



### PAUSE AND PONDER

Take a look at Fig. 2.1. Do you think that the figure reflects all environmental factors? Any factor been left out? Any one (out of those included) is non-contextual? Comment

**Environment of HRM** comprises political-legal, economic, technological, cultural (external), and conflict, unions, strategy, and professional bodies (internal). Knowledge about the environment helps the HR manager and his/her team to become proactive.

## EXTERNAL FORCES

As was stated earlier, external forces include political-legal, economic, technological, professional bodies and cultural factors, the influence of which on HRM is considerable. Each of these external forces is examined in detail here.

### LO 2.1

Describe the impact of political environment on HR practices

### Political-Legal

Political environment (legal environment is implied) refers to the influence of system of government and judiciary obtaining in a country. Broadly two forms of political environment exist across the globe – democracy and totalitarianism. In its pure sense, democracy refers to a political arrangement in which the supreme power is vested in the citizens. Democracy generally manifests in either of two forms. If each citizen is given the right to rule and vote on every subject, the result is pure democracy which shall not work in a vast constituency as ours. Hence, the republican form of government follows whereby public, in a democratic manner elect their representatives who do the ruling. A representative democracy rests on the assumption that should the elected representatives fail to perform adequately, they would not be elected in the next round.

In totalitarianism, also called authoritarianism, individual freedom is completely subordinated to the power of the authority of state and concentrated in the hands of one person or in a small group, which is not constitutionally accountable to people.

In a democratic political setup (as opposed to a totalitarian system), there are three institutions which together constitute the total political environment. They are – (i) the legislature, (ii) the executive, and (iii) the judiciary.

The *legislature*, also called Parliament at the central level and Assembly at the state level, is the law-making body. The plethora of labour acts which are in force are enacted by the legislature. The *executive*, popularly known as the government, is the law-implementing body. The legislature decides and the executive acts. Above these two is the *judiciary* which has the role of a watchdog. The main function of the judiciary is to ensure that both the legislature and the executive work within the confines of the Constitution and in public interest.

The interface between political environment and labour takes place through an array of labour laws. As was pointed above, we have so many enactments relating to labour that we have earned the sobriquet of being the largest labour-legislated country in the world. Some of these relate to terms and conditions of employment, some others relate to working conditions, a few others over payment of wages, and others contain provisions relating to industrial disputes. Then there is the Constitution which is the

genesis of all acts. A few articles of the Constitution are worth mentioning here. Article 14 guarantees equality before the law. Article 15 prohibits discrimination on grounds of religion, race, caste, sex or place of birth. Article 16 guarantees equality of opportunity in matter of public employment. Article 23 prohibits forced labour. Article 24 prohibits employment of children in factories, mines and in other hazardous jobs. Article 38(d) guarantees equal pay for equal work both for men and women. Article 38(e) stipulates the health and strength of workers, for both men and women. It pledges that the tender aged children are not abused and that citizens are not forced by economic necessity to enter vocations not suited to their age or strength. Article 42 provides for just and humane conditions of work, and maternity leave for women. Living wages for workers are guaranteed by Article 43, while Article 43(a) provides for participation of workers in the management of industries. Overriding all these provisions is the protective discrimination clause which stipulates the need for reservation of jobs for weaker sections of the society.

What do all these provisions signify for HRM?

All HR activities are affected in one way or the other by them. To be specific, HR planning, recruitment and selection, placement, training and development, remuneration, employee relations, and separations are conditioned by Constitutional provisions. Constitutional provisions mandate affirmative actions which are desirable. But, often extraconstitutional powers put brakes on the way employees are hired or promoted as the opening case reveals.

Between democracy and totalitarianism, it is the former which offers several advantages for business growth. Generally, democracy is accompanied by capitalism which confers freedom to business to decide and act. Freedom to invest, produce and earn is essential for business growth. Democracy ensures security to citizens by allowing them to participate in decision making. Non government-organisations (NGOs), social activist groups and other voluntary organisations form part of democracy. They bring pressure on a given government to change a policy which is considered to be debilitating in its effect. Transparency and openness are the virtues of democracy. Deviation in any policy is brought to light, thanks to media which enjoy freedom of expression. Democracy ensures its people the right to know as is guaranteed by the Right to Information Act in force in India. As Niels Bohr has opined, "The best weapon of dictatorship is secrecy, but the best weapon of a democracy should be the weapon of openness." Democracy empowers citizens by conferring franchise. A government which is not pro-business may be displaced through an election and bring in its place, a set of elected leaders who may be more pro-growth oriented. Once in five years, a new government is installed, bringing in vibrancy in governance. Democracy guarantees safety to the citizens. Rarely democracies wage wars against each other. A democracy having similar governments as neighbours is free from external aggression. Democracies confer to citizens the right to own property, protect intellectual properties and ensures that contractual obligations are honoured. Justice is made available to all individuals—locals or foreigners. Finally, many international trade agreements—especially bilateral trade agreements—are premised on the principles of democracy.

No surprise, the number of democracies around the world are rising significantly. In 1914, there were only 11 democracy countries but the number has gone upto 120 by 2010.

The type of political system a country has wields considerable impact on HRM. Take China which has authoritarian system of political environment. The country has achieved impressive economic growth standing next only to the US. Statistics speak louder. In 1990 it produced less than 3% of global manufacturing output by value, its share now is nearly a quarter. China produces about 80% of the world's air-conditioners, 70% of mobile phones, and 60% of its shoes. This "Factory Asia", now makes almost half of the world's goods.



So far, so good. Does China have HR policies, principles and practices which a democratic country probably has? Does China have registered unions, labour laws, social security and welfare measures, retirement benefits, conflict resolution mechanisms and the like? China has progressed economically, no doubt, but is an average Chinese happier than his or her counterpart in a democratic country?

**Executive** Government's role is considerable in HR activities. Where legislature only decides, it is the executive which should implement. As the implementer, government is in close contact with the organisations.

