

HUMAN RESOURCE MANAGEMENT – UNIT 1

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2. MEANING OF HUMAN RESOURCES

It is said that management is concerned with achieving the objectives by utilising physical and financial resources with the help of human resources. So the question is what human resources is.

Shri Lion C. Megginson in his book, “Personnel and Human Resources Administration” has given the following definition. The term human resources means, “The total knowledge, skills, creative abilities, talents and aptitudes of an organisation’s work force as well as the value, attitudes and beliefs of the individuals involved.”

It can also be thought of in another sense. Just as there are natural resources used by the organisation, so also human resources is one resource. But no enterprise can succeed without human resources. So it is a resource of a different type.

As one author has put it, “the difference in the level of economic development of the countries is largely a reflection of the differences in quality of their human resources. The key element in this proposition is that the values, attitudes, general orientation and quality of a country determine its economic development.”

The term human resources includes all the component resources of all employees from lower level to the top management level. It includes all the employees like managing director, board of directors, persons who work on honorary basis, experts of various organisations, who contribute their services for the attainment of organisation goals. It also includes human values, likes, dislikes and attitudes of personnel.

3. MEANING OF HUMAN RESOURCES MANAGEMENT

As we have seen human resources management is personnel management. But it is something more than that. Ivancevich, Donnelly and Gibson has defined it as follows.

“Human Resource management can be defined as the process of accomplishing organisational objectives by acquiring, retaining, terminating, developing and properly using the human resources in an organisation.”

If we analyse this definition, we find the following elements in it.

1. Process of achieving organisational objectives: It is a process of achieving the objectives of the organisation. The ultimate aim of any activity of business is to fulfil its objectives.

2. Procuring personnel: It aims at procuring personnel with proper skill, ability and intelligence. It includes recruitment, selection, induction and placement of employees.

3. Maintaining personnel: Maintaining the personnel is a very important function of management. If the skilled employees are frequently leaving the company, it is harmful to the company itself. Hence, the personnel policy should be so developed that the personnel are maintained and continued in the service for a long time.

4. Terminating personnel: Terminating is an opposite term to maintaining. It is a matter not liked by any manager. However, if a person is constantly committing breach of company's rules, his performance is continuously poor or if he is inefficient or dishonest, he has to be discharged. But a sound policy for termination must be laid down.

5. Development of employees: Development of employees involve their training and development, their career planning, preparing them for higher positions for the posts which would fall vacant or would be newly created in future.

6. Integration of organisational and employee needs: In order to fully utilise the human resources, the needs of both organisation and its employees must be properly understood and steps must be taken to fulfil both of them. It means that both of them must be integrated.

4. NATURE OR CHARACTERISTICS OF HUMAN RESOURCE MANAGEMENT

1. Continuous Process: It is not a "one time" function but it requires continuous awareness and alertness of human relationships and their significance in day to day operations.

2. People Oriented: Human Resource Management is all about people at work, both as groups and individuals. It tries to put right persons at right jobs for producing good results.

3. Comprehensive Functions: It is concerned with all types of organization and all categories of personnel from top to bottom of the organization.

4. Future Oriented: It helps an organization to meet its goals in the future by providing for efficient and well-motivated employees.

5. Development Oriented: The key intention of human resource management is to develop the full potential of employees.

6. Auxiliary Service: Human resource manager is a specialist advisor who assist and advice operating managers to do their personnel work more effectively.

7. Integrating Mechanism: It tries to maintain cordial relations between people working at various levels in organization.

Objectives of Human Resource Management

1. Fulfilment of Objectives

By selecting employees scientifically, by giving them necessary training and education, by guiding them properly in their career planning and by motivating them by directing, the enterprise will be able to achieve its objectives easily. But the goals of employees must also be achieved alongwith it. It means that the company and employees both must progress simultaneously.

2. Increasing Efficiency

The aim of Human Resource Management is to appoint only those employees who are having necessary skill and ability and to place them on the job suited to their ability. This will improve efficiency of the organisation along with improving the efficiency of employees. As a result the employees will get job satisfaction, increased salary and other benefits and speedy promotion also.

