UNIT 1 MEANING, NATURE, SCOPE AND SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT

Structure

1.0 LEARNING OUTCOME

After studying this Unit, you should be able to:

- Discuss human resource management particularly highlighting its significance to public and private management;

- Bring out its implications; and

- Distinguish related concepts like human resource development, personnel management and industrial relations.

1.1 INTRODUCTION

Organisations in their functional aspect are treated comprehensively under the wide, architectonic rubric / discipline of Human Resource Management. Simply put, human resource management is a '*management function*' that focuses on the 'people' dimension to/ of organisations.

As organisations get larger and sophisticated and processes more complex, it gets increasingly difficult to coordinate specialisations at various policy and operating levels. The HR department performs the vital task of weaving sectional and individual interests and practices into the matrix of group functioning, that is the 'organisation'. Organisations had hitherto looked at the "Personnel Department," for management of paperwork involving hiring and paying people. More recently, organisations consider the human resource department better suited for the task. HRM plays a significant part in both *regulatory* and *policy planning* functions.

Though in-charge, theoretically, of the traditional POSDCORB functions, HRM today ventures beyond theoretical postulates. The coverage of HRM has expanded to more enveloping domains in the discipline and profession, throwing open possibilities in the *art, science and craft* of management theory and practice respectively.

HRM covers myriad functions such as the specific and defined areas of planning and control, resource allocation, conflict resolution and settlement of legal claims, to recount a few. HRM function has evolved so much so that the HRM tag could eve be held misleading (Mahoney, 1994), as HRM is not limited anymore to securing 'person power'. Human resource management entails *advising, implementing* and organising *change,* which are identified as the three important requisites of sound HRM practice.

HRM is at the forefront of management strategy in the contemporary times. It is expected to be *proactive* rather than a *reactive* management function. It plays a vanguard role and imparts direction to an organisation. The personnel department does not merely *"hand out gift certificates for thanksgiving turkeys"* (Mazarres, 1994). It's a pervasive *management* function actively involved in managing and administering *organisation wide processes,* initiating policy with regard to HR specifically, and also other sections, collaterally involving the human resource management function. It is more than a cosmetic or a fringe activity or function.

HR management today involves more than just the management of the HR function. It extends into areas such as compensation benefits, staffing, HR forecasting, succession planning, management and executive development, performance management, employee relations, organisation development, total quality management, needs analysis, instructional design and development training programme evaluation, return on investment (ROI), impact studies to name a few"(Mazarrese, 1994).
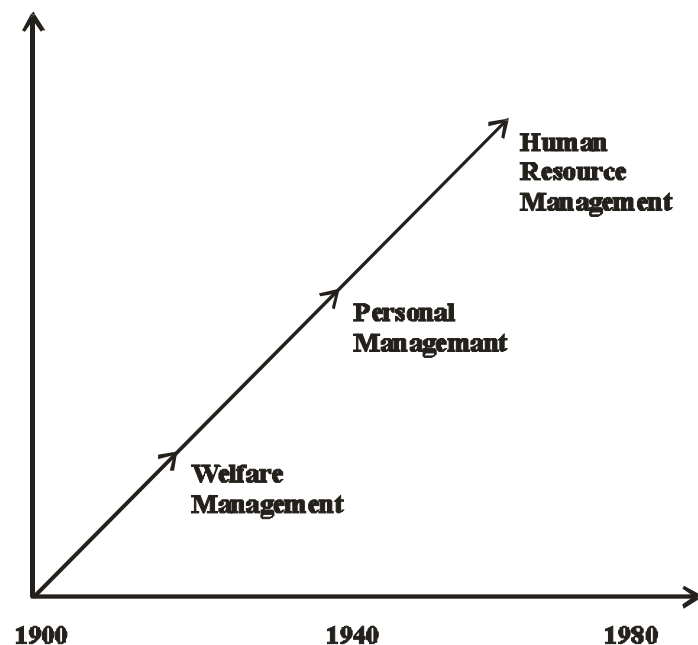
Human resource management is therefore understood as the all significant *art and science of managing people in an organisation*. It's significance lies in the fact that physical and monetary resources cannot and do not sustain increased rates of return on investments, unless complemented and supplemented effectively by good human resource practices which reflect in best standards of productivity and service delivery. Increasing research output in behavioral sciences, new trends in managing '*knowledge workers'* and advances in training methodology and practices have led to substantial expansion of the scope of human resource management function in recent years, besides adding to its understanding as a theoretical area of enquiry.

Use of the word 'management' is significant here. It is *new public management* informing management ethic today. Consequently, 'administration' is used to denote more routine coordination functions while 'management' is perceived as the active or the potent functional aspect of an enterprise; more pertinently, the art and science of "getting things done" (Simon, 1957). Significantly, management function is universal in public and private organisations (Fayol, 1959).

HRM is not just an arena of personnel administration anymore but rather a central and pervasive general management function involving specialised staff as assistants to main line managers.

Evolution of HRM

Historically, the beginning of HRM is traced to Robert Owen and his large spinning mills in Scotland. Charles Babbage and Henry Towde are the other two names associated with HRM's early beginnings. Its growth was particularly marked in the inter-war era which was also the heyday of the human relations and its subsequent branching into the diagnostic, behavioural movement. The latter being more applied and scientific in nature, has since then developed along highly specialised lines. It has branched out specifically along the domains of *applied psychology* and *sociology*. The latter in turn has evolved around the concept of the 'welfare state' while the former has proceeded as the behavioural science movement. The *art* and *science* of personnel management is *inclusive* and incorporates the two trends. The diagram beneath illustrates the development or evolution of personnel management through recorded time (the figure is self-illustrative).

