

# Management of Human Resources

By: Saritha Ravi

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BBA, MBA, B.Com, BMS, M.Com, BCA, MCA  
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# CONTENTS

<b>S.No.</b>	<b>Page</b>
1. The Changing Social Context and Emerging Issues .....	1
2. The Concept and Functions of Human Resource Management .....	15
3. Structuring Human Resource Management.....	20
4. Job Analysis and Job Design .....	29
5. Human Resource Planning .....	36
6. Attracting the Talent: Recruitment, Selection, Outsourcing.....	42
7. Socialisation, Mobility and Separation .....	56
8. Competency Mapping .....	63
9. Performance Planning and Review .....	69
10. Potential Appraisal, Assessment Centres and Career and Succession Planning .....	76
11. HR Measurement and Audit .....	82
12. Human Resource Development System .....	90
13. Training .....	96
14. Mentoring and Performance Coaching .....	105
15. Building Roles and Teams .....	111
16. Law Covering Wages, Welfare and Benefits .....	116
17. Compensation Strategy, Structure, Composition .....	127
18. Reward Management .....	138
19. Regulatory Mechanisms in Industrial Relations .....	143
20. Dealing with Unions and Associations .....	151
21. Industrial Democracy .....	162
22. Grievance Handling and Discipline .....	169

# Sample Preview of The Chapter

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# MANAGEMENT OF HUMAN RESOURCES

## **HUMAN RESOURCE MANAGEMENT: CONTEXT, CONCEPT AND BOUNDARIES**

### **The Changing Social Context and Emerging Issues**



#### **INTRODUCTION**

Modern analysis emphasizes that human beings are not "commodities" or "resources", but are creative and social beings that make class contributions beyond 'labour' to a society and to civilization. The broad term human capital has evolved to contain some of this complexity, and in micro-economics the term "firm-specific human capital" has come to represent a meaning of the term "human resources."

Advocating the central role of "human resources" or human capital in enterprises and societies has been a traditional role of human resource socialist parties, who claim that value is primarily created by their activity, and accordingly justify a larger claim of profits or relief from these enterprises or societies. Critics say this is just a bargaining tactic which grew out of various practices of medieval European guilds into the modern trade union and collective bargaining unit. In this chapter we will come across the meaning and concept of HRM.

#### **CHAPTER AT A GLANCE**

#### **MEANING OF HUMAN RESOURCE MANAGEMENT**

Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for, the people who work in the organization. Human Resource Management can also be performed by line

managers. Human Resource Management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

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. Human Resource Management is evolving rapidly. Human resource management is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce.

Its features include:

- (i) Personnel administration
- (ii) Personnel management
- (iii) Manpower management
- (iv) Industrial management

But these traditional expressions are becoming less common for the theoretical discipline. Sometimes even industrial relations and employee relations are confusingly listed as synonyms, although these

## 2 / NEERAJ : MANAGEMENT OF HUMAN RESOURCES

normally refer to the relationship between management and workers and the behaviour of workers in companies.

The theoretical discipline is based primarily on the assumption that employees are individuals with varying goals and needs, and as such should not be thought of as basic business resources, such as trucks and filing cabinets. The field takes a positive view of workers, assuming that virtually all wish to contribute to the enterprise productively, and that the main obstacles to their endeavours are lack of knowledge, insufficient training, and failures of process.

### A NEW MANDATE FOR HUMAN RESOURCES

Though human resources have been part of business and organizations since the first days of agriculture, the modern concept of human resources began in reaction to the efficiency focus of Taylorism in the early 1900s. By 1920, psychologists and employment experts in the United States started the human relations movement, which viewed workers in terms of their psychology and fit with companies, rather than as interchangeable parts. This movement grew throughout the middle of the 20th century, placing emphasis on how leadership, cohesion, and loyalty played important roles in organizational success. Although this view was increasingly challenged by more quantitatively rigorous and less “soft” management techniques in the 1960s and beyond, human resources had gained a permanent role within an organization.

### WHY HRM MATTERS NOW MORE THAN EVER?

HRM is matters in the modern changed scenario on the following grounds:

**Change Management:** The popular terms of the present day world are ‘Learning Organization’, ‘Managing Organizational Change’, ‘Change Agents’ and the alike. It is now accepted that any organization can survive in today’s socio-economic environment only if it is pro-active to environmental changes. Advances in information technology too are forcing organizations to change their very way of thinking.

