdrop that we will try to understand the broad definitions of HRM given by various experts.

Management is defined as control and creation of the technological and human environment for achieving organizational goals.

Process consisting of four functions—acquisition, development, motivation, and maintenance of human resources.

–David A. Decenzo and Stephen P. Robbins

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

–Edward Filippo

Recent literature on knowledge management and creation of people-centric partnership suggests that there is a need to increasingly integrate information technology (IT) with human competence for optimum utilization of both kinds of resources. An analysis of various definitions indicates that HRM includes the following activities:

- Aligning the HR strategy with the corporate strategy of the organization
- Working for the well-being of all the employees
- Developing employee competencies
- Sourcing, deploying, and developing human resources for optimal utilization
- Empowering employee
- Managing performance

HRM can be defined as a strategic and coherent approach to the management of the most valued assets of an organization, that is, people, who individually and collectively contribute to the organizational objectives. Storey (1989) has made a distinction between *hard* and *soft* versions of HRM. The hard approach focuses on the quantitative and strategic aspects of managing the human resources. It is a rational approach, which deals with human resources like any other economic factor. It emphasizes the need for managing people to enhance their contribution to improving the quantitative advantage of the organization. It aims at protecting the interests of the management and building a strong corporate culture by internalizing the mission and value statements of the organization.

The soft approach to HRM, whose roots can be traced to the human resource school, emphasizes factors such as communication, motivation, and leadership. It treats employees as the essential means of realizing organizational objectives rather than mere objects. It focuses on engendering commitment among employees by winning their hearts. The functions of HRM include the following:

- Facilitating the retention of skilled and competent employees
- Building the competencies of human resources by facilitating continuous learning and development
- Developing and implementing high performance work systems
- Developing management practices that engender high commitment
- Developing practices which foster team work and flexibility
- Making the employees feel that they are valued and rewarded for their contribution
- Facilitating management of workforce diversity and availability of equal opportunities to all

HRM can be defined as a strategic and coherent approach to the management of the most valued assets of an organization.

HUMAN RESOURCE MANAGEMENT—HISTORY

The evolution of HRM can be traced back to the HR movement in the ancient period.

The evolution of HRM can be traced back to the HR movement in the ancient period. However, in the modern age, that is, up to 1930s, it was referred to as personnel management and the focus was on the employer–employee relations. Studies on HR were initially guided by Taylor's scientific management principles and then graduated through the Hawthorne studies to the behavioural school based on the theories of Abraham Maslow, Herzberg, and Douglas McGregor.

Various developments in the 21st century heralded the arrival of the knowledge and IT era. During the initial phases, IT was perceived as an all-pervasive phenomenon and attempts were made to tune all organizational processes to this development. However, the experience of a large number of organizations both at the global and the national level has led to the realization that IT has to play only a supportive role in achieving organizational objectives and for this purpose an organization has to focus on its three core areas, that is, people, processes, and performance (Figure 1.1).

HRM and the 3 Ps

Let as discuss an organization's three core areas in this section.

People It is now an established fact that the core strength of an organization lies in its human resources and it would not be an exaggeration to say that all other resources can be replaced except human resources.

Processes Organizational processes evolve over a period of time and often these are treated as sanctimonious. The justification for doing so is the belief that what has worked so well in the past would work in the future as well. However, in the fast changing world, much emphasis is laid on flexibility and adaptability. In the past, it would have been a Herculean task to reengineer the processes, but in an IT-enabled environment, reengineering of processes at the server level would simultaneously and effortlessly lead to reengineering across the organization.

Performance The existence of an organization is primarily dependent on its ability to create value and continuously increase the rate of return on investment (ROI). The two pillars supporting the performance of an organization are people and IT. The integration of these two factors plays the pivotal role in improving the performance of an organization at both individual and organizational levels. IT helps in documenting the knowledge pool in an organization and

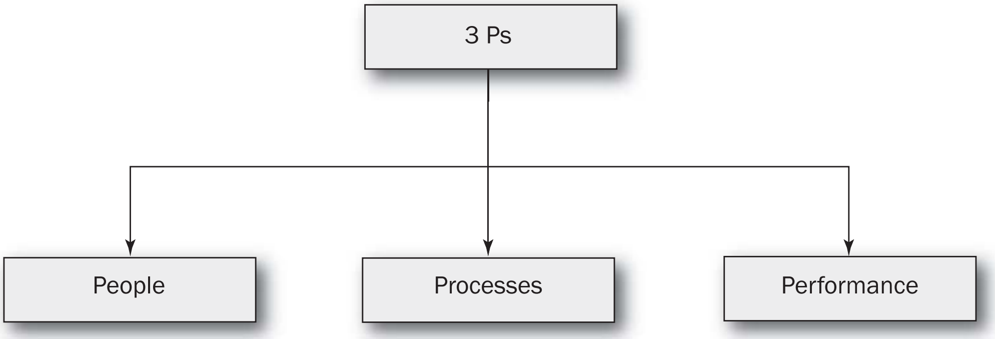

FIGURE 1.1 HRM and the 3 Ps

making it available to the employees through intranet and similar means. Further, management of knowledge workers is different from that of conventional employees as the level of intelligence and maturity of knowledge workers is higher and, hence, they expect greater levels of flexibility and freedom in their work area.

HRM and Its Evolution in India

The history of HRM in India dates back to the early 1980s when Mr Udai Pareek and Mr T.V. Rao championed the cause of the HRM movement. The early adopters of the HRM movement include public sector enterprises such as Bharat Heavy Electricals Limited (BHEL), State Bank of India, etc. Initially, Indian organizations used to have an industrial relations (IR) department, which was subsequently re-christened as the personnel and IR department, and made part of with the welfare department as one of its sub-departments. The personnel department predominantly suited the blue-collar employees since their general awareness and educational levels were low and the approach was more of administrative nature. The growing importance of the service sector in the Indian economy has also highlighted the importance of change in approach by the personnel and administrative departments. The profile of an employee in the new scenario has the following features:

The growing importance of the service sector in the Indian economy has also highlighted the importance of change in approach by the personnel and administrative departments.

- Employees are mostly in their mid-twenties or early thirties.
- All employees are educated and their level of general awareness is high.
- Employees are more committed to the profession than to the organization.
- The rates of attrition and the level of mobility of employees among the organizations are high.

The organizations have to compete for scarce resources, the most important among them being the human resources, more so in the case of the service sector. This has called for the radical transformation of personnel and administrative departments into human resource departments to reflect the human facet of organizations. A glance at the structure of various Indian organizations indicates that the majority of the organizations have rechristened their personnel and administrative departments as human resource development (HRD) departments. However, this transformation into the HRM mode is at various stages in different organizations. The progressive players and market leaders, especially in the IT and service sectors, have fully adopted this approach while other players are in the process of adoption.

The transformed HR department performs the following functions:

- Participating in the strategizing sessions of business policy
- Preparing the HR strategies in coordination with the corporate strategies
- Implementing the various HR policies and practices including HR planning, recruiting and inducting, compensation structuring, career planning, competence mapping, managing performance etc.

The HR department has outgrown its mere functional role and has come to assume the responsibility of building the brand for the company.

The flow of activities in the HRM function is diagrammatically represented in Figure 1.2.