Evolution of HRM

The theory and practice of human resource management is based primarily in sociology and economics. For Keeney (1990), human resource management is the conceptual euphemism to describe all the apparently transformative changes in the management of employee relations in the 1980s. Blunt (1990) suggests that in the late 1970s and even into the early 1980s, the discipline concerned with the human side of the enterprise was largely regarded as covering moribund housekeeping operational activities. Consequently, there was no status and influence of the discipline. Guest (1990) attributes the concern with status to the origins of personnel management "as an extension of scientific management or a form of welfare management. Hegg (1995) points it out as the contrast between the high aspirations of the normative model and of the failure to deliver as reflected in the behaviourist model." It later developed in stages through consistent research in the area so much so that at present; it is a pioneering area in management. New dimensions continue to be added to it, lending it a unique

dynamic character. It now covers diverse areas, as, mutual understanding at the work place between employers and employees and the socio technical school of thought emphasising restructuring of work to match social and technical systems (Schein 1988). Organisation Development (OD), Human Resources Accounting (HRA) and Quality of work life (QWL) are the most recent precursors of HRM. HRA was popularised by Flamholtz (1985) which represented the ultimate quest for legitimacy through quantification. HRM's financial implications are studied under 'organisational imperatives' (Kamoche, 1994).

1.2   UNDERSTANDING HRM

We may now attempt to elucidate the subject under study. Before attempting the same, let us explain the essentials that require finding place in any definition. The core issues are pointed out as:

-        Human resource strategies are derived from the overall business strategy in the same way as investment or marketing strategies. Decisions relating to employees need to be integrated and made consistent with *other decisions*.

-        Organisations are not mere structural entities but 'social units' comprising not just bricks, mortars, machineries or inventories, but, *people.* It has been observed by scholars that an organisation is not a complex of matter but rather a complex of humanity. Personnel management deals with the effective control and use of manpower as distinguished from other sources of power.

         HRM differs from Personnel Management in treating people as 'resource'. People are human capital and are treated as resource, in that tangible and intangible benefits flow from their utilisation. Organisations have to effectively harness this resource in order to be productive.

-        An organisation must make appropriate use of 'human capital' for achievement of both collective organisational and individual goals, mutually as well as in tandem. *Coincidence and compatibility* of the two is specially stressed for the sake of 'organisational equilibrium' in that the individual and the organisation represent two '*opposing poles*' of organisational effort. Though their interests come across as competing forces, they are not always mutually contradictory and can be reconciled in the interest of 'organisational purpose.' The aim of human resource management is to balance the equation and bring about required *synergy* to reinforce mutuality of effort towards the 'common purpose.' Organisational Equilibrium is achieved by matching 'inducements' (positive balance') to 'contributions' (negative balance on the part of workers (Barnard, 1938).

- The final 'value' or 'end' in this case is 'organisational effectiveness' understood as increasing 'organisational capacity' in the face of environmental dynamics with attendant impacts on organisational and 'structuring' and 'functioning' (Simon, 1957). There is an unmistakable reference here to the 'contingency paradigm' of administrative theory. Specific environmental variables could be identified as technology, available knowledge, physical and material resource, government policy, etc. Maintaining 'relevance' of organisational functioning in the context of shifting ecological variables is always a challenge and has to be addressed for the sake of 'efficiency,' understood as favourable cost- benefit ratio (Simon, 1957).Together the two make for 'effectiveness' of the organisation.

Defining HRM

The following four definitions encompass the aforesaid core issues in human resource management.   HRM could thus be referred to as;

1.   …..a series of integrated decisions that govern employer-employee relations. Their quality contributes to the ability of organisations and employees to achieve their objectives (Milkovich & Boudreau, 1997).

2.   … Concerned with the *people dimension* to management. Since every organisation comprises people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue at the same level of commitment to the organisation are essential to achieving organisational goal. This is true, regardless of the type of organisation: viz. government, business, education, health, recreation, or social action. (Decenzo & Robbins, 1989).

3.   … the planning, organising directing and controlling of the procurement, development, compensation, integration, and maintenance of   human resource to the end those individual, organisational, and social objectives are accomplished. (Flippo, 1984).

4.   "….. The organisation function that focuses on the effective management, direction, and utilisation of people; both the people who manage produce and market and sell the products and services of an organisation and those who support organisational activities. It deals with the human element in the organisation, people as individuals and groups, their recruitment, selection, assignment, motivation, empowerment, compensation, utilisation, services, training, development, promotion, termination and retirement."(Tracey,1994)

From the above definitions, certain new and some of the most important ones HRM aspects emerge could be stated as:

1.   There is an explicit link between managing human resource and success of administrative or management strategy. Competition forces management to alter the latter with implications for the former.

2.   Sector strategies cannot be appreciated in isolation (mean in Simon's terms) but only as parts of the integral whole.

3.   Senior line managers are required to assume more responsibility with regard to managing human resource. There is a stress   on   inter-personal relations as a determinant of performance.

Versions of HRM

Hard Version

"Human resource management reflects a *long-standing capitalist tradition* in which workers are regarded as commodity." (Guest: 1999). Hard approach to human resource management is a pragmatic perspective to human resource management which looks upon people as 'resource' and measures the tangible benefits accruing from their deployment. Human resources have to be acquired, developed and deployed in ways that maximise their utility. The focus is on calculative and strategic aspect of managing human resource and the approach is "rational" (fact- based) with regard to factors of production. The objective is 'efficiency' (maximising benefit and minimising cost) and the philosophy is business-orientation (specifically human resource accounting) with emphasis on *tangible* and *quantifiable* value addition to the organisation. It has been stated that the drive to adopt human resource management is based on the business need to respond to the external threat arising from increasing competition. It is a philosophy that appeals to management's striving hard at achieving and sustaining competitive edge and appreciate that to do it they must invest in human resource as well as they do for other practices or for other areas (for example, procuring technology).

The emphasis is on:

- drive for economy and efficiency;
- interest of management *as opposed* to workers;
- adoption of a strategic approach that is in line with business strategy;
- obtaining *value-adding* services from people through *targeted* human resource development practices;
- emphasis on strong people centric organisational culture, expressed or articulated in the mission or value statement and reinforced by communications, training and performance management processes; and ;
- the need to obtain agreed commitment of employees towards goals and purpose (s) of the organisation.

Soft Version

The 'soft' model of human resource management traces its origin to the human relations school of administrative thought and emphasises development of healthy organisational culture by use of effective communication, motivation and leadership as primary sources of maximising performance. It looks upon employees as 'co-contributors' rather than adjuncts in organisational culture, 'objects' or pieces of automation. It stresses on the need to gain sustained commitment of employees through democratic means such as participative

management, meaningful involvement in policy formulation and other methods of developing 'high-commitment-high-trust' culture in the organisation. Attention is therefore drawn to the key role of *organisational behaviour.*

Employees are treated as valued assets and a source of competitive advantage which needs to be optimised by evincing ethical virtues such as commitment, adaptability and high quality performance in consonance with the 'collective will' of the organisation articulated as organisational purpose. Ethics lies in reciprocity between individual member and the management.