3. Raises Morale

When an employee is placed on a job suitable to his ability and when he feels that he will be able to make his career in the company itself, his morale remains high. He works with enthusiasm. He feels proud to say that “I am enjoying working in my company.” This shows that the employee is working with enthusiasm.

4. Discipline Maintenance

One of the functions of Human Resource Management is to see that the employees observe discipline. When the subordinates work according to the instructions and orders of their superiors, it can be said that there is a high degree of discipline among employees. Whenever rules and regulations are framed, the employees are consulted and so they observe the rules willingly.

5. Cordial Employer-employee Relations

When employees remain satisfied with their job, the relations between employer and employees are bound to be warm and healthy. This is made possible only when the employer takes a number of steps to keep employees satisfied. E.g. they are placed on jobs suitable to their skill and ability, their development through training, helping them in their career planning in the company itself, maintaining their health and giving them entertainment through welfare activity. Secondly, there must be proper arrangement for removal of their grievances and complaints, so that their dissatisfaction is removed.

6. Development of Team Spirit

The Human Resource manager tries to see that employees have good relations with their co-workers and team spirit is developed among them. It was observed in the Hawthorne Experiments that when groups of workers with similar ability were formed, productivity increased and feeling of satisfaction resulted. Thus forming informal groups also resulted in development of team spirit.

7. Development of Employees

One very important function of Human Resource Management is that it makes arrangement for the development of employees. The employees are given proper guidance for their career steps and are taken for reducing their stress and they are given promotion on the basis of their ability and qualifications. This leads to the personal development of employees, which in turn leads to the company's development.

8. Need for Self-esteem Satisfied

One of Maslow's high level needs of employees is satisfied. The Human Resource Management gives them the opportunities for advancement. They are consulted by management in taking important decisions; sometimes they are given freedom for decision-making in respect of their work and they are promoted to higher posts in due course. All these lead to the satisfaction of their need for being given importance by others.

9. Cost of Production Reduced

One of the objectives of the company is to reduce cost of production and thereby to increase its profits. Human resource management helps the enterprise in achieving this objective. It tries to keep the work force satisfied, which leads to reduced wastage, increased productivity and low cost of production. The benefit of low cost can be passed on to customers also.

10. Raises the Prestige of Company

A company which can keep its employees satisfied, which can produce goods at a low cost and which can maintain high quality of goods, would be considered as a good company. All these are made possible due to Human Resource Management.

HUMAN RESOURCE MANAGEMENT IN COMPETITIVE ENVIRONMENT

Business environment is changing and hence, Human Resource Environment is also changing. The changing environment of HRM includes globalization, work force diversity, technological change, changes in the nature of jobs and work etc. These factors may be described as follows:

(1) Diversity in Work Force: The Indian work force is characterized by such diversity that is deepening and spreading day by day. Diversity has been defined as any attribute that humans are likely to use to tell themselves, that person is different from me and thus, includes such factors as race, gender, age, values and cultural norms. It is likely to be more diverse as women, minority-group members, and older workers flood the work force. With the increasing number of women entering the work force due to a combination of factors like women's emancipation, economic needs, greater equality of gender, education and so on, additional pressures of managing a different set of problems at the work place have arisen.

As the work force ages, employers will have to grapple with greater health care costs and higher pension contributions. On the whole, the increased diversity of work force will place tremendous demands on the HR management function.

Further, creating unanimity from a diverse work force has also become a challenge for HR manager. This is because, as several experts put it, diversity is marked by two fundamental and inconsistent realities operating today with it. One is that organizations claim they seek to maximize diversity in the work place, and maximize the capabilities of such a diverse work force.

The other is that traditional human resources system will not allow diversity, only similarity. These experts emphasize that employers traditionally hire, appraise, and promote people who fit a particular employer's image of what employees should believe and act like. At the same time, there is corresponding tendency to screen out those who do not fit.

(2) Economic and Technological Change: With the changing time, several economic and technological changes have occurred that have altered employment and occupational pattern. In India too, there is a perceptible shift in occupational structure from agriculture to industry to services.