Overall, the HR department has outgrown its mere functional role and has come to assume the responsibility of building the brand for the company

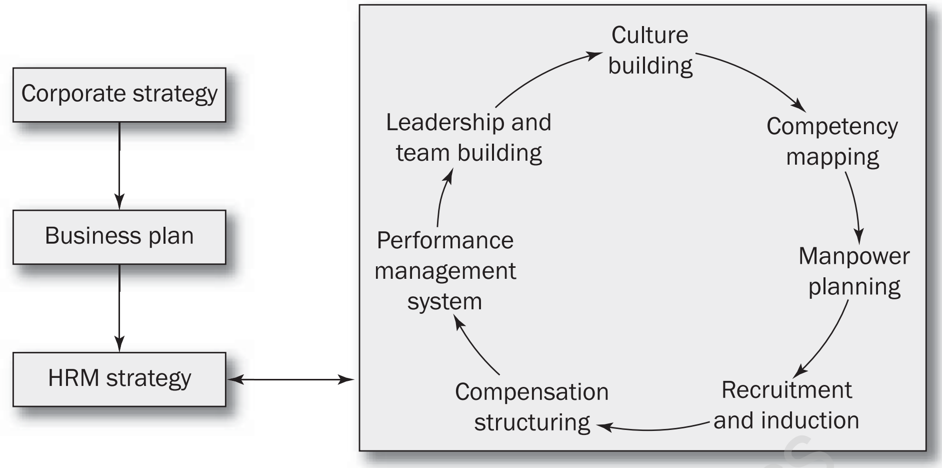

FIGURE 1.2 Flow of activities in the HRM function

to attract the best available talent in the market and also to retain the existing talent. This helps in reducing the recruitment cost and the replacement cost apart from reducing the attrition rates, which helps the organization to complete its projects in time.

MAJOR FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Human resource may be defined as the total knowledge, skills, creative abilities, talents, and aptitudes of an organization's workforce as well as the values, attitudes, approaches, and beliefs of the individuals involved in the affairs of the organization. It is a sum total or aggregate of inherent abilities, acquired knowledge, and skills possessed by the employees of an organization. HRM is concerned with getting better results through efficient management of employees.

The process oriented nature of HRM brings people and organizations together so that the goals of each are met. It has a pervasive nature and helps people to realize their potential fully. It encourages employees to give their best and be dynamic rather than being dogmatic. It facilitates the organization by providing competent and motivated employees. It has a cohesive role to play by unifying all the departments in an organization.

The functions of HRM are related to specific activities of personnel management, which include staff development, compensation, and employee relations. These functions are directly linked to objectives and strategies of the organization. An organization comes into existence for the realization of its objectives. The objectives determine the structure, and the structure determines the different roles and positions in an organization. This is the starting point for the functions of HRM. We will now discuss the various functions of HRM:

Staffing

Organizational design defines the different positions in the staff hierarchy. Staffing is one of the primary functions of HRM and involves work analysis, HR planning, recruitment, selection, placement, induction, and orientation. The following paragraphs discuss these functions:

Work analysis Work analysis provides some basic information on various skills required to perform the job effectively, so that it creates and sustains organizational capability. Work analysis includes the following:

- Collecting data, information, facts, and ideas relating to various aspects of jobs, including men, machines, and material
- Preparing job description, job specifications, job requirements, and employee specifications, which will help in identifying the nature, levels, and quantum of human resources
- Providing the guides, plans, and basis for job design and for all operative functions of HRM

HR planning HR planning is a process by which the management of an organization determines its future requirements and formulates plans for effective utilization of the existing human resources to fulfil these requirements. It is a strategy for the acquisition, utilization, improvement, and preservation of an enterprise's human resources. It relates to establishing job specifications, determining the number of personnel required, and developing sources of human resources. The HR planning function involves the following:

- Estimating present/future requirements, and supply of human resources based on objectives and long-term plans of the organization
- Forecasting HR requirements based on the present inventory of human resources
- Suggesting steps to meet the future HR requirements

Recruitment Recruitment is the process of acquiring applications for specific positions to be filled in the organization. In other words, it is a process of searching for and pooling of applications for jobs, so that the right people may get selected. The process involves the following:

- Sourcing of applications from internal and external sources
- Strategizing to attract the best talent from the market
- Screening the applications and preparing for the selection process

Selection Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job. The selection function includes the following:

- Preliminary screening interview
- Application blanks
- Psychological tests
- Interview
- Hiring decision

Placement Placement is a process of assigning the selected candidates with the most suitable job. It is the matching of employee specifications with job requirements.

Induction and orientation of employees Induction is the process of integration attempted by the organization to introduce the organizational policies and programmes to new employees. The orientation programme involves the following:

- Acquainting the employee with company philosophy, objectives, policies, growth opportunities, etc.
- Introducing the employee to the people with whom they will work

Performance Appraisal

Performance appraisal may be defined as the systematic evaluation of an individual with respect to his/her potential for development. The appraisal process involves the following:

- Developing appraisal policies and procedures
- Conducting performance appraisal
- Evaluating appraisal and performance management

Training and Development

Training is a process of enhancing the efficiency, capacity, and effectiveness at work. The function includes the following:

- Identifying training needs at the individual, group, and organizational levels
- Designing training programmes
- Evaluating the effectiveness of training programmes

Career Planning and Management

Career management is an organizational process that implements and monitors career plans within the organization's career systems. The function includes the following:

- Providing career guidance and support to the employees
- Counselling and assisting employees on transfers and promotions

Compensation Management

Compensation is a systematic approach to provide monetary benefits to employees in exchange for work performed. The function includes the following:

- Conducting job evaluation process
- Developing suitable wage and salary programmes
- Formulating incentives and other fringe benefits

Human Resource Accounting, Audit, and Research

In today's organizations, HRM is measured and evaluated by auditing and accounting procedures. The function includes the following:

- Performing HR accounting, which is a measurement of the cost and value of HR in the organization
- Conducting HR audit, which evaluates policies and procedures to determine the effectiveness of HRM
- Conducting research, developing a database, and evaluating the existing HR practices for better functioning

These functions constitute the strategic approach to manpower management in an organization. Managing people involves employing people, and designing and developing the related resources to enhance their performance. More importantly, it involves utilizing and compensating their service to optimize business profitability through employee performance. The human capital within various departments needs to kept motivated to enable the company to benefit from employee skills and experience.

ORGANIZATIONAL STRUCTURE

An organization is a closely coordinated social entity with an identifiable boundary that functions on a relatively continuous basis to achieve common objectives and goals. The objectives determine the structure. Organizational structure defines how tasks and relationships are allocated and coordinated. In other words, it refers to the defined relationships between the elements of the organization—people, tasks, information, and control processes. The management of people in organizations constantly raises questions such as the following:

- Who does what?
- How should activities be grouped together?
- What lines of communication need to be established?
- How can the roles and objectives be aligned together?

HR managers and practitioners should be able to contribute to the process of organizational design as they understand the factors affecting organizational behaviour. The process of organizing can be understood as the design, development, and maintenance of a system of coordinated activities in which individuals and groups of people, guided by a leader, work towards organizational objectives. The key term here is 'system'. Organizations are considered as open systems, which are affected by internal and external environments, and have a structure of their own. Organizational design is the process of developing an organizational structure.

Organizational structure may be explained with the help of variables such as the following:

- *Centralization*—the number of people participating in decision-making with respect to major policies and planning
- *Autonomy*—the freedom experienced by the top management in decision-making
- *Differentiation*—the number of specialized functions represented in different departments
- *Formalization*—the extent to which an employee's role is defined by formal documentation
- *Span of control*—the number of subordinates that a manager can and should supervise
- *Specialization*—the number of specialized functions identified and formalized in the organization

These components may not be exhaustive, but serve our purpose of understanding the organizational structure (Figure 1.3 depicts the organizational chart of the HR department of a company). An organization may have functional structure, divisional structure, or matrix structure. We will now discuss these organizational structures.