The emphasis is on the belief that the interests of management and employees are congruent. This approach is also termed as the 'unitary' approach' to human resource management.

Reconciling the Two

It has been observed that even if the rhetoric of human resource management is soft the reality is often harsh, with the interests of the organisation prevailing, more often than not, over that of the individuals'. Practically, we find a mix of hard and soft versions informing organisational practice. This implies that the distinction between hard and soft HRM is not as *specific* or *obvious* as it is *tacit* and *implied.*

Features of HRM

By now we have been able to understand the meaning of HRM. Some of the main features of HRM include (Keith sis son):

1. There is stress on the integration of HR polices with overall planning and underpinning latter with the former;

2. Responsibility for personnel management no longer resides with specialist managers but is increasingly assumed by the senior line management;

3. The focus consequently shifts from management-trade union relations to management-employee relations; from collectivizing to individuation; macro to micro; and;

4. To reiterate, with the manager donning the role of "enabler", or 'facilitator', there is stress on commitment and initiative on the part of the employees.

HRM is based on the following four fundamental principles (Armstrong, 1988:90).

     a.   Human Resource is the organisation's *most important asset;*

     b.   Personnel policies should be directed towards achievement of corporate goals and strategic plans;

     c.   Corporate culture exerts a major influence on achievement of excellence and must therefore be tempered with consideration of employee welfare.

     d.   Whilst integration of corporate resources is an important aim of HRM, it must also be recognised that all organisations are 'pluralist societies' in which people have differing interests and

concerns, which they defend and at the same time function collectively as a cohesive group.

Besides the features mentioned earlier, certain more characteristics of HRM could be summarised as follows:

1. HRM is a *pervasive* function. It permeates all levels of decision making in an organisation. All sections perform human resource management in some way. Academically, the nature of the subject is *inter-disciplinary*. It draws inputs from other social sciences, particularly, sociology, psychology, political science, anthropology, economics, etc. HRM has a suggestion of the *contingency paradigm* here. Chief among contingent variables is pressure from the government articulated through policy interventions through directives or orders. The three main areas of potential pressure are identified as: affirmative action in pursuance of social justice objectives; concern for occupational safety and health in a welfare state; and pension regulation for well being of workers

2. HRM is also a *comprehensive function,* in that it is concerned directly or indirectly with every decision that in any way relates, even collaterally to human resource management, irrespective of the section it emanates from or the level at which it is made.

3. Cost effectiveness is a must to attract, induce and mobilise resources for its policies, draw the attention of main line management to its policies and proposals.

4. There is a need to spot trends and tailor personnel requirements accordingly towards perceived direction or end, to make optimum utilisation of available human capital.

5. Human resource management department provides for an *integrating mechanism.* It attempts to build and maintain coordination between all operative levels in an organisation. It is indispensable as a *clearing house.* Its added significance is due to its being an *auxiliary service which is an indispensable maintenance activity*. HR department aids 'line' officials perform their respective allotted tasks, with direct or incidental bearing on human resource. Policy- making does not proceed piecemeal and organisational functioning is imparted a coherence that might otherwise be hard to achieve. Human resource manager is therefore a specialist advisor and performs vital staff function.

6. HRM is an imperative function for all complex organisations where inter section interests are inextricably linked. It is *action oriented* as in it the focus is on action, rather than record keeping, written procedures or rules. The problems of employees at work are solved through rational, standard policies.

7. HRM seeks to *maximise employee motivation to make them* contribute to their maximum potential. The same is done through a systematic process of recruitment, selection, training and development together with worker-friendly policies like fair wage, bonus and reward system, effective grievance redressal, etc.

8.   HRM is *people oriented*. Peoples' existence is defined or perceived in two ways, that is, as individuals working for personal satisfaction and members of a group or collectivity, contributing towards a common objective. Together they constitute the pillars of organisation or organisation wide effort. 'Organisational equilibrium' is contingent on matching or balancing personal need satisfaction (inducements offered) with organisational goal fulfillment (contributions elicited/negative balance). *Right man in the right place at the right time* maximises benefit of collective endeavour both in the interest of the organisation and the individual employee. HRM is *development oriented*; it aids institution of employee-friendly activities like career planning and development which help develop their full potential. *Job enlargement and job rotation practices are facilitated;* employees are assigned a variety of tasks, which helps them to gain maturity, experience and exposure.

9.   Tangible quantifiable benefits result to the organisation as also externalities, intangibles or unquantifiable gains (improved organisational culture, management-worker relations, etc.) which optimise organisational performance. Enhanced productivity is then used to reward employees monetarily and motivate them further towards better and improved performance.

10.   HRM is *continuous* activity, consistent function and not a short-term measure. It requires constant alertness and awareness of human relations on the part of managers to maintain healthy organisational climate. Sustenance of 'organisational 'rationality' (with respect to decision making) and securing 'organisational effectiveness' are other pressing concerns. Organisational survival is the prime concern. Concerns of efficiency arise only later. Organisations face the challenge or imperative of arriving at an L.C.M. (least common denominator) of opposing pulls or conflicting interests *within* as well outside to ensure and secure compliance with exogenous directives and compatibility between internal (in-house) and external (laws, guidelines, implementation regulations) policies. External pressures need to be adapted to or co-opted for the sake of 'relevance' and 'efficiency' (Simon, 1957) of organisational functioning.

11.   Human resource management function is of importance to Public as well as private organisations. Fayol's advocacy of management as a universal science endorses this idea.

Objectives of HRM

The primary objective of human resource management is to ensure a continuous flow of competent workforce to an organisation. But this is only a broad view. Exploring further, we can categorise objectives into four, which are analysed as follows for a better understanding:

Societal Objectives

The society may constrain rationality with regard to human resource decisions through laws for example, reservation and other laws that address social

discrimination, health and safety of workers, morale, ideological bias and other such issues of societal concern.