Governments all over the world can create enabling environments for economies to grow and a robust economy generates more jobs. This claim is exemplified by India and China, particularly the former. By opening up of the economy in 1991, the Government of India threw open the gates to FDI, created level playing fields and provided right environment for businesses to grow. The growth of economy in the last three decades is there before us.

Contrary to the popular perception that the Government ceases to intervene once the economy is liberalised, the role of the Government is felt more now than ever before. We do not expect the executive to provide jobs, but play the supporting role. One supportive role relates to the supply of skilled labour. Growing economy needs more skilled labour and in a robust economy there will be always skill-gap. Demand for competent human resource exceeds its supply. It is the executive which needs to fill the skill-gap. The Government of India has initiated several measures and established many institutions to train labour in the country. Most ambitious among the institutions is the National Skill Development Corporation. The Government has provided seed capital for an industry led programme to train 150 million workers by 2022, the 75<sup>th</sup> anniversary of the country's Independence, focusing on the 20 economic sectors in which it expects high growth.

The programme to be overseen by the National Skill Development Corporation (NSDC), will be designed and run by the private sector, which will be free to decide how to spend the money.

Indian government over the past few years has rightfully provided impetus to the growth engine through a focus on sustainable labour practices such as the National Skills Development initiative. With the 'largest employable workforce' status in the world, India is moving in the right direction to skill its young citizens for the future workplace. The University Grants Commission is working closely with the governance structure to promote more and more skills and employability oriented education programmes aligned with the nation-building agenda. For example, key institutions have been chosen to offer exclusive industry-academia courses at the undergraduate and the postgraduate levels. Courses like B Voc (Bachelor of Vocation) in tourism and hospitality, data analytics and apparel and fashion designing, to name a few, are now UGC recognized degree courses launched with subsidized fees structure. These programmes are targeted to reach the large masses at the bottom and the middle of the pyramid and support the 'Make in India' initiative that will take the country into a more sustainable future.

Post 2008 recession, there has been high rate of unemployment across the globe, particularly in Europe and America. Young people have been the biggest victims of this crisis as Table 2.1 shows.

Youth remaining job-less poses serious problems. First, if young men are job-less or broke, they make cheap recruits for rebel armies. Second, people who fight in wars or commit violent crimes are nearly young men without jobs. Third, it is miserable for young men to remain with no work to do. Fourth, it is waste of human potential. Fifth, joblessness can become self-perpetrating. The longer people are out of work, the more their skills and their self-confidence atrophy, the less appealing they look to potential employers and the more likely they are to give up and subsist on the dole.





The sixth principle: 'Each and every employee in the company contributes towards achieving our quality goods. It is therefore the responsibility of every employee—from apprentice to the member of the Board—to ensure that their work is of the highest standard. Anyone who identifies quality, but does not have the authority to remedy it himself, must report it immediately to his superior.'

Whether a country is *economically* developed or not affects the quality of labour. Quality of labour in any country depends to a large extent on education and health available for its citizens. In advanced countries people and governments spend more on education and health, with greater wealth and education better quality labour is assured, which in turn ensures higher productivity. The inverse is likely to happen in low income countries which spend less on education and health. Uneducated citizens with poor health cannot contribute to productivity. Realising the relationship among health, education, quality labour and productivity, development policies tend to focus on these variables simultaneously.

One factor that impacts the HR practices most is *labour*, also called workforce or human resource. Every activity of HRM is customised to suit labour's requirements.

Across the globe, the number of workers stood at 3.1 billion in 2011 compared to 2.3 billion in 1991. The emerging countries have alone added 900 million to the increase, of which 400 million live in India and China. Table 2.2 gives the list of biggest employers.

**Table 2.2** Biggest Employers (2010)

Employers	Millions
US Department of Defence	3.2
Chinese Army	2.3
Walmart	2.1
McDonald's	1.7
China National Petroleum Corp	1.7
State Grid Corp of China	1.6
National Health Services (England)	1.4
Indian Railways	1.4
China Post Group	0.9

(Source: Adapted from: *The Economist*, Sept 10, 2011)



### PAUSE AND PONDER

Recommendations from politicians and corporates can no longer help to secure jobs. This is true both in public sector as well as private sector. Why?

Certain observations about labour in general are worth stating here:

1. More number of people are migrating to cities from villages. This has resulted in high urbanization with attendant consequences. Industrial jobs were once considered a taboo decades back, not anymore.

The above development has created a challenge for the government. It has to create a large number of factory jobs for the budding workforce. The shift from farms to factories that has accompanied the economic transformation of most Asian economies has so far eluded India.

Jobs have become highly intellectual. An incumbent now needs to be skilled and that too multi-skilled. The typical 'Hammering man' with high brain power, who was held in awe, is found nowhere around in the shop floors today. In his place is the man with brain power who commands premium. Soil-scratching, cloth-soiling and face-oiling jobs have disappeared. Factory floors today often seem deserted, where as the office blocks nearby are full of designers, IT professionals, accountants, logistic experts, marketing staff, customer-relations managers, cooks and cleaners, all of whom in various ways contribute to the factory. What do all these portend? Organisations need to spend vast sums on training employees. There is the constant worry that knowledgeable people tend to look for greener pastures elsewhere. Organisations need to walk the extra mile to retain such employees.

There has been a total metamorphosis in the attitude of employees and their leaders. Earlier, the attitudes were anti-management and anti change and growth. Even trivial issues like cockroaches in *sambar*, weight of the bread being 10 gms less than the standard and the like triggered protests and strikes. Days when a union leader felt proud of the fact that he had travelled to Delhi in the same plane as his CEO and also smoked in his presence, have gone by.

Instead, union leaders now talk about TQM, competitiveness, profitability, productivity and the like. Probably, nowhere else the changed attitude of workers was so well orchestrated than the Government of India's sale of sick public sector units. The union leaders of all hues and political parties in tandem supported the Government in its bid to privatise sick units. Privatisation, in fact, benefitted employees. Privatised companies did not retrench a single employee.