It's said that, men are replaced by machinery. Technology has become the hallmark of the modern organisations. As such modern organisations have become the technology driven organisations. Manufacturing technology, for example, has changed to automation and robotisation.

The explosive growth of information technology linked to the internet has ushered in many changes throughout the organisation. One of the major changes led by information technology is that it has hastened what experts call the "fall of hierarchy" i.e. managers depend less and less on yesterday's "stick-to-the-chain-of-command approach" to their organising function.

This is so because earlier it used to be, if one wanted information, one had to go up over and down through the organisation. Instead, they can work from their own places/residences through the net. This has given genesis to a new breed of organisations, called 'virtual organisations' (VO).

(3) Globalization: There has been a growing tendency among business firms to extend their sales or manufacturing to new markets abroad. The rate of globalization in the past few years in India has been nothing short of phenomenal. The world has become a global market where competition is a two-way street.

Globalization increases competition in the international business. Firms that formerly competed only with local firms, now have to compete with foreign firms/competitors.

Globalization has given genesis to the multinational corporations (MNCs). The MNCs are characterised by their cultural diversities, intensified competition, variations in business practices and so on. As an international business expert puts it, the bottom line is that the growing integration of the world economy into a single, huge market place is increasing the intensity of competition in a wide range of manufacturing and service industries.

Given these conditions, from tapping the global labour force to formulating selection, training and compensation policies for expatriate employees have posed major challenges for HRM in the next few years. This has underlined the need for studying and understanding HRM of multinational organisations or international organisations separately.

4) Organisational Restructuring: To make the organisation competitive, organisational restructuring is used. From this point of view, mergers and acquisitions of firms have become common. The restructuring to ensure organisational competitiveness. The mergers in the banking, telecommunications and petroleum companies have been very visible in our country. There has been a practice to flatten organisations by removing several layers of management and to improve productivity, quality, and service while also reducing costs. Whatever be the form of restructuring, jobs are redesigned and people affected. One of the challenges that HRM faces with organisational restructuring is dealing with the human consequences of change. For example, the human cost associated with downsizing has been much debated and discussed in the popular press. As such, HRM needs to focus on the changed scenario uniquely and that is not so simple. Thus, management of HR activities has become crucial for HR managers.

(5) Nature of Work: Along with changes in technology and globalization, the nature of jobs and work has also changed. For example, technological changes like introduction of fax machines, information technology, and personal computers have allowed companies to relocate operations to locations with lower wages. There is also a trend toward increased use of temporary or part-time workers in organisations.

One most significant change in the nature of work is that it has changed from manual to mental/knowledge work. In this context, the management expert Peter Drucker's views are worth citing. He said that the typical business will soon bear little resemblance to the typical manufacturing company of 30 years ago. The typical business will be knowledge-based, an organisation composed largely of specialists who direct and discipline their own performance through organized feedback from colleagues, customers, and headquarters. For this reason, it will be what he calls an information-based organization.

As a result, the organizations are giving and will give growing emphasis on their human capital i.e., the knowledge, education, training, skills, and expertise of employees, at the expense of physical capital like equipment, machinery and physical plants. This growing emphasis on education and human capital has, among other things, changed the nature of economy as service-oriented economy.

In the changed economic scenario, jobs demand a certain level of expertise that is far beyond that required of most workers 20 or 30 years ago. This means that companies are relying more on employee's creativity and skills, i.e., employee's brain power.

STRATEGIC HUMAN RESOURCE MANAGEMENT

2. MEANING:

Strategic Human Resource Management refers to the process of developing practices, programmes and policies that help achieve organisational

objectives. What is essential is that these programmes, policies and practices need to be associated with organisational strategies.

3. NATURE:

Strategic Human Resource Management involves following characteristics:

- (1) Strategic Human resource management is fully integrated with the strategy and the strategic needs of the firm;
- (2) Human resource policies cohere both across policy areas and across hierarchies;
- (3) Human resource architecture of the firm results in its above-average financial performance. HR architecture is composed of the systems, practices, competencies and employee performance behaviours that reflect the development and management of the firm's human resource.
- (4) Human resource practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.
- (5) Human resource applies in all core concepts of management of the organization.