Organisational Objectives

The organisational objective is at the forefront of organisational strategy, coordinating and harmonising organisation wide efforts and stressing on the role of human resource management in contributing towards organisational effectiveness.

Human resource management is not an end in itself. It is a means to the end of increasing organisational capability. It assists the organisation in attaining its primary objectives. Simply stated, the department serves the rest of the organisation.

Functional Objectives

On the functional side it sets the department's contribution at the level most apt suited in the organisational setting.

Resources are wasted when human resource is either in excess or too scarce. The department function is to gain 'organisational fit' with respect to human resource requirements.

Empowerment is a core concept of the new management model. In an adaptive organisation, empowerment is preferred to delegation; ownership to responsibility. It is contended that authority and responsibility are *formal* aspects of organising. They are based on organisational properties and not individual capabilities. Empowerment and ownership are *social aspects* of organising. They are based on efficacy and initiative, and not just on roles and requirements. (Business E. Coach, 2005)

Clear articulation of policy following wider philosophy is imminent for success of any organisational and that success of the free market. Philosophy binds an organisation internally, provides a focus to collective effort and helps competitors anticipate future moves of a company. According to theorists, two main concerns regarding competitive philosophy are (a) people- centered philosophy, and (b) unity and focus.

Sound human resource management determines the level of innovation or creativity in organisational processes. *Organisational capability* is a dynamic concept. To what extent it is promoted depends on the premium attached to the HR function by the management. Bob Garratt (1990) proposes a theory of organisations as "learning systems" in which success depends on the ability of managers to become "direction-givers" and on the organisation's capacity for learning continuously.

Personal Objectives

It implies assistance rendered to employees in achieving their personal goals in so far as these goals enhance individuals' contribution to the organisation.

Personal objectives of employees must be met if workers are to be retained and motivated towards better performance. If otherwise be the case, employee performance and satisfaction are likely to decline and employees could even contemplate leaving the organisation. Managing approach to employee benefits and compensation, employee records and personnel policies is an important aspect of human resource management (McNamara, 2005)

There has to be a correlation between objectives and functions. William Werther Jr. and Keith Davis (1972) have attempted to link the two. This is summarised in the following table:

HRM Objectives	Supporting Functions
Societal Objectives	1. Legal compliance 2. Benefits 3. Union-management relations
Organisational Objectives	1. Human resource planning 2. Employee relations 3. Selection 4. Training and development 5. Appraisal 6. Placement 7. Assessment
Functional Objectives	1. Appraisal 2. Placement 3. Assessment
Personal Objectives	1. Training and development 2. Appraisal 3. Placement 4. Compensation 5. Assessment

Like other issues in public administration, objectives of human resource management attract divergent views. In fact, due to changing environment and

dynamics of relationship among management, employees and trade unions, human resource management objectives have had new vistas added to its defining purpose. V.S.P. Rao (2000) recognises some of these changes and places forth a set of emerging objectives:

1. Research and development is a new facet to human resource management. HR practices need constant updating in view of changing legal, political,   and social environment. Forethought and fore planning are vital to keep strategy targeted;

2. The primary purpose of HRM is to realise people's strengths, turn them into productive assets and benefit customers, stockholders and employees at the same time, in an equally effectively manner;

3. HRM requires that employees be motivated to make them exert their maximum efforts, that their performance be evaluated/ preferably measured properly and that they be remunerated on the basis of their contributions to the organisation;

4. HRM helps employees grow to their fullest potential, with reference to job satisfaction and self-actualisation. To this end,   suitable programmes have to be designed aiming at improving the quality of work life (QWL);

5. To develop and maintain quality of work life, good working conditions and good standard of life for the worker makes employment in the organisation a desirable personal and social condition. Without improvement in the quality of work life, it might be difficult to elicit desired level of motivation;

6. It is the responsibility of HRM to establish and maintain communication well, to tap ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as in understanding the views of internal human resources; and

7. HR function helps maintain ethical policies and behaviour in the organisation. The chief personnel officer of a large American corporation puts it thus: "personnel's purpose is to practice morality in management by preparing people for change, dealing with dissent and conflict, holding high standards of productivity, building acceptance of standards that determine progression and adhering to the spirit and letter of high professional conduct".

Scope of HRM

The Indian Institute of Personnel Management encapsulates the scope of HRM in the following three aspects: -

1. *Personnel aspect*: concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.;

2. *Welfare aspect;* dealing with working conditions and provision of amenities such as canteens, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health, safety, recreation facilities, etc.; and

3. *Industrial Relations aspect*: the legal part which covers union-management relations, joint consultation, collective bargaining, grievance redress and disciplinary procedures, settlement of disputes, etc.

HR function may be categorised into the following sub- sections:

- Employee Hiring

- Employee and Executive Remuneration

- Employee Motivation

- Employee Maintenance

- Industrial Relations

- Prospects of Human Resource Management

Carter McNamara (2005) has outlined the following activities of the HR section:

-deciding what staffing needs an organisation has, and, whether it should use independent contractors or hire its own employees. Cost considerations matter in these decisions. Also, in-house promotions and placements are encouraged as part of organisational policy. Present environment demands more flexibility in policy formulation and implementation processes for which the HR department is most suited; and;

- recruiting and training the best employees, ensuring they are high performers through apprenticeship and training programmes dealing with performance issues and ensuring personnel and management practices conform to all formal regulations, managing approach to employee benefit and motivation and group morale.

Functions of the personnel section encompass the following activity areas: (Tracey, 1994)

- Total quality management (TQM) applying system's model or perspective to organisation theory. For enhancing overall productivity, output levels and standards. Investing more time in value- adding activities as opposed to non- value adding is emphasised;

- Organisational structuring and design; suggesting mergers, overseeing diversification/ expansion schemes, managing implications of globalisation, cost cutting measures such as downsizing, contract employment, restructuring, controlling implications thereof, etc.;

- Productivity control, R&D, improved service delivery, customer focus, quality control, organisational effectiveness;

- Financial control and budgeting;

-- Human Resource Planning and specifics thereof HR; department plays a vital role in integrating the strategic plan or business plan and also take the lead in devising and implementing it.