There has been considerable contractisation and temporisation of workforce in the organised sector. Nearly 40 per cent of Maruti's workforce is temporary. Temporary and contract workers are paid less than that of the regulars, are not entitled to any retirement benefits and their jobs are never secured. It becomes cheaper for companies to have contract and temporary workers, but the consequences may prove to be disastrous as it has happened in the Manesar plant of Maruti. Sudden violence in the plant on 18<sup>th</sup> July 2012 resulted in the death of GM-HR, injury to nearly 100 workers and consequent lockout of the factory. Wage disparities and not so fair treatment make a large section of workforce nurse grievances and the simmering discontent erupts into open once someone ignites the fire.

Attempts to improve the lot of contract and temporary workers have not been effective. For example, Supreme Court delivered more than 50 judgements on contract labour. Conditions have not improved.

The economic and social status of today's workers has vastly improved. Industrial employment is no longer the undesirable alternative left for those driven out from their villages. Improved skill contents of the jobs, matching educational and training inputs and increased emoluments have made industrial employment the first attraction on young job seekers. Industrial employment is now not restricted only to the socially backward castes. The dynamic changes in the industrial sphere have, as the National Commission on labour has observed, brought about a 'social amalgam'. The status of a worker has enhanced as a result of the readjustment in the value system in favour of factory employment which, in turn, the aggregate effect of his/her improved skills, and his/her enlarge pay packet. The stigma attached to factory employment has disappeared.

For a long time trade unions were formed to fight for better wages, job security, and decent working conditions. But the scenario has changed post economic reforms. After liberalization, most strikes were organized for a right to form unions. The right to collective bargaining is enshrined



in the Constitution. Article 19(1)(C) grants all citizens the right to form unions. This right has been denied many times leading to conflicts between employers and employees.

What happened at Maruti, the leading car maker, is a telling example. The workers began agitating for their right to independent union. After several months of struggle, the Maruti Suzuki Workers Union (MSWU) was formed in 2012.

Trade unions have been trying to get a foothold in the \$118 bn Indian information technology (IT) sector that employs over three million workers. But the success has been eluding.

- 7 Unions can make their presence felt in a big way. They are likely to make aircraft firms insecure because of concerns about sabotage. Pilots of Government airline in India were holding travelling public to ransom. It was in 1974 that the Indian Railways had paralysed the country when its employees went on a strike. Workers and their unions represent only a small fraction in a society. In a population of more than one billion in India, for example, workers number about 459 million, of whom only 10 per cent are employed in the organised sector. Of these only 9.1 per cent are unionised. Though small in numbers, the potentiality of the organised workforce to disrupt public life is considerable. Thus, in India and elsewhere, workers negate the very principle of pluralism which demands that all sections of a society should live in balance and harmony. Huge organisations like railways, coal mines, postal services and banks may appear to be maintaining cordial relations. There is a lull no doubt but under the veneer, storm is brewing, as large number of workers is willing to unionise and wage strikes.
- 8 Industrial labour is characterised by increasing *diversity*. Workforce of any factory comprises people from different countries. Within this diversity of national origins, there is an even wider diversity of cultures, religions, languages and dialects, educational attainment, skills, values, ages, races, genders, and other differentiating variables.
- 9 Organisations will benefit from focusing on employee well-being which includes providing opportunities to be happy, successful and satisfied in their lives, the need to have rich lives or success outside of work too. Today, many employees outside of the work place are stressed and dissatisfied with the lives they are leading and actively looking for ways to engage meaningfully. Initiatives like mindfulness training, spirituality, yoga, positive psychology and work-life balance are booming great 'business ideas' luring executives from across the industry. Research in this area is growing rapidly with many studies being undertaken to explore the realms of inner peace and redefining personal alongside professional success.
- 10 The workplace is preparing itself to welcome the new generation of workers, namely the 'Gen Y'. By the year 2020, the workplace will have a 50:50 ratio of Gen X and Gen Y. This will pose its own set of challenges for the workplace to manage. Human resource professionals in our country are preparing for ways to manage the demands that this will place on the HR function.

Building sustainable human resource function needs to provide for generational challenges, provide for the co-existence of diverse management styles at the workplace. The workplace of the future will need to be mapped not only to the next phase of technological revolution (robotics and artificial intelligence) but also to the new generation of workers with their unique expectations from the organisations in which they will 'choose' to work. It is time to wave goodbye to the concept of the 'organisation choosing who it will employ' and welcome the new age of 'individuals choosing which organisation they will work for'. The choice of the individuals will be driven by factors hereto un-managed, such as

- The Gen Y'ers are not loyalists, they hop jobs frequently aspiring for more interesting jobs and bigger responsibilities quickly.

- Personal learning and development as well as work-life balance are more important than financial rewards
- Gen Y'ers are unhappy with the work-life balancing initiatives organisations are providing
- Given technology savviness, Gen Y'ers prefer electronic communication as opposed to face-to-face interactions
- Rapid career progressions is top priority for this generation
- Gen Y'ers will express brand preference more strongly than the earlier generations in choosing to work for an organisation. Alignment of individual values with the corporate values is a key factor that will influence a job decision
- Have a strong intent to work overseas
- Gen Y'ers value monitoring and look forward to workplace where they get the space to learn and grow professionally (Also read Ch. 23)

Organisations are becoming increasingly cosmopolitan. Days when organisations were manned with Shetty's, Reddy's, Nair's, Rao's, Mehta's or Singh's, are over. A typical organisation is emerging as an amalgam of diverse workforce in terms of gender, race and ethnicity. One can find a Shastri rubbing shoulders with a Khan, both jostling with a Gowda, and all shaking hands with a Singh. Then there are physically handicapped, gays and lesbians, the elderly, and even people who are significantly overweight.