**Competence:** In any organization, it may not be feasible to allocate tasks to individuals at which each one excels. But it is possible to enhance the competence of the individuals to specific tasks through well designed training programmes. HRD attempts to enhance the competence through well defined and planned training programmes.

**Commitment:** The extent to which the employees are committed to their work and organization has a significant bearing on an organization’s performance. Commitment levels can be assessed using informal interviews and questionnaires, statistics on absenteeism, grievances and voluntary separations. Transparency in organizational functioning, employees perception of various HRM policies, channels of communication and role models played by superiors influence employee commitment.

**Motivation:** The performance of the workers could be improved and increased by proper motivation. Most people can exercise far more creativity, self-direction and self-control than their present jobs demands. It is, however, necessary to create an environment in which all members can contribute to the limits of their ability. Subordinates must be encouraged to participate in the process of decision making, continuously broadening their self-direction and self-control. These would not only lead to direct improvement in operating efficiency but would also ensure them to groom for higher responsibilities.

**Congruence of Objectives:** It is essential that all new comers to the organization are properly socialized into the existing community and are made aware of the organizational values, work ethos, customs and traditions. It is important that they know what the organization stands for and what it wants to achieve and in this process what is expected from each individual. They should understand the meaning of existence of the organization. This exercise is commonly referred to as socialization.

**Environment of HRM:** Environment comprises all those forces which have their bearing on the functioning of various activities, including human resource activities. Environment scanning helps HR manager to become pro-active to the environment which is characterized by change and intense competition. There are two types of environment which operates and have bearing on human resources:

- (i) These are the forces internal to an organization. Internal forces have profound influence on HR functions. The internal environment of HRM consists of unions, organizational culture and conflict, professional bodies, organizational objectives, policies, etc.

(ii) **External Environment:** External environment also exerts considerable influence on HRM. Economic, political, technological and demographic factors include the external environment.

**Organizational Culture and Conflict:** As individuals have personality, organizations have cultures. Each organization has its own culture, which it cherishes and wants to retain and follow faithfully. Culture is some core values and beliefs by the members of the organization. The Reliance Industries Ltd., has “value for time”, as its core culture. Tatas have the core culture of “get the best people and set them free”. HR practices need to be implemented that fit best to the organization’s culture. Conflict usually surfaces because of dualities such as personal goal, vs organizational goal, discipline vs duties etc. Such conflicts have their bearings on HR activities in an organization.

**Political Factors:** The total political environment is composed of legislature, executive and judiciary and all of them have impact on placement, training retention and maintenance of employees.

**Union:** Trade Unions are formed to safeguard the interest of its member workers, HR activities like recruitment, selection, training, compensation, industrial relations and separation are carried out in consultation with trade union leaders. Various activities of trade unions have a bearing on the HRM.

**Technical Factors:** Technology is a systematic application of organized knowledge to practical tasks. Technological advances affect the HR functions in several ways. Technology makes the job more intellectual or upgraded. Secondly, it renders workers dislocated, if they do not equip them to the job. Thirdly, job becomes challenging for the employees who cope with the requirements of technology. Further, technology reduces human interaction at the work place. Finally, job holders become highly professionalized and knowledge based in the job they perform.

**Economic Factors:** Economic forces such as growth rate and strategy, industrial production, national and per capita income, money and capital markets, competitions, industrial labour and globalization have impact on HRM policies. Growing unemployment and reservations in employment also affect the choice for recruitment and selection of employees in organizations.

**Demographic variables:** Demographic variables include sex, age, literacy, mobility, etc. all these have different dimensions in employment and placement.

**People Management:** Men or personnel should be managed properly and effectively in any organization and at the macro level, in the national level. Men have some inherent qualities:

- want job and work
- have inherent like for the work
- are liable to likes and dislikes
- require motivation and training
- given an opportunity everyone would rise up to the occasion
- their welfare and safety measure is a concern of the state
- every opportunity for advancement and knowledge should be provided
- they should be guided but their liberties should not be curbed
- they should be chosen to the right job and right place
- they need adequate salary, perquisites and comforts.