Functional Structure

It is a typical type of organizational structure where positions are grouped according to their main or specialized functions. It is most widely used for basic functional areas such as marketing, finance, HR, operations, and production. In an organization where a functional structure is adopted, it becomes easier to identify the key result areas (KRAs). The terminology might differ

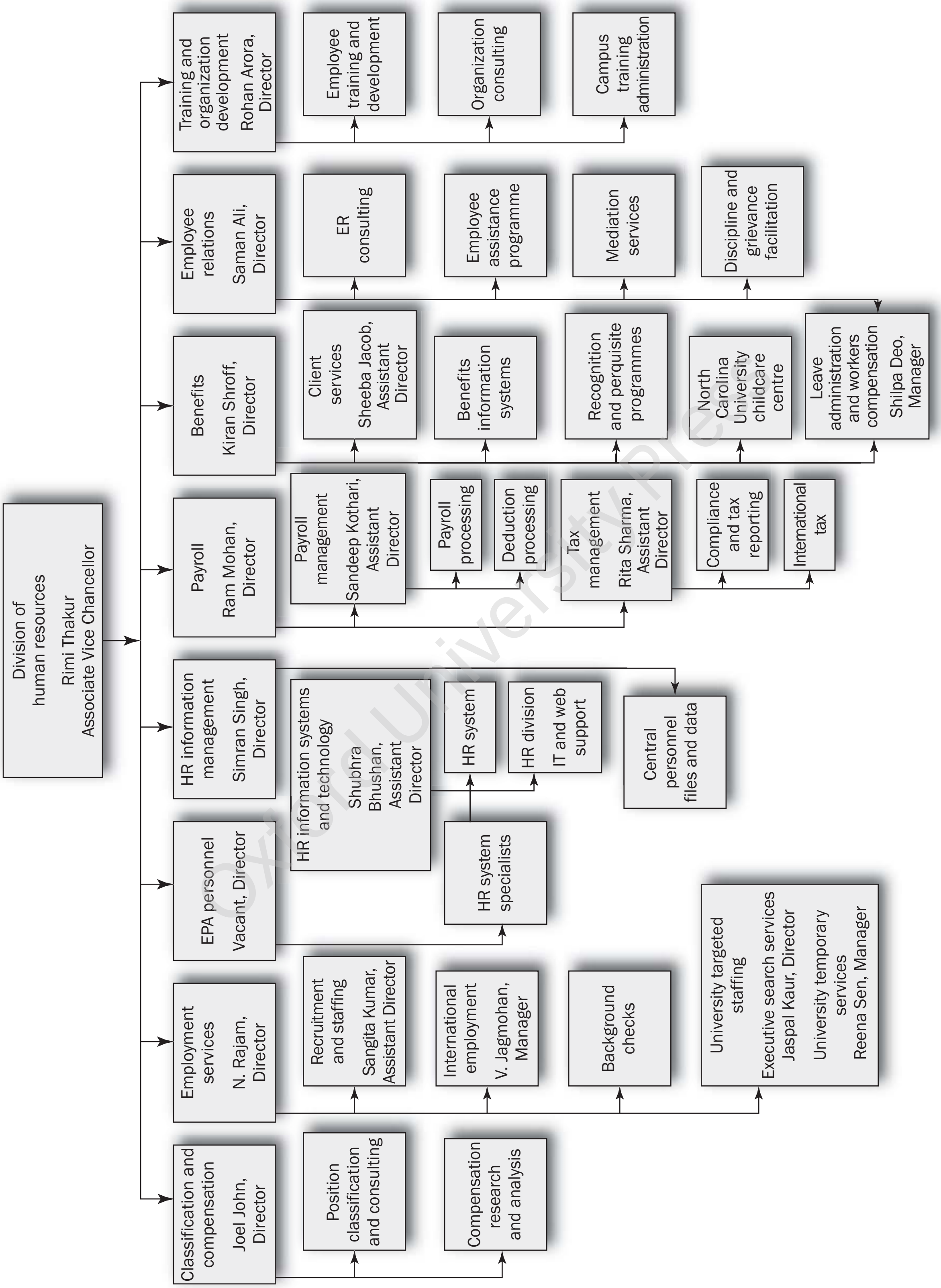
Division of human resources
Rimi Thakur
Associate Vice Chancellor
Classification and compensation
Joel John, Director
Position classification and consulting
Compensation research and analysis
Employment services
N. Rajam, Director
Recruitment and staffing
Sangita Kumar, Assistant Director
International employment
V. Jagmohan, Manager
Background checks
University targeted staffing
Executive search services
Jaspal Kaur, Director
University temporary services
Reena Sen, Manager
EPA personnel
Vacant, Director
HR system specialists
HR information management
Simran Singh, Director
HR information systems and technology
Shubhra Bhushan, Assistant Director
HR system
HR division
IT and web support
Central personnel files and data
Payroll
Ram Mohan, Director
Payroll management
Sandeep Kothari, Assistant Director
Payroll processing
Deduction processing
Tax management
Rita Sharma, Assistant Director
Compliance and tax reporting
International tax
Benefits
Kiran Shroff, Director
Client services
Sheeba Jacob, Assistant Director
Benefits information systems
Recognition and perquisite programmes
North Carolina University childcare centre
Leave administration and workers compensation
Shilpa Deo, Manager
Employee relations
Saman Ali, Director
ER consulting
Employee assistance programme
Mediation services
Discipline and grievance facilitation
Training and organization development
Rohan Arora, Director
Employee training and development
Organization consulting
Campus training administration

FIGURE 1.3 Example of the organizational chart of the HR department of a company

from organization to organization. In some organizations, certain departments may not exist. For example, religious organizations may not have a production department.

A functional structure provides large scope for employment as it seeks diverse skills and knowledge from the employees. The HR manager's function is to set clear career paths within the specialized function and allow for the career growth of employees. It provides opportunities to employees to develop in-depth expertise. There is clarity that each position specializes in a specific function, thereby contributing to the functional expertise of the organization. The HR manager's role is to strengthen each of the functional departments by conducting continuous training and development programmes.

A functional structure is more suited to organizations where the number of products or services is limited. For better coordination of the various functions, a formal structure has to be in place. Figure 1.4 depicts a functional structure.

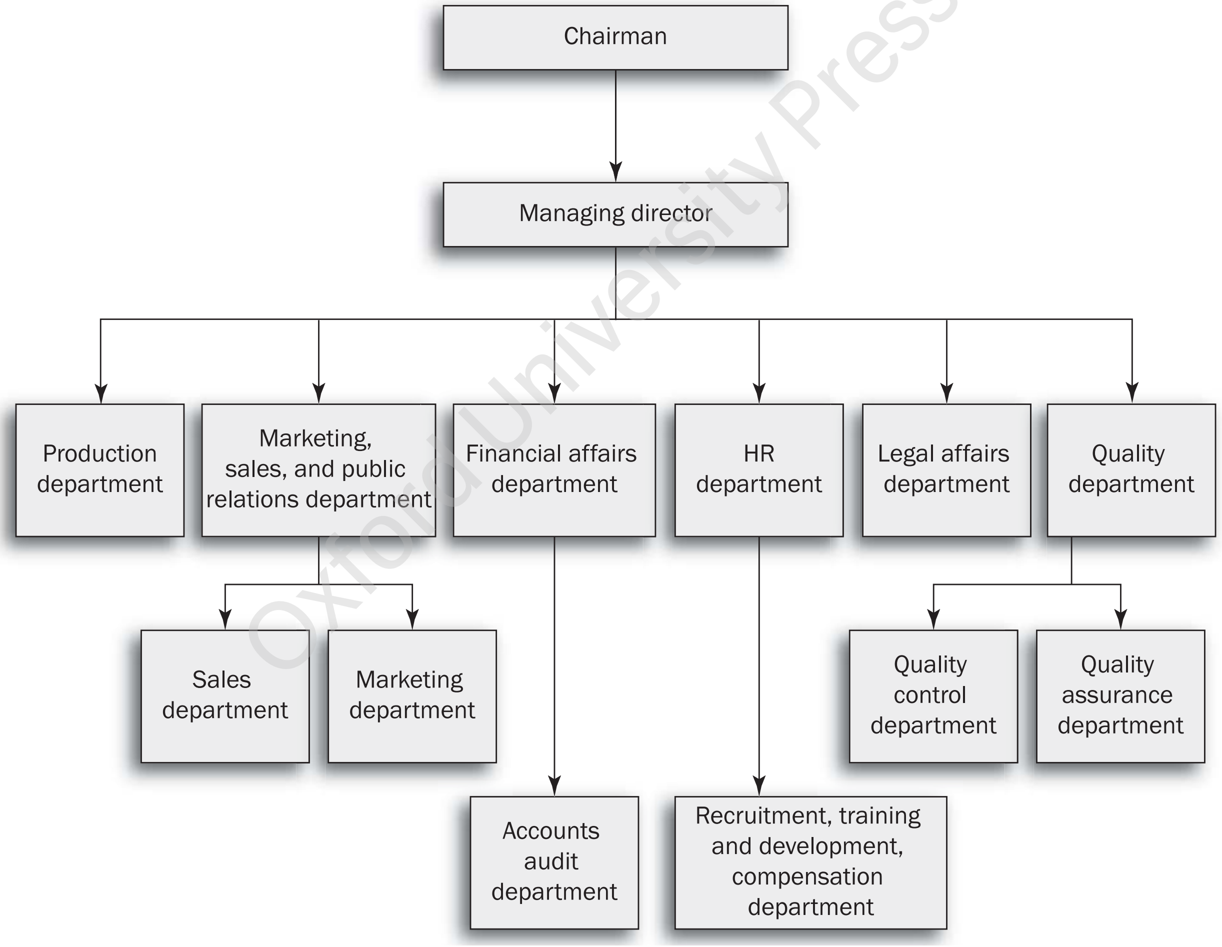
Chairman
Managing director
Production department
Marketing, sales, and public relations department
Financial affairs department
HR department
Legal affairs department
Quality department
Sales department
Marketing department
Quality control department
Quality assurance department
Accounts audit department
Recruitment, training and development, compensation department