Though they work together, they maintain their distinct identities, diverse cultural moorings and separate lifestyles. HR managers must learn to live with these diverse behaviours. Diversity, if properly managed, can increase creativity and innovation in organisations as well as improve decision making by providing different perspectives on problems.

More specifically, diversity when built into organisations at different levels, offers the following benefits:

- Access to a changing market place
- Large scale business transformation
- Superior customer service
- Empowered workforce
- Total quality
- Alliances with suppliers and customers
- Continuous learning

**Productivity** Productivity, expressed as a ratio between inputs and outcomes, reflects on the type of employees, success of an organisation and the growth of a nation. Committed and motivated employees contribute to higher productivity. Economic growth of a nation too depends on productivity.

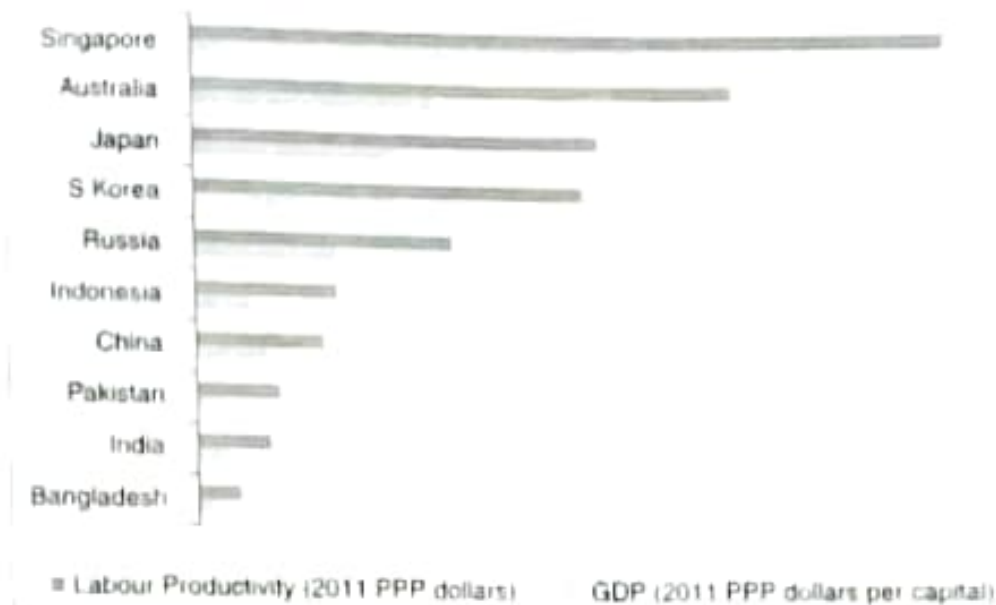
Coming to the employees of an organisation, productivity depends on their ability, motivation, and quality of work life. Ability depends on two sets of skills an employee possesses. Intellectual abilities are required to perform mental activities. Physical abilities manifest in one's stamina, manual dexterity, and leg strength. It is the job of the HR manager to hire people who are rich in intellectual and physical abilities.

Motivation refers to the extra effort put in by an employee for task accomplishment. Motivation energises, directs and sustains human behaviour. It depends on several factors such as rewards, job design, empowerment, goal setting, engagement and the like. Surely all these are the areas where HR manager can play decisive role.



Competent people are attracted and retained with the company which maintains high quality of life. Quality of work life depends on job satisfaction. Job satisfaction refers to one's attitude towards his or her job. Here too HR manager should play key role in converting negative attitudes into positive one's and sustaining positive attitudes towards one's job.

Data relating to a nation's productivity are measured, ranked and published. Such data enable countries to assess where they stand so far as productivity is considered. Figure 2.2 shows such ranking. India's ranking is low, just above Bangladesh and below Pakistan.



**Fig. 2.2** Productivity across countries

**Globalisation** Our economy is gradually getting integrated with the global economy. Globalisation has considerable influence on HR functions. Employee hiring, training, motivation, compensation and retaining are to be guided by global perspective. By discharging these and other functions effectively and by helping the best-qualified people execute the company's strategy on a global scale, the department can become a source of competitive advantage for the company.

As every advanced nation is increasingly becoming globalised, skills and cumulative learning of its workforce become its competitive asset. All developed countries can design, produce, and distribute goods and services with ease and speed. Every factor of production, other than workforce skills, can be duplicated anywhere in the world. Capital moves freely across national boundaries, seeking the lowest costs. State-of-the-art factories can be erected anywhere. The latest technologies move from computers in one country, upto satellites parked in space, and back down to computers in another nation—all at the speed of electronic impulses. It is all fungible—capital, technology, raw materials, information—all except for one thing, the most critical one, the element that is unique about a nation—its workforce.

A workforce that is knowledgeable and skilled at doing complex things keeps a company competitive and attracts foreign investment.

The benefits between globalisation and workers are mutual. In fact, the relationship forms a virtuous circle—well-trained workers attract MNC's, which invest and offer workers good jobs, the good jobs in turn, generate additional training and experience.

Globalisation has implications on the way HR activities are being organised as Chapter 25 shows



### PAUSE AND PONDER

How is technology used by HR functions of organisations?

Times jobs.com has the following to say

- |   |     |
|---|-----|
| • Providing web based and/or mobile HR platforms (e.g. benefits pay rolls)              | 36% |
| • Using technology to capture performance reviews and create reports on worker's skills | 30% |
| • Using social networking websites  | 18% |
| • Using data analytics for business intelligence and to identify risks                  | 16% |

What is your call on the above?

## TECHNOLOGY

J.K. Galbraith defines technology as a systematic application of organised knowledge to practical tasks. During the last 150 years, technology has developed beyond anybody's comprehension. Science and technology (former refers to pure knowledge and the latter to application of knowledge for practical purposes), enabled man to overcome distances, control birth rate, save lives, generate, preserve and distribute energy, discover new materials to substitute existing ones, introduce machines to do the work for humans, substitute mental work with computers, unravel the mysteries of the seas and the space, and provide himself with a lot of leisure and comfort in the process.