4. BENEFITS OF STRATEGIC HUMAN RESOURCE MANAGEMENT:

Strategic Human Resource Management, if implemented has potential to offer certain positive results. In other words it contains some benefits which are as follows:

- (1) Contributes to enhanced performance.
- (2) Ensures increased employee and organisational productivity.
- (3) Increases survival rate of the business as an entity.
- (4) Reduces employee turnover rate.
- (5) Enhances customer satisfaction.
- (6) Ensures that the HR department justifies its existence.

5. PROCESS OF STRATEGIC HUMAN RESOURCE MANAGEMENT:

(1) Environmental Scanning: Environment of an organisation comprises external and internal factors. Environment needs to be scanned in order to determine trends and projections of factors that will affect

fortunes of the organisation. Scanning must focus on task environment. Not that elements outside the task environment are ignored, but they receive less attention. Scanning helps identify threats and opportunities prevailing in the environment. In formulating a strategy, a company seeks to take advantage of the opportunities while minimising the threats.

HR professionals play key roles in scanning the environment. They are in an advantageous position to give inputs about the rivals—their direction, their strategies, their strengths and their weaknesses. HR executives are the repositories of resumes sent in by the employees of rival firms in the same industry. Perusal of such documents is of great help in knowing the skills of staff in the competing organisations, reasons for their exit, compensation levels, and other similar details.

(2) Strategy Formulation: Strategies are formulated at three levels:

(A) Corporate-level Strategy: This is formulated by the top management of an organisation made up of more than one line of business. In formulating corporate-level strategies, the company should decide where it wants to be—in 10 or 15 years hence, in at least eight areas—market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitudes, and social responsibility.

(B) Business Unit Level Strategy: A business unit level is subsystem of any organisation. Here, a specific market, composition of various competitors as well as different groups are considered. Sometimes, a single company that operates within one industry is also considered a business unit. For instance, an independent company that builds and sells swimming pools is considered a business unit. In such an organisation, the corporate-level strategy and the business-unit strategy are the same.

(C) Functional-level Strategy: Functional-level strategies identify the basic courses of action that each of the departments must pursue in order to help the business unit to attain its goals. In formulating functional level strategies, managers must be aware that the different functions are interrelated.

(3) Strategy Implementation:

Strategies formulated need to be implemented. Implementation of strategies is often more difficult than their formulation. Implementing strategies requires such actions as altering sales territories, adding new departments, closing facilities, hiring new employees, changing an organisation's pricing strategies, developing financial budgets, formulating new employee benefits, establishing cost-control procedures, changing advertising strategies, building new facilities, transferring managers among divisions, and building a better computer information system. It is important to remember that linking strategy and HRM effectively requires more than selection from a series of practice choices. The challenge is to develop a configuration of HR practice choices that help implement the organization's strategy and enhance its competitiveness.

A well-designed strategy can fail if sufficient attention is not paid to the HR dimension. HR problems that arise when executing strategies may be traced to one of the three causes:

- (1) Disruption of social and political structures;
- (2) Failure to match individuals' aptitudes with implementation tasks; and
- (3) Inadequate top-management support for implementation activities.

Strategy implementation poses a threat to many managers and employees in an organisation. New power and status relationships are anticipated and realised. New formal and informal groups are formed whose values, beliefs and priorities may be unknown. Managers and employees may engage themselves in resistance behaviours as their roles, prerogatives and power in the organisation change. Disruption of social and political structures that accompany strategy execution must be anticipated and considered during strategy formulation and managed during strategy implementation.

(4) Evaluation and Control: The strategic management process results in decisions that can have significant and long-lasting consequences. Erroneous strategic decision can inflict severe penalties and can be exceedingly difficult, if not impossible, to reverse. Strategy evaluation, therefore, assumes greater relevance. Strategy evaluation helps determine the extent to which the company's strategies are successful in attaining its objectives.