FIGURE 1.4 Functional structure

Divisional Structure

A divisional structure is a type of departmentalization in which positions are grouped based on similarity of products, services, or geographical areas. Divisional structure refers to the division of large functional pyramids into smaller, more flexible, administrative units. It is designed to promote self sufficiency and efficiency in the units. The more popular forms of divisional structure are the product divisions and geographical divisions. Product divisions are more suitable for large, multi-product organizations. In this form of organizational structure, the large functional units are further divided into small units, and each such unit is grouped in terms of products manufactured and sold. Each division is responsible for its own performance and profitability. Each unit has a functional structure within it, such as personnel, manufacturing, and marketing departments. Functional managers perform the tasks associated with the products of their own division.

Each division needs to perform the HR functions. For example, product development and specialization demand expertise from the research and development (R&D) wing. The process of recruitment needs to identify such individuals. At times, certain groups of the workforce such as sales personnel may be increased based on the performance of the company. In other words, the HR functions need to be customized in accordance with the performance of the organization and demand from the market. A divisional structure is represented in Figure 1.5.

Matrix Structure

A matrix structure is a type of departmentalization wherein function and division patterns are superimposed and are combined in the same structure. Essentially, a matrix structure has two chairs of command—vertical and horizontal. As shown in Figure 1.6, the functional departments such as human resources, marketing, finance, R&D, production, and engineering constitute the horizontal hierarchy. The managers of different products represent the divisional units, which operate vertically across the structure. In a matrix structure, an employee has to report to two matrix bosses. For example, an employee of the marketing department may report to the Vice-President–Marketing horizontally and to the manager of a particular product vertically. Therefore, the structure is more complicated and overrules the unity of command. Thus, the matrix structure facilitates decentralization of decision-making.

The role of an HR manager is complicated as it includes a range of functions from training of employees in interpersonal skills and decision-making to handling critical incidents.

HRM AND IT

The advent of information technology has changed the competitive landscape of the corporate world. IT influences the corporate world through three factors:

- *IT practices:* It denotes the capabilities of a company to effectively utilize IT applications and infrastructure to support its business processes and operations.
- *Information management practices:* It denotes the organizational capabilities to manage the entire information life cycle, that is, sensing, collecting, organizing, processing, and maintaining information.
- *Information behaviours/values (IBV):* It indicates the organizational capabilities to promote behaviours and values that facilitate the effective use of information.

HR managers have to initiate an organizational-culture building exercise for internalization and adoption of the desired values.

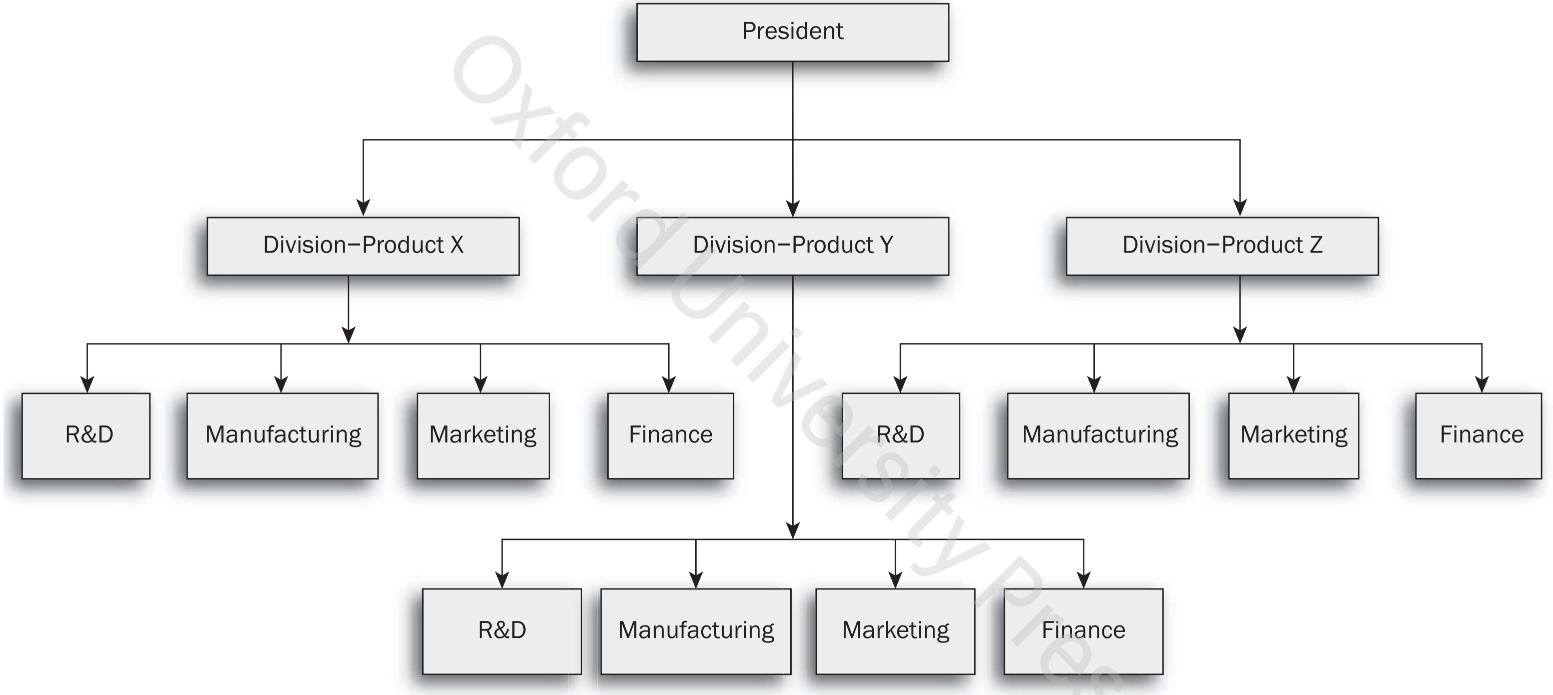
President
Division–Product X
Division–Product Y
Division–Product Z
R&D
Manufacturing
Marketing
Finance
R&D
Manufacturing
Marketing
Finance
R&D
Manufacturing
Marketing
Finance