How does technology affect HR functions? Skill building in employees is of considerable significance. When technology changes and new technology is being adopted, employees need to be trained in the ways of handling operations and machines. There has been no time in the past where upgradation of technical skills was more important than it is today. Gone are the days when employees use the same skills and equipment to perform their jobs for decades at a time.

For employees who are trained in new skills, opportunities are aplenty. The last decade had thrown open numerous job opportunities for people trained in information technology.

An organisation filled with professionals can boast of a progressive and modern outlook of its personnel, the problems faced are serious, to say the least. Motivating such employees, for instance, is a difficult job. Such mundane incentives as attractive remuneration, job security and just treatment hardly inspire the enlightened employees to work more or harder. They are, instead, motivated by opportunities which offer challenges, achievement and growth. Further, retaining such employees for long is a difficult job. Being cosmopolitan in their outlook, these professionalised employees are known for organisational rootlessness and job hopping. The company has to make several allowances to discourage rootlessness. Regular attendance and punctuality have to be relaxed, dual promotion ladders have to be established so that distinguished technical people can rise in their ranks, stock options to be provided to give creative persons a financial stake in the ideas they create, participation in professional get-togethers needs to be sponsored, writing of professional articles must be encouraged, foreign jaunts need to be allowed, and 'moonlighting' has to be tolerated. Another problem relates to, what Galbraith calls, 'technostructure' which is a composition of scientists and technicians in an organisation. The

### LO 2.3

Describe how technology has changed the entire landscape of the corporate environment



technostructure tries to control the organisation by influencing the management's decision making. While there may be nothing wrong in making decisions prompted by the technostructure, the problem lies in the social effect that is involved. People constituting the technostructure are experts, no doubt. But they are more action-oriented and are yet to learn social problems arising out of business decisions. The management is, therefore, in a tight position trying to balance the ruffled feelings of technocrats and the social consequences of business decisions.

Use of computers is no doubt beneficial but their associated problems are a worrysome. Often, personal files of employees are accessed without the knowledge of concerned people for fraudulent practices. In addition, computers have the potential to probe into privacy of employees.

More specifically, the main use of technology in HRM is an organisation's human resource information system (HRIS). An HRIS is a computerised information package that provides management with increasing capacity to record, store, manipulate and communicate information widely, with access to many users. Some organisations store their data in a mainframe linked to personal computers, others use a decentralised network system with smaller computers at work stations in various functional areas.

Technological change has resulted in hierarchical distinctions being blurred and more collaborative teams work where managers, technicians and analysts work together on projects. Similarly, technology has created more flexible, dynamic organisational structures that facilitate change and adaptation to variations in the external environment. These alternative structures take the form of unbundled corporations, autonomous subsidiaries or smaller, streamlined units designed to be more responsive to changing customer needs and competitive pressures.

Technology has also facilitated the relocation of work from the office to the home. Telecommuting programmes offer attractive and significant benefits for both employers and employees. They also make it more viable for employees to live farther away from cities and allow employers to broaden their applicant pools.

Likewise, technology also makes it viable for organisations to locate away from cities in more suburban and even rural areas where rent, wages and other costs of doing business are relatively less.

That technology facilitates employees work from home, has negative side also. A typical workaholic will now have access to work 24 hours a day. There are always individuals who are not good at balancing work and daily life. When people are able to work all the time, some workers will abuse the situation and suffer from burnout.

The Internet has revolutionised one's ability to access technology. Many firms use company specific 'intranets', to establish home pages that allow employees to read current job postings and even apply for the positions on-line. Equipped with only a PC and a modem, managers can take advantage of on-line services designed especially for HR departments.

Technological innovations have slowed but the next generation of disruptive technological innovation is going to significantly impact the workplace. HR practices in particular are being predicted to be impacted the most. Technological innovations like robotics, artificial intelligence, virtual reality and the factories of the future are predicted to be run from remote locations with little or no human presence on the production shop floor. Manual work will be reduced to the minimal conceivable extent. Organisations could exist virtually and share a common factory space (which they book and use on an as needed basis). In-turn people in organisations might not need to come to work at all. They would work from the comfort of their homes or even a holiday resort and deliver work assigned to them from a 'job-shop'. Once the work is executed, the system will assess quality of work that is delivered. Employees would need to continuously acquire skills that will get them the kind of work they wish to

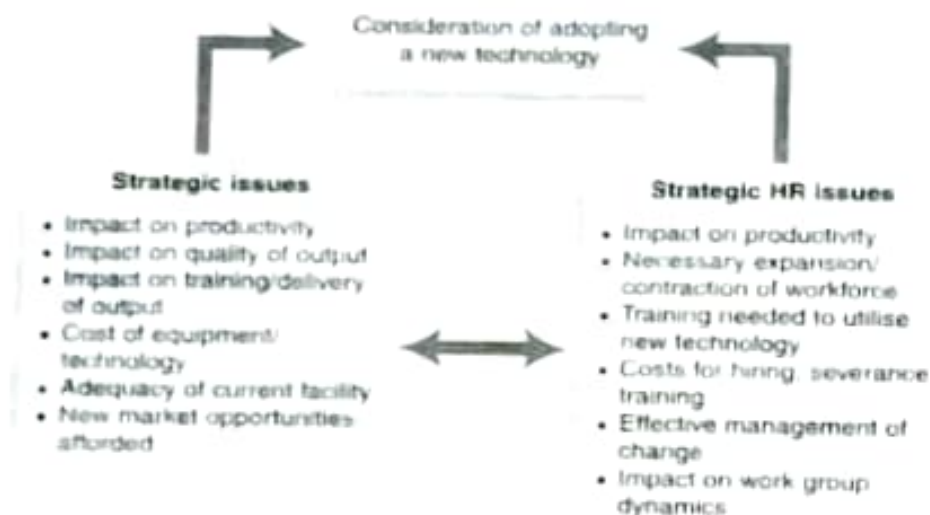
do. Therefore management practices enabled by technology can be monitored and feedback provided in a real-time environment and rewards disbursed on quality of deliverables. Managers might become an extinct species.