- Personnel processes viz. recruitment, selection, training, management development;

- Strategising or planning for overall organisational growth;

- Managing informal work group;

-- Organisational culture ramifications of managing knowledge workers; articulation of culture in terms of objectified, practicable targets; ensure meeting of specific targets and objectives; imparting direction to organisational functioning;

- Managing Diversity; (organisational culture reference and internal sociology implication);

- Dissemination/internalisation of organisational philosophy among inmates, controlling culture thereby. Phenomenon of 'organisational identification'… (Simon, 1957)

- People management' referring to policy initiatives regarding, employee benefit and welfare schemes, retrenchment policy, executive succession, etc; and

- Spreading awareness and mobilising support to ensure minimum resistance to change processes and policies; marketing to recover or amortize the costs of producing products, programs and services.

Functional obligations of personnel department outlined above could be catalogued under the following general headings: (Tracey, 1994)

- Managing house keeping for its own section-performing all customary management functions (POSDCoRB) with regard to internal administration;

- Organisational Development understood as planned, educative effort towards organisation wide change reflecting concept of organisations as constantly evolving and developing entities (Keith Davis, 1992) and

- Performance Development, problem sensing, solving, and trouble-shooting as and when need arises.

Specific functional activities and responsibilities of HR department as outlined by Tracey include:

- Recruitment, selection, and task assignment;

- Orientation and induction programmes imparting relevant information;

- Compensation; including *all* compensable factors;

- Employee benefits; monetary and non- monetary; and

- Succession planning (upward mobility of personnel via promotions);

Addressing Semantics: Related Concepts

Since 1980 the term personnel management has been gradually replaced by a more suitable term, that is, *human resource management* to delineate the whole gamut of activities undertaken towards or with the purpose of maximising human capital utilisation in an enterprise. Problem of semantics is apparent. It would serve our purpose to clarify the two related concepts.

Similarities between Personnel Management (PM) & HRM

Similarities between personnel management and human resource management are recounted as follows:

- Personnel management strategies, like HRM evolves from business strategy.

- Personnel management, like HRM, recognises that line managers are primarily or in the first measure, responsible for managing people. The personnel section provides necessary advice/ support service to line managers aiding them carry out their responsibilities in a better/ more effective manner;

- Values of personnel management and the 'soft' version of HRM are identical. Both stress on self-development of workers, helping them achieve maximum level of competence both for realisation of individual and collective will and thereby, achievement of individual and organisational aspirations and objectives;

- Both personnel management and HRM recognise the need for placing and developing *right people for the right jobs*;

- The same range of selection, competence analysis, performance management, training management development and reward management techniques are applied in both human resource and personnel management; and

- The 'soft' version of HRM, like personnel management, attaches importance to the process of communication and participative spirit informing employer-employee or management- worker relations.

Differences between PM and HRM

Differences could be articulated and recounted as:

i)   Personnel management is more bureaucratic and directive than participative and team. It is *administered* by managers rather than 'developed' by management and workers or 'co-contributors' in joint organisational endeavour. Apparently, it may be a set of rules and procedures that might even constrain senior echelons in managing their subordinates as they deem fit as per the requirements of the situation. On the other hand, HRM not only pays attention to employee development, but   focuses on the dynamism of the entire management function. This shift of emphasis appears related to three specific differences;

a)   While both personnel management and human resource management highlight the role of line management, the focus in each case is different. In human resource management, HR function is vested in the line

management and business managers are considered responsible for coordinating and directing all resources towards achievement of organisational objectives;

b) Objectives are specified more precisely and co-relation drawn more clearly and objectively, between results and strategy for proactive use of human resources for their furtherance and achievement. Personnel policies are not passively integrated with business strategy but perceived as integral to and active components thereof in the pursuit of the desired value *or* end; and

c) Most human resource management models emphasise organisational culture as an important variable. Although 'organisation development' models of the 1970s proclaimed a similar aim, they were not fully integrated with normative personnel management models. Organisational development' was always seen as a distinct and separate activity standing apart from mainstream personnel management. Internal structuring also exhibited this separateness in that it was generally assigned a separate role in a formal institutional sense in that separate OD consultants were located within the personnel department, not always with a back ground in the subject. It was considered/ treated as, *only* a fringe activity, an initiative that was nice to have but could be dispensed with at the first indication of financial stringency. Aswathappa (2002) draws a table and recounts the differences between personnel management and human resource management along twenty-three dimensions. The same are outlined below:

Differences between PM and HRM

Dimension	Personnel Management	Human Resource Management
Employment contract	Careful delineation of written Contracts	Aim to go beyond contract
Rules	Importance of devising clear rules	Can do outlook, impatience with rule
Guide to management Action	Procedures	Business need
Behaviour referent	Norms/customs and practices	Values/mission
Managerial task vis-à-vis labour	Monitoring	Nurturing
Key relations	Labour Management	Customer

Initiatives	Piecemeal	Integrated
Speed of decision	Slow	Fast
Management role	Transactional	Transformational
Communication	Indirect	Direct
Prized management skills	Negotiation	Facilitation
Selection	Separate, marginal task	Integrated, key task
Pay	Job evaluation (fixed grades)	Performance related
Conditions	Separately negotiated	Harmonisation
Labour Management	Collective-bargaining contracts	Individual contracts
Job categories and grades	Many	Few
Job design	Division of Labour	Team work
Conflict handling	Reach temporary truce	Manage climate and culture
Training and development	Controlled access to courses	Learning Companies
Focus of attention for Interventions	Personnel procedures	Wide-ranging cultural, structural and Personnel strategies
Respect for employees	Labour is treated as a tool which is expendable and replaceable	People are treated as assets to be used for the benefit of an organisation, its employees and the society as a whole
Shared interests	Interests of the organisation are Uppermost	Mutuality of interests
Evolution	Precedes HRM	Latest in the evolution of the subject

For a better understanding of HRM, it shall be worthwhile to know of two more related terms, that is, Human Resource Development and Industrial Relations.