FIGURE 1.5 Divisional structure

Source: http://sameh.files.wordpress.com/2006/05/Organization%20Structure2.jpg

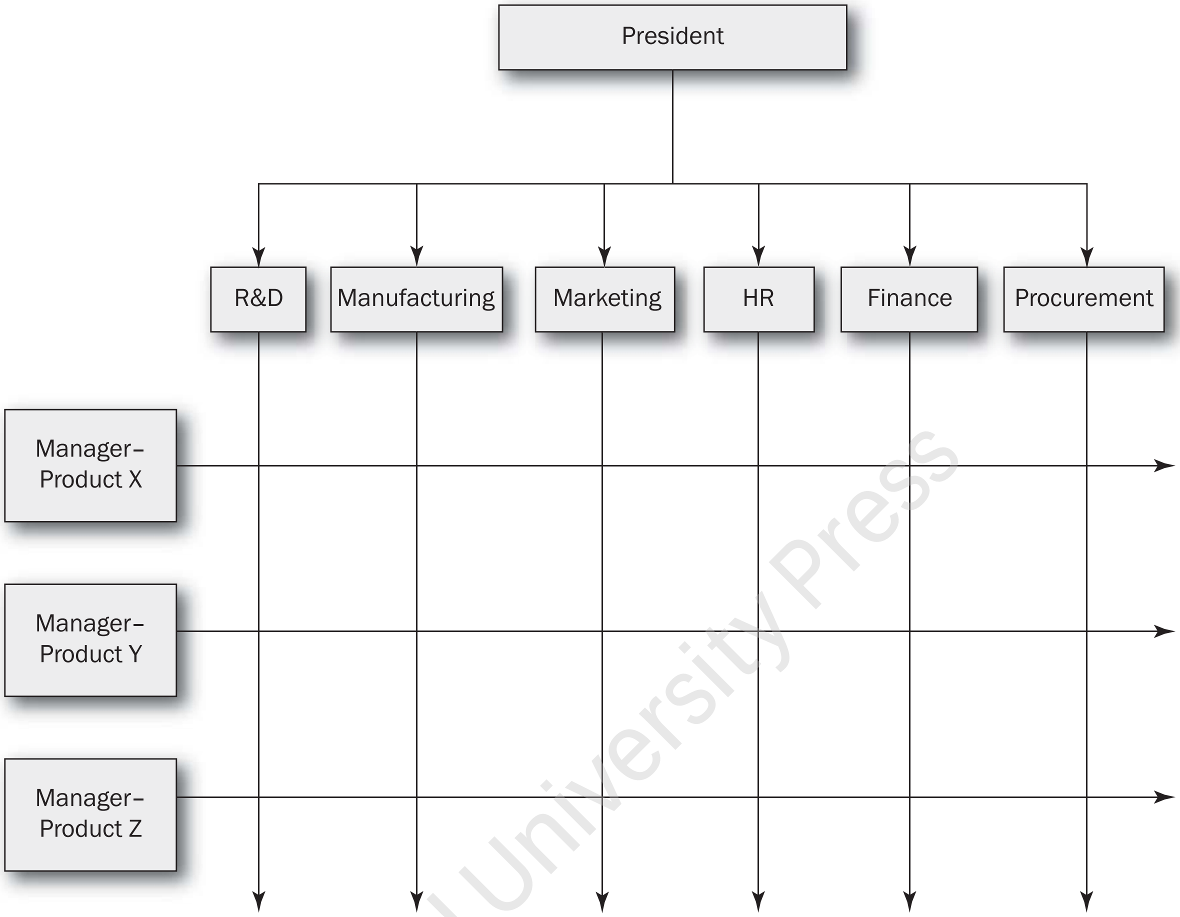

FIGURE 1.6 Matrix structure

Source: http://sameh.files.wordpress.com/2006/05/Organization%20Structure3.jpg

The first one, that is, IT practices, is more in the domain of IT specialists, while the HR department has to deal with the second and the third, respectively. HR managers have to work in close coordination with the IT head for creating awareness about the information management practices. The key challenge is to define and communicate the information behaviours/values expected from the employees. More importantly, HR managers have to initiate an organizational-culture building exercise for internalization and adoption of the desired values.

HR managers have to initiate an organizational-culture building exercise for internalization and adoption of the desired values.

HRM AND COMPETENCY BUILDING

Two of the recent and widely used terms among HRM professionals are ‘competency building’ and ‘competency mapping’ among the employees. Beginners in the subject would wonder what could be the importance of the so called ‘competence’ in organizational context and more so from the HRM perspective. Michael Porter, who shared his pathbreaking research findings through his book *Competitive Advantage*, has proposed that the competitive advantage for an organization is

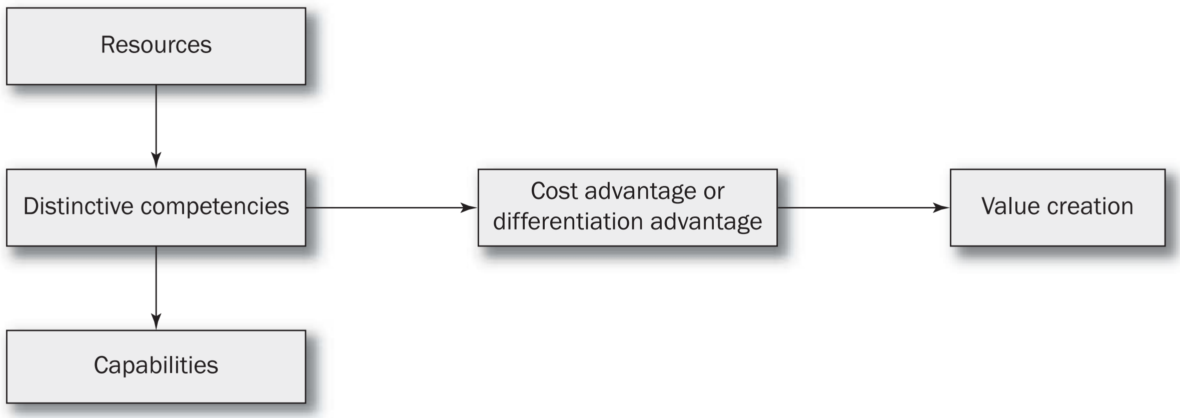

FIGURE 1.7 Model of competitive advantage

dependent on its distinctive capabilities to use the available resources for value creation. One of the fundamental and generic models of competitive advantage is shown in Figure 1.7.

The model shown in Figure 1.7 indicates that the activities of an organization are based on various resources, such as material, human, financial, etc., and the capabilities would vary from one company to another. For instance, L&T Ltd has the capabilities to undertake and execute large-scale construction projects in a time-bound manner. Its distinctive capabilities are those that are unique to the company. In the same way, Reliance has the capabilities to undertake and complete large-scale petrochemicals projects as a strategy towards forward and backward integration and gaining economies-of-scale over its rivals. Depending on its distinctive capabilities, an organization can have cost advantage or differentiation advantage. Indian IT companies are typical examples, as they started with a cost advantage and are gradually moving towards differentiation advantage to meet the competition in American and European markets. At the end of the entire process, an organization should be able to create value for all its stakeholders, that is, employees, shareholders, investors, etc.

HRM AND PERFORMANCE MANAGEMENT

In the present competitive scenario, one of the foremost challenges for the organizations, and more specifically for the HR department, is to facilitate performance of individuals to realize the organizational objectives. Planning for performance is the first step towards performance management.

Performance planning can be defined as systematic outlining of tasks/activities to be carried out by the employees during the specific period so that they are able to contribute towards accomplishment of organizational goals. The planning process involves aspects such as the time frame, activities/area-wise targets, tasks to be coordinated, etc. In short, performance planning emphasizes individual contribution vis-à-vis the organizational goals. The scope of performance planning in an organization covers its entire set of employees. Further, there has been an eternal debate as to whether performance planning should be top-down, bottom-up, or both ways. The process

Planning for performance is the first step towards performance management.

The scope of performance planning in an organization covers its entire set of employees.

Often, employees are found lacking in performance due to lack of clarity about their roles and responsibilities.

of performance planning involves various activities such as task analysis and/or activity analysis, analysis of key performance areas (KPAs), analysis of key result areas (KRAs), tasks and target identification, preparation of activity plans/action plans, goal setting exercises, etc.