Following are the additional ways of describing the impact of technology on HRM

- Creating and sharing of knowledge, leading to greater levels of intellectual integration
- Reduction in the costs of HR services and facilitation of HR practitioners to focus more on strategic and change management concerns
- Supporting individual and organisational learning
- Supporting innovative business models and participative organisational cultures
- Creation of new forms of community at work and new forms of organisations

HR professionals need a knowledge base about the current technological possibilities and a general vision about the role that technology might play in their firms. With this knowledge, they will be able to add value to strategic decisions that involve technology.

With constant advances in technology and work processes, firms are under intense competitive pressure to implement more efficient means of operations. However the financial considerations of whether to adopt a new technology must be balanced with a number of HR strategic issues as shown in Fig. 2.3. The box on the left side contains strategic business issues. HR strategic issues are shown in the box on the right side. Obviously, technological initiatives need to be balanced from a holistic perspective that transcends the sole consideration of economic costs.



**Fig. 2.3** HR Issues for Integrating New Technologies

Source: Jeffrey A. Mello, *Strategic Human Resource Management*, p. 39.



#### PAUSE AND PONDER

Technology robs jobs. What are your views on this? How true is it?





## Walk the Talk

### Do's

- Be the ears and eyes of the organisation while scanning the environment
- Keep the organisation informed of competitor's information obtained through interactions with recruiters, job seekers, consultants and professional networks
- Be key promoter of diversity and constantly look out for ways to promote it
- Actively participate in professional forums and networks so that you are updated of contemporary practices

### Don'ts

- Be seen as the one who always carries negative views and raves about others
- Forget to know and remember names of clients and customers
- Be caught off guard on technological trends sweeping across your industry
- Forget that one size never fits all. Each is unique and is different from others

## CULTURAL FORCES

It refers to the complex whole which includes knowledge, art, morals, laws, customs and other capabilities and habits acquired by an individual as member of a society.

In the first place, culture creates the type of people who become part of an organisation. Culture trains people along particular lines, tending to put a personality stamp upon them. Thus, we have Indians, Japanese, Americans, Germans and so on. It is not that all people are alike in a particular culture. There are sub-cultures within a culture. For, people have their own idiosyncracies and are influenced by heredity, experiences, sub-cultural experiences, family experiences and unique personal experiences. People with different cultural backgrounds promote, own and manage organisations, they tend to acquire distinct cultures. Thus, the culture of the Tata group of companies is different from that of the enterprises owned and managed by the Birlas. The culture of these groups of firms differs from that prevailing in the new-economy firms. The attitude of workers towards work is the result of their cultural background. In this sense, work is not means of living; it is equated with god. A computer operator, a bus-truck driver, a rickshaw puller, a shopkeeper or any body who works for a few seconds, in the worship of god. The occupation one is engaged in gives him a sense of worth and status in society and standard of living. No wonder, Indians are hard working and loyal to organisations. They equate their welfare with the prosperity of the organisation in which they are employed.

Time orientation, which influences HRM, has its roots in culture. Time orientation refers to the orientation towards the past, present or future. In some societies, people are oriented towards the past and are more focussed on the present. Still others are futuristic in their outlook. HRM practices that focus on the present, care more for employees on the rolls. Employees are valued as long as they are useful to the organisation and are dispensed with once they are no longer useful. Employee training and development, job security, social security and loyalty to the organisation are given less importance. The American society is an example of this. Japan is an example of a

## LO 2.4

Explain how culture influences the HR function

futuristic society. The Japanese have long term future oriented time horizons. When Japanese firms hire employees, they are retained for a long time, and there is a strong, mutual commitment on both sides. Societies oriented towards the past tend to preserve the acquired heritage. Concepts and actions of the past continue to guide current plans and strategies.

**Fourthly**, work ethics, achievement needs and effort-reward expectations, which are significant inputs determining individual behaviour, are the results of culture. The word *ethics* is associated with moral principles. In the context of an organisation, ethics implies hard work and commitment to work. A strong work ethics ensures motivated employees whereas the opposite is true when work ethics is weak.

*Achievement needs*, too, have a behavioural implication. A person with a high need to achieve tends to seek a high degree of personal responsibility, sets realistic goals, takes moderate risks and uses personal performance feedback in satisfying his or her need to achieve.

It is too well known that a perfect match between *effort* and *reward* will produce better performance from an individual. When the individual perceives that he or she has been treated unfairly, the performance suffers. This phenomenon is the result of culture.

**Fifthly**, what is ethical and what is unethical behaviour is decided by culture. Discrimination in employment against women is reprehensible in some societies, but the same is an accepted practice in other countries. Societies which believe in ethical relativism tolerate discriminations. For them, an unethical act is justified when consequences of such behaviour result in greatest good for greatest numbers. Instead, societies which are guided by ethical universalism have well defined norms. An unethical act is so irrespective of the situations.

Acts as the following will be judged as ethical or not depending on whether one is guided by ethical universalism or ethical relativism.

- The HR executive of a Bangalore based software firm has been instructed to exit 112 middle level managers in the next three months, whose performance has been rated 'C' & 'D'. No prior notice to be served, and worse those unfortunate souls should be asked to run around for days to settle their retirement benefits.
- The HR head of poly fibre plant located in Harihar, Karnataka, was advised to underrate the performance of at least 40% of the employees, so that they can be exited. The HR manager picked up newly hired brilliant engineers to reach the target. The hapless youngsters were given marching orders, though their performance was excellent.
- The name of a young man working in a software company based in Bangalore was taken off from the awardees' list in the last minute. Next day morning happens to be the day of celebrations. The crime that the bright software engineer committed was that he did not attend a late night party where the boss was one of the diners.