Industrial Relations (IR) & HRM

Industrial Relations (IR) is a term adding to the problem of semantics. "Industrial Relations" as the term implies, deals with sociological and legal issues concerning organisational climate, interpersonal relations, physical and social working conditions, settlement of disputes, unionisation and other issues dealing with grievances and their resolution. Use of term industrial relations or human resource management has more to do with the historical context within which they arose than with the scope of the two. Human resource management is used more in the modern context of globalisation and multiculturalism where HR is at the forefront of management strategy. IR rose in the specific context of the industrial revolution and the socialist ideology where just and humane conditions of work were emphasised. Hence, Industrial relations is not different from human relations or other major school of administrative theory. With many different labels in use, industrial relations is now used to refer to the legal aspect of organisations governing employee employer relationship viz. trade unions, collective bargaining, etc.

The legal aspect has now emerged as a significant facet of HRM which organisations neglect only to their peril. Organisations get sued for alleged discrimination in their recruitment, selection, hiring, training and development, promotion, pay and compensation procedures by outside players as also their own employees, *present* and *prospective.* Posers about administrative procedure have to be addressed unequivocally to obviate conflicts or possible impediments in organisational functioning. Technically, it falls within the domain of Industrial Relations though responsibility for the function is aggregated under the HR label, which today is an enveloping and architectonic field or area of enquiry, practice and specialisation. Small businesses (for-profit or nonprofit) usually have to carry out these activities themselves as they can't afford part- or full-time assistance. Even they need to ensure that employees are aware of personnel policies conforming to current regulations. These policies are often in the form of employee manuals, which all employees possess. Procedural simplicity is an important requirement. Non-compliance can generate unnecessary confusions, which could easily be dispensed with.

Industrial Relations' implications for organisational structure would differ. While some structure it as a specialisation others prefer merging or grouping more practicable. (Collective bargaining involves administration of formal contract governing union management relations, laying down of grievance procedure, third party arbitration, labour unions, etc.) Some companies have separate industrial relations department responsible for negotiating and administering collective bargaining agreements with unions. Most often size and complexity of an organisation are the deciding factors. What is important however is that legal

aspect of human resource management is a specific and distinct function, structural differentiation or specification notwithstanding.

HRM and HRD

Some people distinguish between HRM (a major management activity) and HRD (Human Resource Development, a profession). However, it should not lead to any confusion.

Distinction between HRD and other human resource practices is necessary to avoid undervaluing of the concept both theoretically and in the workplace. HRD has come to be used in many different contexts. Hence, it is important to clear the maze and highlight the unique contribution it makes to organisations

ABOUT HRD

HRD is:

-A profession; a specialised activity. HRD vendors are employed by organisations to plan and administer training programs though now HRD has ventured into other broader, more significant areas of organisational practice viz. organisational design, change, planning and development. Latter function has gained increasing prominence of late,

-        HRD vendors are external consultants, though HRD manager is preferably an insider; and

-        Its scope has progressed and moved from micro to macro concerns. In the present   times, it is an important field within the area of human relations or   organisational behaviour.

 HRD has now been developed in universities as a postgraduate discipline. Washington University took the lead in this regard in 1965. However, some universities have introduced courses in specific HRD methodology such as communications or human services and labeled them as human resource development. Confusion can be cleared by looking at the form rather than the label.

 HRD incorporates applied behavioural science. Works of Gordon Lippit, Warren Schmidt and Robert Blake are noted particularly in the development of the paradigm .There is increased emphasis on a systems approach to HRD notably through the work of Leonard Silven and Hughes and contribution of Robert Mager particularly in pushing for adoption of specific behavioural objectives in framing objective HRD modules.

It is specialised and technical field with is increasing use of modern technology. Inventory control is an important feature as there is need for recording and safe maintaining data.   Its working is essentially centralised. There is stress on individualised instruction. The learning specialist guides trainee like a coach or a resource person. In it the definitions and understanding of selection, training, performance evaluation are likely to be revised. They are being seen as continuously evolving and developing processes that aid individuals and organisations reach the summit of their potential. In HRD there is shared

responsibility between management and individual employees for organisational effectiveness-diffused rather than focused, permeates through the organisation and is not restricted to the individual manager or specific levels.

Characteristics of HRD

Characteristics of HRD could be recounted as follows. It is:

- idealistic;

- utilitarian in purpose;

- evolutionary;

The wider objective is integration with the school system through educational administration and training institutes. HRD cannot make up for lack of basic skills. It would be highly impractical if it were suggested so.

Gerratt defines learning organisations as "a group of people continually enhancing their capacity to create what they want to create". The idea sums up the essence of human resource development.

Implications of HRM

a. With respect to Organisation Design

There is a long-standing argument on whether HR-related functions should be organised in the Organisation Development department or elsewhere or independently?

Reference may be made here to Simon's concept of 'mean', 'end' and 'fact' and 'value' as giving the chain of causation of "purposive behaviour". Decisions are taken at all levels within an organisation and are 'mean' to the extent that they comprise of 'fact' more than the value component and end conversely. Each decision, in fact, is both mean (more fact) and end (more value) in that every 'mean' is an intermediate 'end' which is 'mean' to a further end and so on. The chain culminates in pure 'end' or final 'value' (hypothetical idea since 'pure value' does not exist in practice), which is often the 'organisational goal' (could be social or national goal depending on the level of integration)

The 'mean'- 'end' chain or formulation has implications for organisational structure. If human resource management is 'means' to the 'end' of 'organisational development', it functions as a section under organisation development. The question of location is pertinent in the interest of coherence of organisational functioning.

b. With respect to Personnel Administration

The HR section articulates organisational philosophy and underpins it to practical strategy. Organisational culture is both a dependent and an independent variable. It is both impacted upon and in turn impacts organisational functioning and practice.

At the enterprise level, good human resource practices help attract and retain the best people in the organisation. Planning alerts management to manpower needs in the short run ahead.

At the level of *the individual,* effective management of human resources helps employees, work with 'esprit-de corps' and experience personal growth.

Society, as a whole, is the beneficiary of good human resource policy. Employment opportunities multiply and scarce talents are employed to the best use/uses.

Extending the same argument, sound HRM is imperative for *nation building.* Human resource planning is integral to socio-economic planning of the State. It is a vital and an imperative component thereof, more so for developing countries where human capital waste accrues due to underutilisation of capacity and other wasteful HR practices.

c. With respect to Policy

The HR section or department is actively involved in business strategy and wider policy formation so much so that there is not a question of should it or should it not anymore. Its involvement is accepted as a fact or a 'given' of organisational life. The focus is directed instead to utilising it to the maximum. The objective of HR thought and practice is geared to this end. This is expected to be more so as the office evolves towards a more dynamic future role with expansion and or diversification of business and increasing knowledge resource.