Practitioners and researchers after prolonged debate have come to the conclusion that there is no generic and universally applicable performance management model and the approach would depend on the specificities of individual organizations. The various aspects of devising the performance management system (PMS) of an organization are as follows:

- *Results and output:* The foremost aspect is measurability of the output; for instance, the results achieved have to be defined clearly in terms of number, figures, etc. It is important for the appraiser as well as the appraisee to state clearly the yardsticks for measurement.
- *Input dimensions:* They indicate the activities/tasks to be carried out by individual employees for achieving the tasks set or defined. The other aspects to be considered are time frame and input quality. As it is said, a task well planned is half the success achieved, and the ability of an employee lies in accurately assessing and arranging the requirements for successful completion.
- *Time dimension:* Apart from the objectives/goals/targets, in a competitive environment, it is critical for employees to complete the jobs assigned to them in time. Often, people tend to evaluate performance without taking into account the time aspect, but for a comprehensive and objective analysis, performance has to be assessed against time. Further, while evaluating performance, it is essential to analyse the time taken by the same employee or another employee to complete a similar job under similar circumstances.
- *Focus dimension:* Performance also has a focus dimension and it would depend upon the area of focus, which varies from job to job. For instance, in case of a trainer, the areas of focus would be self-learning as well as facilitating the learning of the trainees. In case of marketing managers, the focus area would be gaining market share in the existing as well as new markets, etc.
- *Input–output relationship:* It indicates the effort vis-à-vis performance. In this sense, the measure for performance would be whether an employee could deliver higher levels of performance for the same input, which would imply improved levels of efficiency.
- *Role clarity and performance facilitation:* Often, employees are found lacking in performance due to lack of clarity about their roles and responsibilities. In other words, they lack clear understanding of their job profile and the responsibilities. The immediate superior is also responsible for such a situation since it is his or her responsibility to see that the employees concerned have a clear idea of their job profile and responsibilities.

HRM AND LEADERSHIP BUILDING

Many successful organizations are of the view that the success, to a large extent, is dependent on having the right leaders at the right time. The debate here is whether leadership should emerge on its own in an organization or the organization should make a conscious attempt to build leaders for its future growth. Prima facie, both the approaches are equally valid for building successful leadership. For instance, when we look at some of the successful enterprises such as Reliance, Infosys, etc., it is observed that the growth and development of the these organizations is mainly because of the foresight and leadership capabilities of their founders, that is, Dhirubhai Ambani and Narayana Murthy, respectively.

Similarly, when we analyse the emergence of great historical leaders, we find that they did not establish their leadership overnight, but through a sustained and long-term process. For instance, in our country, we have had leaders such as Mahatma Gandhi, who from his humble background rose to become one of the all-time great leaders of the world. Mrs Indira Gandhi, who belonged to one of the most influential political families of the country, also became a great leader over a period of time.

Some of the key issues in the emergence of leaders are as follows:

Knowledge Socrates thought that professional or technical competence is a prerequisite for holding the position of leadership. It is a general tendency of people to follow somebody who knows what to do in a crisis. The three important qualities that attract people towards leaders are authority of position/rank, authority of personality, and authority of knowledge. Socrates clearly emphasized the latter. Kautilya, one of the renowned ancient Indian strategists, has given an extensive description of successful leaders and their essential traits.

Experience Leaders are born rarely and often are products of their times. It would not be an exaggeration to say that the times of trials and tribulations in history have provided excellent opportunities for the emergence of leaders. Nelson Mandela had to struggle for about three decades to emancipate himself and other fellow compatriots in South Africa.

Action-orientedness Mere intellectual thought and foresight would not make a good leader since the followers constantly look forward to their leader for command and orientation. As the saying goes, a leader should lead by example first and then, after developing the followers, adopt the approach of leading from behind.

People management capability One of the essential qualities of successful leaders is to convince and carry along their subordinates on an identified course of action to realize the collective objectives. The prolonged freedom struggle did not deter the people of India from continuing to believe in the leadership of Mahatma Gandhi. Similar is the case of Nelson Mandela. In Myanmar, Aung San Sui Kyi, the leader who had been fighting for democratic rights of people in her country for many years, had many loyal followers in spite of the oppression by the military junta.

The three important qualities that attract people towards leaders are authority of position/rank, authority of personality, and authority of knowledge.

A leader should lead by example first and then, after developing the followers, adopt the approach of leading from behind.

Foresight and acumen Leaders should be able to predict the future with conviction so that the followers remain patient and persistent till the end. Moses in ancient Christian mythology was one such leader, who led his followers on the path of truth in spite of many a struggle.

Leaders should learn from the above historical examples, while establishing leadership-building practices in an organization. A proactive HR strategy, which attempts to build good leaders, would have the following features:

- Recruitment policies that attract and retain the best talent in the country
- Job postings that provide challenging and learning assignments to prospective organizational leaders

The actions of leaders should speak for themselves.

- Career planning that facilitates growth of youngsters into organizational leadership positions
- Organizational culture-building exercise that can promote parameters such as openness, transparency, honesty, and integrity of employees

According to Socrates, a successful leader should have the following six skills:

- Selecting the right man for the right job
- Punishing the bad and rewarding the good
- Winning the goodwill of subordinates
- Attracting alliance and helpers
- Keeping what they have gained
- Working diligently and efficiently to fulfil their own responsibilities

HR managers, while grooming prospective leaders, should attempt to inculcate the aforementioned skills in them. Lao Tzu, in his writings on leadership, has envisaged a humble leader who is neither self-assertive nor talkative. Alexander the great, the Greek emperor known for his charismatic leadership, used to march along with his soldiers on foot even in deserts and adverse conditions to maintain the unity and team spirit of his soldiers. This quality holds equally good in the organizational context, as the actions of leaders should speak for themselves.

HRM AND CHANGE MANAGEMENT

Change is inevitable in life and yet we feel comfortable and secure in an environment that is steady and where the future does not appear uncertain. In case of organizations, the general tendency is to be complacent with policies and practices that have been successful in the past. Often, organizations and individuals at the helm of affairs get into the delusion that past success is a guarantee of future success and one has to continue to adhere to policies and practices that have been successful in the past. It is for this reason that the list of Fortune 500 companies of the world keeps changing every decade.

A cursory glance at the history of many of the successful organizations indicates that organizations that have been adaptive and change-oriented continue to be successful, while those otherwise become a part of history. Adaptability and change orientation cannot be inculcated overnight, but organizations have to build practices to facilitate and nurture change management processes. In the contemporary scenario, organizations are faced with multi-faceted challenges, such as changes in technology, competition, etc., and increasingly face new challenges on account of change. It is important to note that though change has been prevalent in all times, of late the pace of change has become very rapid.

Adaptability and change orientation cannot be inculcated overnight; organizations have to build practices to facilitate and nurture the change management processes.

Some of the new challenges for organizations are as follows:

- Customers and global operations demand 24 × 7 service.
- Technology facilitates any-location work possibilities.
- Geographical borders have been blurred and a virtual world has been created.

HR has the onerous task of convincing the top management to initiate and sustain change management programmes.

These developments make the challenges of HR even more difficult. Human resource, which has been a staff function, has now assumed a strategic function, as it has to coordinate with other functional areas in forecasting the future and gearing up the human resources to meet the future challenges. Simultaneously, HR has the onerous task of convincing the top management to initiate and sustain change management programmes, which usually have initial debacles. Some of the challenges for HR personnel as regards change management are as follows:

One of the important challenges in change management vis-à-vis HR functions is making organizations and employees adapt to jobs and careers that have short life cycles.