7. FUNCTIONS OF HUMAN RESOURCE MANAGEMENT:

Different authors have given different functions of Human Resource management. Broadly they can be grouped into two heads:

(A) Managerial Functions:

Every manager has to perform certain functions and as Human Resource manager is also a manager, he has also to perform certain managerial functions as follows:

(1) Planning:

Planning requires ability to think, to predict, to analyse and to come to decisions. He has to make forecast of the future and formulate his plans for the future for procuring the manpower. He forecasts the Human Resource needs and makes policies, plans, standards, procedures and programmes for achieving the targets. These include recruiting and selecting required number of employees, their training and development, compensation, maintenance etc.

(2) Organising:

Organising is an important function of every manager. He prepares groups of similar activities, entrusts it to specific individuals, gives them necessary authority and makes them accountable to management for results obtained. Organisational structure is thus framed. A Human Resource manager is also required to prepare organisation structure for his own department. He divides his work into several sub-divisions, entrusts the responsibility of each of them to certain individuals, gives them necessary authority and establishes authority-responsibility relationship among them.

(3) Directing:

Directing means guiding the subordinates to achievement of enterprise objectives. He has to provide leadership to employees, he has to motivate them. This is basically a function of Human Resource management. Hence, Human Resource manager is particularly responsible for directing them and giving those orders and directions.

(4) Controlling:

Controlling means act of getting information of actual performance, compare it with standards laid down and find out whether everything occurs in conformity with the plan. Control is helpful to Human Resource manager in checking the effectiveness of his functions. He is able to know how far he has been able to achieve the objectives of Human Resource management. The Human Resource management has a significant role to play in achieving the overall objective of the enterprise. Hence, the top management must invite Human Resource manager to play active role in determining the overall objectives of the company. This will help him in determining Human Resource policies which will lead to achievement of these objectives.

(B) Operative Functions:

The above functions were such as would be performed by every manager. But Human Resource manager has to perform certain functions which are concerned with procuring, developing and

maintaining personnel. These service functions are divided into six parts:

(1) Procurement:

Obtaining proper employees for various jobs is the main function of Human Resource management. It starts with manpower planning in which he decides as to how many persons would be required, at what times and from which sources and how company's own employees can be prepared for them. Thus it includes recruitment, selection and induction. Of course, job analysis is also required for proper selection.

(2) Development:

This function is concerned with development of employees for increasing their skill and ability through training and education. Training is imparted in order that the employees do their present work in a better way and they can be prepared for higher positions in future. Development functions include training, development, education and performance appraisal.

(3) Compensation:

This is concerned with compensating employees properly. The remuneration payable to them must be adequate, fair and equitable. These functions include wage surveys, job evaluation, establishing proper wage structure and incentive wage plans and wage policies. Wage policies are concerned with bonus, commission, profit sharing plans etc. These must be done to the satisfaction of employees.

(4) Integration:

These functions are concerned with integration of company's interests with interests of employees. Modern approach of human resource management lays stress on this aspect. The employees must be motivated. Attempts must be made to improve quality of work life. Proper dealing with trade unions and entering into contracts with them, i.e. collective bargaining are all parts of these functions. Finally, they also include reducing conflicts and grievances on the part of employees.

(5) Maintenance:

After procuring necessary personnel, the department has to perform an important function of maintaining them. They have to keep them satisfied, efficient and healthy. For this purpose proper

communication with the employees must be established. Programmes of maintaining health and safety of workers must be undertaken.

(6) Separation:

When employees leave the job, it is separation. It includes retirement, lay-off, discharge and dismissal of employees. These include determining retirement benefits and interviews, policy for lay off and a proper policy of discharge or dismissal. It has to determine various circumstances and conditions when an employee can be dismissed as a last resort.

Looking to the above functions, it can be said that the first category consists of managerial functions, which every manager has to perform. But the operative functions are the real core functions of personnel management. Any discussion on personnel management will remain incomplete without maintaining these fundamental functions of personnel management.