1.3. ROLE OF THE HR MANAGER

Designations of HR Managers are found differently in different organisations. To quote Frank Lloyd Wright, "form follows function". HR function therefore draws content from and follows the strategic plan. The HR manager functions as a catalyst and a change agent to the extent that he helps the line achieve its objectives. Job description of the office differs from organisation to organisation. Form or content of human resource functions have been found to be determined by the organisation's history, work culture and the level of differentiation attained in processes and product. (Tracey, 1994)

The HR manager has to be *both a process* and a *policy* specialist.   The job descriptions and specifications entail and demand both policy advice and implementation specialties.

She / he hyphenates the relationship between the organisation on the one hand and external players and stimulators of policy (primarily government, strategic partners) on the other.   She / he has to ensure compliance of internal policy and practice with external regulations via legislations (for example, government directives) as also attempt to preempt the field in the organisation's favour by minimising instances of unnecessary interface.

Academically, the HR person needs to be proficient in related specialties or disciplines in that HR is a growing interdisciplinary academic field and a vocation, with cross currents from management science, humanities and even physical

sciences. HR manager functions as a consultant to all sections and is a prime mover or initiator of policy inputs and recommendations.

HR officers can be both generalist (with wide experience in personnel matters to recommend them) and specialist with technical training or educational background; either from inside/outside the organisation. Actual practice in this regard differs from organisation to organisation.

1.4   FUTURE CHALLENGES TO HRM

The question how HRM would change in the post- modern globalised world needs to be understood in the light of challenges to HRM.

Emphasis on human resource management will be still greater in the coming years. Companies/organisations are expected to invest more in health/welfare of workers.

Emergence of transnational/multinational corporations is bringing cross-cultural work force and the consequent need to 'manage diversity' (cultural, ethnic linguistic, religious, etc.) properly.

Cost constraint and the resultant emphasis on the necessity of output maximising strategies viz. total quality management, flexible management systems, etc.

Participative management for 'knowledge workers'; need an active policy to retain good workers is expected to be increasingly felt in the coming years.

Flexible structuring in organisational design in response to changing requirements would be needed. Warren Bennis's futuristic observation (prediction) about linear organisations giving way to diverse and unconventional matrix is almost a truism today. Organisations now are less linear, more complex, environment more uncertain than predictable, traditional Weberian construct more a utopia than a reality, more cross functional/ networked than vertical/linear; providing more scope for freewheeling for its knowledge workers rather than insisting and stressing on a commanding or directive work pattern and culture. Precisely, its participative management, innovation and self managed work teams that are desired for a total quality management with emphasise on productive process, particularly technology. Organisational fluidity and dynamism may no longer be an exception or feature to be chafed at and resisted but an enduring quality to be desired which is almost a necessity for organisations' survival in this environment of constant change. Organisations are perceived as organic entities constantly and continuously vitalized and growing, meeting new/emerging challenges and answering critics in their attempt to avoid being moribund/ redundant in their operations.

Tackling demographic changes in the work force will be a challenge as more old/young/women/backward castes are expected to force changes in HR policies.

Vigorous interest articulation will be suggested for business at the policy stage to minimise incident and / or unsavoury pressures during implementation.

In the face of increasing cost constraints, training is expected to get more targeted than generalised. It would need to be tailored according to changing requirements viz. customer preferences, specific need of a strategic plan in a given time frame, etc. Training is only one of the options to learning and development.

1.5   CONCLUSION

The focus in the Unit has been on HRM's meaning, nature, scope, versions, clarifications regarding semantics, differences and similarities between HRM and PM, and its significance.   Rather briefly, it could be summed up as;

- HRM is at the forefront of management function;

- HR manager plays a vanguard role in policy making and implementation functions;

- Semantic differences between HRM and PM and IR and HRD are not of much practical consequence. Content matters more than form; and

- Scope of HRM differs from organisation to organisation.

1.6   KEY CONCEPTS

Human Resource Development: Human Resource Development is a term employed for education and training activities undertaken at micro (in a department or an organisation) and macro levels(national, state) for development of 'human capital'. It involves both short term and long term planning and has significance for development administration in that it is the 'people resource' that puts plans into actions. Refurbishing of education and training at regular intervals is a must for replenishing capabilities for planned development of human resource capability.

Human Resource Management: Human Resource Management differs from personnel management, in treating people as 'resource,' whose effective utilisation leads to tangible value addition to organisational productivity. Distinguished from human resource development, human resource management is more an administrative activity while the latter involves more planning, built integrally into nation- wide, socio economic planning.

Organisational Culture:

The culture of an organisation could be directive, authoritarian, feudal or democratic. Among determining factors are; principles of organisational functioning, involving structuring of an organisation, specialisation and work division, span of control, unity of command, leadership, work orientation of the manager, organisational culture, "legal rational authority" system, as against, "traditional" or "charismatic authority" systems.

Organisation Design:

Organisation Design is a primary management activity involving work division among constituent units and structuring an organisation into sections and sub sections. It is the first step in specialisation of tasks and responsibilities in organisations leading to further sophisticated specifications. On proper design depends the coherence of organisational functioning. Organisation Design is also a determinant of organisational culture in that an organisation could be structured in a hierarchic bureaucratic way or imparted a team ethos by means of lateral coordination and team work orientation.

Social Capital:

The term social capital is an economic analogy, to determine the economic potential of social ties. Just as there are physical capital and human capital, there is social capital which denotes the advantage or the utility derived out of filial and other human ties. Such social ties have 'utilitarian value' in that they result in tangible and intangible value addition to societal development. Meaningful peoples' participation in administration is an attempt at utilising positive social capital inherent in 'communities' for furtherance of developmental tasks by way of better policy formulation and cost- effective implementation processes. Departmentalism and 'empire building' tendency on the part of bureaucrats is an example of negative social capital.