- Facilitating the work–life balance for employees
- Facilitating the culture change for employees
- Competence mapping and building
- Preparing career plans
- Managing attritions
- Managing cultural diversity
- Sustaining and improving the productivity and creativity
- Reorienting the organizational practices and policies to suit the new generation employees

In the context of work–life balance, the employees have to balance among work, home, and community, and HR personnel have responsibilities such as the following:

- Facilitating pragmatic awareness programmes
- Facilitating their thinking both about work and non-work life streams
- Educating managers to counsel and coach employees
- Providing professional counselling directly to employees who are struggling to adjust

One of the important challenges in change management vis-à-vis HR functions is making organizations and employees adapt to jobs and careers that have short life cycles. For this purpose, organizations as well as employees will have to frequently reinvent themselves through continuous learning and skill upgradation. The learning processes have to be synchronized in the sense that organizations and employees have to work in sync in the same direction. In the present context, employees have a greater responsibility to continuously learn and upgrade themselves if they want to remain useful to the organization and progress in their careers.

All said and done, there is no universal approach to change management, as the success of change initiatives is dependent on various factors such as organizational culture, determination of the top management, and proactiveness of the HR personnel.

VALUE-BASED HUMAN RESOURCE STRATEGY

Organizations in the competitive scenario are continuously faced with the necessity to create and sustain practices that facilitate value creation.

Organizations in the competitive scenario are continuously faced with the necessity to create and sustain practices that facilitate value creation. The existence of organizations is largely dependent on creating outputs that mathematically outweigh the value of inputs, which in turn gives it the competitive advantage over its rivals. The human resources has a key role in the entire process, which includes the following responsibilities:

- Developing the competitive advantage of organizations by proactively updating the business strategy
- Contributing to creation and catering of shareholder value and for this purpose, creating short-, medium-, and long-term strategies to facilitate cash generation
- Developing the HR strategy as an integral part of the business strategy
- Taking the top management or CEO of the organization into confidence while formulating the HR strategy
- Reorienting the processes, priorities, and skills of the HR department to facilitate and support the HR strategy for value creation

The essential components of an HR strategy are plans and programmes related to HR projects, intentions that crystallize into specific plans/projects, formal and informal arrangements in organizations to facilitate work processes, economic value creation, etc. Often, HR professionals tend to author the HR strategy independently. However, for the success of the strategy, HR professionals must create acceptance and credibility for it by taking inputs from the various functional departments.

HOLISTIC FACET OF HRM

HR personnel are increasingly expected to involve themselves in business planning and execution to understand the business requirements and tune the HR strategies to the emerging business realities. Any holistic HRM approach would include the following dimensions:

- Participating in business strategy planning
- Tuning HR strategies to business strategy requirements
- Undertaking change management programmes to bring in cultural transformation
- Coordinating with the business heads to implement HR strategies and policies
- Promoting active ownership of HR policies by business heads to improve credibility of the policies and successfully implement them

Thus, it is clear that the HR function has become more demanding and is no longer restricted to be just a personnel, training, or administrative function, but is a hybrid of all these functions, which calls for new skills and attitude from the HR personnel.

HR personnel are increasingly expected to involve themselves in business planning and execution to understand the business requirements.

ESSENTIAL SKILLS FOR AN HR MANAGER

From these discussions, it is clear that the HR manager has to totally reorient himself before attempting to address the organizational challenges. Some of the skills required in an HR manager in the emerging context are discussed as follows (Figure 1.8):

Strategic planning A broad review of global human resource development shows that HR managers have been increasingly participating in the strategic planning process, and this evidence suggests that the strategic planner is an emerging role in HR.

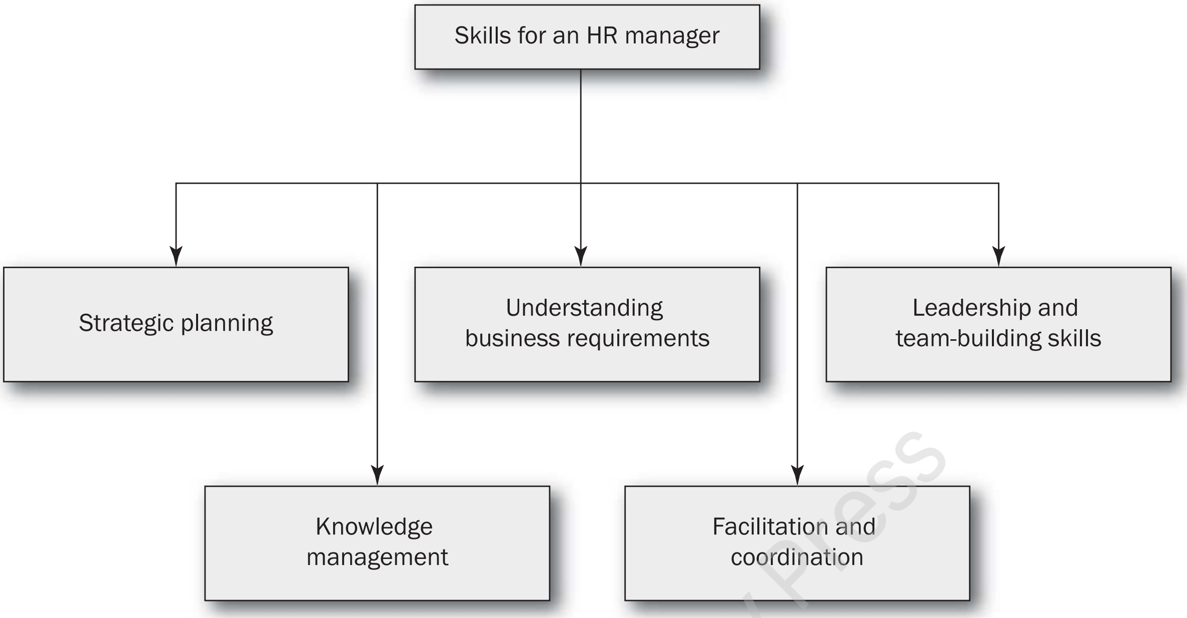
Skills for an HR manager
Strategic planning
Understanding business requirements
Leadership and team-building skills
Knowledge management
Facilitation and coordination

FIGURE 1.8 Essential skills for an HR manager

Simply put, strategic planning determines where an organization is headed for over the next year or more, how it is going to get there, and how it would know if it got there or not. An HR strategic plan helps in defining goals and strategies for achieving them. It enables the department to go beyond day-to-day tasks to see its larger purpose and function within the organization. Additionally, having a strategic plan can help show HR executives, the business rationale for its decisions by demonstrating how HR actions fall into the organization's overall goals.

An organization-wide business plan outlines the organization's current situation and where it intends to go. In its simplest form, the plan is a goal statement. We can enhance the value of the HR by linking it with the organization's goals.

An HR strategic plan describes what the HR must do to help the organization achieve its goals by listing the steps for meeting those goals, target dates for completion, and specific guidelines for measuring performance.

The following steps are key to the successful implementation of an HR strategic plan:

- Set measurable goals.
- Involve the right people in the planning process.
- Communicate after the planning.

The HR managers need to be conscious of the above aspects and should have the expertise and capability to take part in strategic planning, to understand its linkage to HR goals, and more importantly to translate the organizational strategic plans into HR action plans and ensure their implementation.

An HR strategic plan describes what the HR must do to help the organization achieve its goals.

Understanding business requirements and realities HR managers need to have an understanding of the business requirements and realities. Often, HR managers become unmindful of the business context while pursuing their own agenda. For instance, if the top management is trying to achieve the annual targets and the HR manager comes up with an innovative HR practice unconcerned with the business targets, it is likely to be rejected by the top management. In addition, it is essential for HR managers to understand the business jargon to be able to relate their ideas better to the business/technical heads.

It is essential for HR managers to understand the business jargon to be able to relate their ideas better to the business/technical heads.

Leadership and team-building skills Often an effective supervisor turns out to be an ineffective manager since he or she does not possess the required leadership and team-building skills. Managers need to be highly motivated themselves, and proficient in motivating and carrying their teams along with them. In the process of goal setting and project execution, team commitment is a critical requirement. Thus, leadership and team-building skills are more pronouncedly required in project-based work environments and matrix hierarchy systems.