Managing people is an art. A wrong handling may lead to conflicts. Dissatisfied worker may absent or quit job, absenteeism and labour turnover are costly to the organization. Organization does not represent assets and money alone. Every organization is a social institution. They have a responsibility to their employees, society and the government which gives protection and infrastructure. The core of any organization is its people represented by workers. It has as much responsibility to them as they have to the shareholders. This art of managing men and women in organization has led to the birth and development of HRM.

#### THE CHANGING ROLE OF HRM

There was a time when the bulk of human resource activity was in processing the payroll, so that the human resource section formed part of the Finance and Administration department. In fact, in smaller organizations today, there is simply no human resource unit to speak of. Normally, the owner handles human resource concerns and assigns the administrative function to a clerk. The importance of the human resource function has become evident especially with the onset of global competition. Not only do human resource managers have to think more strategically and in step with corporate planning managers, they have

4 / NEERAJ : MANAGEMENT OF HUMAN RESOURCES

had to address real and hard issues about the impact of intense competition on employment stability. It is one thing to think with executives on how the human resource section can support corporate activities. It is another to actually implement cost-savings policies with regards employment. Does the company's plant modernization entail the acquisition of computerized and automated equipment that the current workforce doesn't know how to operate? Does the firm intend to establish a subsidiary overseas? And if so, what skills and knowledge will be needed by the people earmarked for overseas postings? Today's HR managers must equip themselves to grapple with these questions, and many others.

Global competition compels organizations to run more efficiently. An organization that manages its resources well is able to minimize costs allowing either higher profit margins or greater flexibility and still be able to attain acceptable levels of returns. For many organizations, salaries and benefits form the bulk of operating expenditures. Thus after tightening belts elsewhere, trying to cut corners where possible, the organizations have to consider downsizing or shutting down overstuffed operations. For some companies, retrenchment or closure goes against the very grain of social conscience. Filipino entities for example work within communities and support the local economy. The moral obligation to stay open is thus strong but it is at the expense of efficiency. Moreover, there are social costs that are borne by the entire society with rising unemployment and underemployment rates. To guard against the downside of global competition, the human resource managers must be more proactive in recruiting and maintaining a responsive and efficient work force. Planning should start at the early stages so that organizations do not bloat needlessly. Human resource managers must be able to map out human resource strategies such that flexible, dynamic employees are attracted, selected and then trained and motivated to be more productive than the competition.

A strategic human resource manager goes beyond human resource mastery. Additional competencies require business mastery and change mastery as well. A good understanding of the business and its environment provides the perspective on how best to manage employees so they are responsive to external stakeholders and thus serve them better. On the other hand, capability in change management allows human

resource managers to adeptly move organizations to adjust better to changing business needs with creativity and innovativeness. A better-equipped human resource manager is then able to manage the most expensive business operating cost. Human resource managers are no longer administrators or simply implementers. They should be recognized as strategic partners. Only they can function well to help top management especially in a climate of economic uncertainty.

The globalization of world markets appears to be gaining momentum as more firms move outside their domestic borders into the dynamic world of international business. The last two decades, in particular, have seen dramatic changes in international trade and business. Once safe markets are now fierce battlegrounds where companies aggressively fight for market share against foreign and domestic competitors. It is, therefore, not surprising to find that a large proportion of the workforce in an increasing number of firms, regardless of their national origin, is located in other countries. These trends are likely to continue well into the 21st century. This globalization of business has forced managers to grapple with complex issues as they seek to gain or sustain a competitive advantage. Faced with unprecedented levels of foreign competition at home and abroad, firms are beginning to recognize not only that international business is high on top management's list of priorities but that finding and nurturing the human resources required to implement an international or global strategy is of critical importance. Effective Human Resource Management (HRM) is essential, especially for small and medium firms where international expansion places additional stress on limited resources, particularly people. As **Duerr** points out that virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving that problem, we can cope with all others.

**International HRM:** The field of international HRM is characterized by three broad approaches. Early work in this field emphasized a cross-cultural management approach and examined human behaviour within organizations from an international perspective. A second approach developed from the comparative industrial relations and HRM literature seeks to