**Sixthly**, HR practices like centralised vs. decentralised decision making, flat or tall structures, reporting relationships, transparency in systems, communication channels, rewards and punishments and the like are impacted by cultures. In high power distance societies, for example, organisational structures tend to be tall, communication is indirect, and distance between boss and subordinates is long.

**Seventhly**, culture makes people confine themselves to certain occupations and regions. Workers employed in coffee estates or tea plantations in Malnad region cannot probably work in places like Bangalore. Their food habits, dress sense, language and the physical labour they put in – all seem to have been contrived to make them fit to work in such places. A drive through the Malnad region in the month of July makes you feel sorry for the labour employed in estates. For kilometers, there are



no human beings but suddenly you notice a tiny structure in an estate where two or three people live. With heavy rain and no electricity, it is an eerie environment. But they are not sorry to live there. Their culture has made them adjust to work and stay there comfortably. Similar is the story with miners working in Singareni Coal Mines, or those employed in diamond cutting units at Surat in Gujarat.

Finally, more cultural issues are emerging, such as diversity management, work-life balance and workplace management techniques for the millennial who will flood the organisations in the near future. How will these millennials want to learn, what are the ways to motivate them and retain them with the organisation, how do they want to be appraised and rewarded are challenges too. The cultural expectations of the Gen Yers are significantly different and highly technology and mobility oriented. For example, the employee of the future would prefer to be assigned work and be allowed to work from anywhere and not be bothered with work review meetings and regular progress reports. A new set of HR initiatives need to be evolved to meet expectations of the future employees.

## Professional Bodies

As was pointed out earlier, the impact of the apex body, National Institute of Personnel Management (NIPM), on HR experts is minimal. The body has not been able to prescribe its accreditation as a prerequisite for HR practitioners. In fact, it has not even prescribed a minimum academic qualification for an HR professional. Its record of contribution to relevant policy making, participation in tripartite fora, and authority to morally bind its members to certain basic professional values is less. Yet, the role of HR professional forums like NHRDN (National HRD Network), as also international bodies like SHRM (Society for Human Resource Management) have increasingly found a wider audience. Periodic training programmes, seminars and conferences are organised by such bodies for the benefit of HR professionals. These professional associations also offer certification and diploma programs in human resources management. These diplomas are recognised the world over and carry weightage during hiring and recruitment. The SHRM today has a world-wide presence with chapters in all major countries. SHRM also recognizes academic curriculum of top quality institutions providing accreditation certificates. This is in addition to providing a forum for HR professionals to network and share the challenges and emerging practices in human resource management. Affiliations to such bodies are considered coveted and are proudly flashed on the resumes of HR professionals. Closer at home, NIPM confers certificates that are highly valued for recruitment to superior posts and services under the Central Government, and by the governments of Andhra Pradesh, Karnataka, Kerala, Rajasthan, West Bengal, Goa, Bihar and Tamil Nadu as an accredited qualification for appointment of welfare officers as per the Factories Act, 1948. The NIPM has laid down a code of ethics (see Exhibit 2.1) and the HR practitioners are expected to declare their allegiance to the code.

The code is useful inasmuch as it reminds HR people about their ethical obligations towards the employees, organisation, government, profession and society.



### PAUSE AND PONDER

Cultural convergence has resulted in tastes, thoughts, beliefs and feelings becoming identical across cultures, just as globalisation has brought out economic integration of nations. Do you think that cultural convergence will wipe out people's identities and cultural moorings?

**Exhibit 2.1 Code of Ethics**

**As a member of the National Institute of Personnel Management, I Declare that I shall:**

- Subscribe to the aims and objects of the National Institute of Personnel Management and be bound by its Constitution
- Recognise and accept the dignity of an individual as human being, irrespective of religion, language, caste or creed.
- Maintain high standard of integrity and behaviour demanded by the profession.
- Conduct myself as a responsible member of the management team committed to the achievement of the organisational goals.
- Take keen interest in the establishment of healthy personnel practices and development of the profession.
- Try to win confidence and gain respect of the employers and employees and make myself available to them to provide formal and informal intervention to resolve industrial conflicts.
- Endeavour to enhance the good name of my profession in dealing with other professional bodies, government departments, and employers and employees organisations.
- Cooperate in maximising the effectiveness of the profession by exchanging freely information and experience with other members.
- Not allow any interest other than professional to interfere with my official work.
- Not interfere with the right of association of the employees.
- Not disclose any information of a confidential nature that I may acquire in the course of my professional work without obtaining the consent of those concerned and shall not use confidential information for personal gains.
- Not accept or offer any improper gratification in any form or manner whatsoever in connection with or in the course of my professional work, and
- Not take or acquiesce in any such action which may bring the Institute and/or the profession into disrepute.

## INTERNAL FORCES

In addition to the external forces, there are factors internal to the organisation which influence HR activities. Unlike the external forces, where HRM has no control, internal factors are within its influence. Prominent internal forces are (i) strategy, (ii) task, (iii) leadership, (iv) unions, (v) management, and (vi) organisational culture and conflicts.

### LO 2.5

Understand how strategy, task and leadership are crucial to the HR environment of an organisation

## Strategy, Task and Leadership

A *strategy* indicates the direction in which an organisation moves. As a plan, a strategy takes the organisation into the area of competition in environment and into alignment with the resources of the firm. For example, early success of Infosys was due to high alignment of its strategy, structure, people and management.



Some companies believe that long term success is more important and towards this objective they invest more in human resources—in terms of employee training, safety, security, welfare and harmonious industrial relations.

*Task* is a work that an employee is expected to do. Several tasks constitute a job. When we describe task here, we keep the job in mind because an employee holds a job and through that he or she discharges tasks associated with it.