Organisational Climate: It refers to the extent to which supportive environment prevails in an organisation. Sound workings of the informal Organisation, participatory culture, etc., are indicators of healthy organisational climate

1.7   REFERENCES AND FURTHER READING

Aswathappa, K, 2002, *Human Resource Personnel Management: Text and Cases*, Tata McGraw-Hill, New Delhi.

Bach, Stephen and Keith Sisson, 2000*, Personnel Management: A Comprehensive Guide to Theory and Practice*, Third Edition, See *C*ontributions in Part 1 *Personnel Management in Context.*

Bennis, Warren, 1969, *Organisation Development: Its Nature Origin and Prospects*, Addison Wesley Publishing House Co. Readings Mass.

Blunt, P, 1990, "Strategies for Enhancing Organisational Effectiveness in the Third World", *Public Administration and Development,* Vol. 10

Carr, Nicholas, 2004, *Does IT Matter? Information Technology and the Corrosion of Competitive Advantage*, Harvard Business School Press.

Cohen, Stephen L, 1994, "The Future and HRD," William R. Tracey (Ed), Handbook *on Management and Development*, Vol. II, AMACOM.

Davis, Keith, 1972, *Human Behaviour at Work*, Mc Graw Hill, New York.

Decenzo, David A. & Stephens P. Robbins, 1989, *Personnel/HRM*, Third Edition, Prentice Hall, New Delhi.

Dickens, Linda, 1994, "Wasted Resources? Equal Opportunities in Employment," Keith Sissons (Ed), *Personnel Management: A Comprehensive Guide to Theory and Practice in Britain.*

Duncan, Daniel M, 1994, "Organisational Design",   William R. Tracey (Ed), *Handbook on Management and Development*, Vol 11, AMACOM.

Flamholitz, Eric G, 1971, "A Model for Human Resource Valuation: A Schochastic Process with Service Rewards", *The Accounting Review*.

Flamholitz, Eric G, 1972, "Towards a Theory of Human Resource Value in Formal Organisations", Journal of *the Accounting Review,* October Issue.

Flippo, Edwin B, 1984, *Personnel Management*, Fourth Edition, Mc Graw-Hill, New York.

Garratt, Bob,   1990, "Creating a Learning Organisation: A Guide to Leadership, Learning and Development" read online at, www.changezone.co.uk.publications/dynamicspubs.html

Guest, D.E, 1987, "Human Resource Management and Industrial Relations*", Journal of Management Studies*.

Guest, David E, 1989, "HRM: Its Implications for Industrial Relations and Industrial Organisation", J. Storey (Ed), New *Perspectives on HRM,* Routledge, London.

Guest, D. E, 1990, "Human Resource Management and the American Dream," *Journal of Management Studies*, 27(4)

Guest, D.E., 1997, "Human Resource Management and Performance: A Review and Research Agenda", *The International Journal of Human Resource Management*.

Gupta, R.K, 1988, *Human Resource Accounting*, Anmol Publications.

Invancevich, J.M. & W.F. Glueck, 1990, *Foundations of Personnel/HRM*, Business Publication, Texas.

Kamoche, K, "SHRM within a Resource Capability View of the Firm", Working Paper, Birmingham Union Business School.

Keeney, Ralph L, Detlof von Winterfeldt and Thomas Eppel, 1990, "Eliciting Public Values for Complex Policy Decisions," *Management Science, Vol. 36, No. 9.*

Keeney, 1992, "Creating Alternatives for Single and Multiple Decision Centers", *Sloan Management Review.*

Keeney, R, 1992*, Value Focused Thinking, Harvard* University Press, Cambridge.

Keeney, R.L, 1994, "Creativity in Decision Making with Values Focused Thinking", *Sloan Management Review.*

Leonard, Nadler and Zeace Nadler, 1994, "HRD in Perspective", William R. Tracey, (Ed) Handbook *on Management and Development*, Vol II.

Mahoney, Francis X, 1994, The Future and HRM, William R. Tracey, (Ed.) *Handbook on Management and Development*, Vol. II.

Mazzarres, Michael, Z, 1994, "The HRM Manager", William R. Tracey, (Ed) Handbook *on Management and Development*, Vol II. AMACOM.

Milkovich, G.T, B. Gerhart & J. Hannon, 1991, "The Effects of Research and Development Intensity on Managerial Compensation in Large Organisations", *High Technological Management Resources*.

Milkovich, George T. & W. J. Boudreau, 1997, *Human Resource Management*, Irwin, Chicago.

Odiorne, G.S, Personnel *Administration by Objectives*, Richard D Irwin Inc, Homewood Illinois.

Rao, V.S.P, 2000, *Human Resource Management, Text and Cases,* Excel Books, New Delhi.

Robbins, Stephens, P, 1985, *Organisational Behaviour,* Prentice-Hall, New Delhi.

Schein, E.H, *Process Consultation: It's Role in Organisational Development*, Addison, Wesley Publishing Company Readings Mass.

Schein, E.H, The *Art of Managing Human Resources,* Oxford University Press, New York.

Schein, Edgar H, 1969, *Process Consultation; Its Role in Organisation Development*, Addison-Wesley, Massachusetts.

Schein, Edgar H, 1983, *Organisational Psychology*, Third Edition, Prentice-Hall of India, New Delhi.

Schein, E.H, 1988, "How Career Anchors Hold Executives to Their Career Paths, R.Katz, (Ed), *Managing Professional in Innovative Organizations: A Collection of Readings,* Cambridge, MA: Harper and Row Publishers, Inc.

Stahl and Grisby, 1991, *Strategic Management for Decision Making*, PWS, Kent.

Story, John & Keith Sisson ,1993, *Managing Human Resources and Industrial Relations,* Open University Press, London.

Tracey, William R, 1994, "HRM in Perspective", *Handbook on Management and Development,* Vol. II, AMACOM.

Ulrich, Dave, 1994, "Human Resource Planning" William R. Tracey (Ed), *Handbook on Management and Development,* Vol II, AMACOM.

Werther, William B, Jr. and Keith Davis, *Human Resource and Personnel Management*.

1.8   ACTIVITIES

1. Discuss the significance of HRM in the context of Globalisation.

2. What is human resource development? How is it an integral aspect of human resource management?

3. Discuss the scope and significance of HRM.