Knowledge management capabilities Pooling of the available intellectual capital, and making it available among the employees at large are considered as critical factor for the success of an organization. Though there are various IT tools such as intranet, learning management system, etc., the efficacy of a manager lies in motivating the people to share their knowledge and expertise with their peers, etc. HR managers have to be adept not only in soft skills, but also in building and sustaining knowledge management systems in an organization.

Facilitation and coordination Technical experts and project leaders are often lost in their own world, which leads to gaps and mismatch in organizational performance. It is here that the role of HR managers assumes critical importance, as they have to facilitate inter-team and inter-project coordination for achieving the desired goals or level of performance.

SUMMARY

The chapter begins with an introduction to the current and emerging challenges for organizations, and various definitions and perspectives of human resource management (HRM). It also discusses the major functions of HRM. Further, it discusses the evolution of HRM, 3 Ps of HRM, interrelationship between HRM and IT, competency building, performance management systems and components, role of HRM in leadership building, HRM and change management, value-based human resources strategy, holistic facet of HRM, and, finally, the skills required for an HR manager.

KEY TERMS

Attrition The ratio of employees who leave/resign from the organization to the total number of employees, calculated on an annual basis

Blue-collar workers Employees working in manufacturing environments with low-pay jobs, usually manual labourers

Channelization The process of directing the inputs for the purpose of obtaining desired outputs

Coherent approach The approach that holistically considers all factors affecting a particular decision

Competency building The process of building capabilities of employees to improve their productivity

Competency mapping The process of identifying the competencies of all the employees of the organization

Performance management system (PMS) A system designed to manage and improve the performance of the employees in an organization

EXERCISES

Multiple Choice Questions

1. The purpose of HRM is to
   (a) restructure
   (b) enable appropriate deployment of HR
   (c) minimize medical claims from retirees
   (d) achieve most output with least input
2. The HRM approach focuses on
   (a) designing the contents of the training to be delivered
   (b) the compensation system
   (c) the quantitative and strategic aspects of managing HR
   (d) none of these
3. Which of the following is not included in the 3 Ps of HRM?
   (a) Price
   (b) People
   (c) Processes
   (d) Performance
4. Which of the following is not a concern of HRD?
   (a) Employee training
   (b) Employee orientation
   (c) Employee rights
   (d) Employee appraisals
5. Which of the following is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance?
   (a) Management by objectives
   (b) Performance appraisal
   (c) Performance management
   (d) Organizational planning

Fill in the Blanks

1. __________ is defined as systematic outlining of activities to be carried out by the employees during a specific period.
2. HR managers play a vital role in __________.
3. __________ has shared his pathbreaking research findings through his book *Competitive Advantage*.
4. Performance also has a __________ and it would depend upon the area of focus, which varies from job to job.
5. Leadership cannot be established overnight, but only through a sustained and __________.

Concept Review Questions

1. Explain the importance of HRM in the emerging scenario.
2. Explain the contrast between the hard and soft approaches of HRM.
3. Describe the evolution of HRM in the Indian scenario.
4. Explain the transformation of HRM into a management function.
5. Distinguish between the personnel and HRM functions.
6. Describe the various facets of HRM.
7. What is the holistic facet of HRM?
8. Does HRM have a role in leadership building in organizations?
9. What are the essential skills for an HR manager?

Project Work

1. Analyse the challenges for HR personnel in the IT industry.
2. Prepare the activity report of an HR manager of a company, known for his/her proactive HR practices.

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CASE STUDY 1

Diva Skin Clinic

Diva Skin Clinic was founded by Dr Mourya, who is a dermatologist. Dr Mourya, who hails from an industrial and entrepreneurial family, identified skin clinics as an emerging opportunity for business. He has seen the success of leading chains such as 'Kaya', which has ventured into beauty and skin clinics across the country. Kaya, which started with two clinics, four years ago, has now grown to over 100 clinics across India.

Dr Mourya engaged a reputed consultant to do a study on the business potential of skin and wellness products in the country. The consultant, after an extensive study, came back with the feedback that this business could clock in about ₹5,000 crores in a decade. In the report, the consultant suggested separation of the skin and wellness aspects, as combining the two was leading to confusion in brand equity in the minds of potential customers.

Armed with this feedback, Dr Mourya decided to start the 'Diva' Skin Clinic chain, as he wanted the brand to project the image of a confident and modern woman, who is self-conscious and strives to look good.

For commencing the operations, Dr Mourya hired a core team comprising a CEO and heads of HR, finance, branding, and administration to prepare a blueprint for rolling out the chain of clinics.

Dr Mourya, in his brief to the core team, stated that he believed in having a structured and professional interaction with them, and would like to give them the freedom to formulate business plans. However, the team must seek his approval before executing plans.

The HR head, Mr Satish, had a series of discussions with the core team, about the quality and quantity of manpower that could support them in building the brand. The core team suggested the following to Mr Satish:

- Recruit the best dermatologists from across the city.
- Hire excellent paramedical staff.
- Encourage and support staff who strive to ensure service excellence.

Questions

1. Analyse whether Dr Mourya has a structured and professional approach towards HRM at Diva.
2. Discuss and suggest the approach to be taken by Mr Satish to place the HRM practices in the organization on a firm footing.

CASE STUDY 2

Aditya Communications Ltd

Aditya Communications Ltd is one of the top IT firms operating at various locations both within the country and abroad. The average age of employees is around 25 years and the average rate of attrition in the company is around 18%. The company currently has an organizational culture rooted in traditional values and practices such as bureaucracy, dogmatic procedures and practices, respect for hierarchy, functional orientation, and comparatively rigid compensation structure. The HR head, in a review meeting with the SBU heads, has identified the following issues:

- Building and sustaining the motivation levels of employees
- Recruitment and retention of talented youngsters
- Making the job assignments challenging
- Providing learning opportunities to employees
- Fast track career paths for star performers

To tackle these issues, the HR head has developed an action plan to be implemented over a period of one year to accomplish the following:

- Mapping the competencies of the employees
- Evaluating human resources vis-à-vis the current and forecasted business strategies
- Creating recruitment plans to meet the competency gaps
- Retraining and redeployment plans
- Framing and implementing a flexible compensation structure
- Developing and implementing a comprehensive performance management system that can facilitate employee motivation, identify the training needs, provide for career progression, and more importantly, revise the compensation annually

Questions

1. Discuss this case with your friends and analyse the action plan vis-à-vis the challenges faced by the organization.
2. Enact a role-play for the case study and discuss its outcomes.

CASE STUDY 3

Regal Pharmaceuticals

Regal Pharmaceuticals is a reputed company, known for its proactive HR policies and practices. The vision and the mission statements of the company also reflect the corporate social responsibility of undertaking environment-friendly manufacturing activities. Some of the innovative HR practices of the company are as follows:

- Creating change management plans for preparing the company in the GATT scenario
- Culture building exercises that support self-initiation, openness, honesty and integrity, team-work, etc.
- Career planning for good performers
- Challenging and learning assignments for grooming future leaders
- Sharing of knowledge management infrastructure, such as intranet, which nurture and support shared learning

However, the chairman and managing director (CMD) of the company received a show cause notice from the Pollution Control Board on account of pollution created by one of the manufacturing units. The notice was well publicized in the print as well as electronic media and the company's image of being socially responsible was tainted. The PR managers carried out extensive campaigns clarifying the company's concern for the environment. The employees of the company were perplexed with the external information and started doubting the company's holy vision and mission statements and also the credibility of the top management. The HR head met with the PR managers and decided the course of action. He also organized personal meetings of the CMD and top executives with the employees in the corporate office as well as the manufacturing locations, apart from interviews to the media. The HR head in consultation with the PR managers created employee awareness groups (EAGs), which were empowered to inspect the pollution control mechanism being implemented by the company. The members of the EAG were counselled to tour the neighbouring villages to create awareness about the responsible actions taken by the company.

Questions

1. Do you think that the company believes in practising what it preaches?
2. Is the HR department proactive and does it display leadership capabilities in the crisis situation?
3. Would you suggest any additional steps to the HR department to address the challenges?
4. What steps should the HR department adopt to reinforce value-based management?