Task has implications on employee motivation and satisfaction. Several job characteristics such as skills required, task significance, autonomy and feedback of results have motivational effects. In fact, impact of job on employee motivation is so significant that Herzberg advocated the concept of job enrichment.

Employees derive satisfaction from the jobs they occupy. Jobs give them opportunities to put their talents to use and work for organisational growth. Often, altruistic deeds and not monetary incentives alone, keep employees satisfied with their jobs.

How do these job factors affect HR decisions? They obviously affect hiring, since employees will be highly motivated and satisfied if their preferences are met. In reality, few jobs match all the preferences. When jobs are difficult the HR manager needs to provide additional incentives (e.g. more pay) because few people prefer such jobs.

It is the *leader* who matters in any functional area of business. HRM is no exception. Leader must orchestrate the distinctive skills, experiences, personalities and motives of employees. He/she also needs to facilitate interactions that occur within work groups. A leader provides direction, encouragement and authority to evoke desired behaviours. A leader chooses right people and motivates them to consistently strive towards making them overreach themselves. Leadership involves catalyzing the learning process among followers, as well as creating the environment that contributes to improved performance. The leader is an important source of knowledge about the tasks, the organisation, and the HRM policies, programmes and goals. The experience and style of a leader will influence which HRM programmes are communicated, implemented and effective.

## Unions

Unionisation as an external factor was examined earlier. The same has been included here as an internal environment. This is justified because a firm's personnel activities will be influenced by its own union(s) as well as the unions of other plants.

A trade union may be understood as an association of workers formed to protect their own interests. The role of a union is too well-known, not needing any elaboration here. All HR activities—recruitment, selection, training, compensation, IR and separation—are carried out in consultation with union leaders. This is the case when the company is unionised.

Non-unionised organisations may appear to be the luckiest, but they too have problems. To retain the flexibility of a non-union status, personnel departments implement compensation policies, hours of work and working conditions similar to those found in unionised operations.

It is not that the unions and their leaders are always negative in their approach and activities. There are occasions where they played a very positive and highly constructive role. One such instance is the role of union leaders in privatisation of public sector undertakings. The sale process of government undertakings has been fairly smooth and successful thanks to the cooperation extended by leaders of unions affiliated to CPM, BJP, and other political parties. It is a pleasant experience to read the compliments paid to union leaders by an authority on disinvestment, in his book. The author went to the

extent of acknowledging the participation shown by Mr. Sanjay Reddy, president of Indian National Trade Union Congress to the disinvestment process.



### PAUSE AND PONDER

Unions are no more their former selves. Their memberships have fallen, their relevance has gone to the wind, their clout is dissipating. Why all these?

## Organisational Culture and Conflict

Every organisation has its own unique culture. Organisational culture is the product of all the organisation's futures – its people, its successes, and its failures. It is the responsibility of HR professionals to be sensitive to the culture of the organisation and raise an alarm when undesirable or potentially harmful developments are observed.

Objectives can be achieved in several acceptable ways. The idea, called *equifinality*, means there are usually multiple paths to reach objectives. The key to success is picking the path that best fits the organisation's culture. For example, an autocratic style of operating of a newly hired senior manager can damage the culture resulting in increased employee dissatisfaction and leading to higher levels of attrition and tarnish the image of the firm in the industry.

In every organisation, a few core values or beliefs shape its culture. 'Get the best people and set them free' was the spirit of the late J.R.D. Tata and this belief shaped the culture of the Tata conglomerate. L&T is known for its professional approach, while competitive spirit is imbibed by every executive and employee of the Reliance Industries. IBM is known for service, whereas product innovation is the hallmark of GE. Effective HR practitioners identify the core beliefs or values of their organisations and strive to further those values.

There is often conflict between organisational culture and employee's attitudes. Conflict arises because of the following dualities:

- Personal goal vs organisational goal
- Personal ethics vs organisational ethics
- Rights vs duties
- Obedience vs self respect
- Discipline vs autonomy
- Self confidence vs arrogance
- Actualisation vs aggrandisement
- Authority vs accountability
- Leadership vs followership
- Delegation vs abdication
- Participation vs anarchy
- Feedback vs abuse
- Cleverness vs wisdom
- Grooming vs pampering
- Doing vs becoming

### LO 2.6

Review how organisational culture and conflict can affect the overall HR environment.



- Material benefit vs spiritual loss
- Change vs stability
- Greed vs renunciation
- Short-term vs long-term

Conflicts occur daily in organisations. HR departments are expected to develop and enforce policies in such areas. All organisations, large and small, and across industries are challenged by such conflicts. And these conflicts cannot be avoided. The need is to manage them proactively and this responsibility lies with the HR functions.



#### PAUSE AND PONDER

A common belief is that the HR function is responsible for moulding the organisational culture. How far is this belief true?

## Management

Attitude of the management towards HR functions is a major internal factor. What should be the status of the HR function in the organization? How empowered is the HR head? How stringent vs. flexible are the HR policies? Should the HR manager be treated on par with other functional heads? Has the management realised the fact that people lend competitive advantage to the organisations? Can people activities be outsourced, instead of maintaining in house HR department? Answers to the questions as these speak about the composition, recognition, status and decision-making power of the HR professionals.

## SUMMARY

The environment of HRM comprises both external as well as internal forces which have their impact on the practitioners of the profession. The external environment includes political, legal, economic, technological and cultural factors. The internal environment consists of strategy, task, unions, organisational culture and conflict.

## KEY TERMS

Organisational culture, 72  
Social amalgam, 68  
Conflict, 72  
Diversity, 61  
Code of ethics, 71

Equifinality, 72  
HRM environment, 55  
Democracy, 55  
Authoritarianism, 55  
Professional bodies, 69

## REVIEW QUESTION

1. What do you understand by HRM environment? Why is the study of HRM environment useful for HR managers? **LO 2.1 to 2.3**