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FUNDAMENTALS OF HRM

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HRM



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"HRM" is concerned with the people dimensions in management. Since every organisation is **made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment** to the organisation are essential to achieving organisational objectives.

- Typically, 'HRM' is a series of **integrated decisions** that form the employment relationships, their quality contributions to the ability of the organizations and the employees to achieve their objective
- HR is a management function that helps **managers to attract, set expectations and develop members** for an organisation.

Core Elements of HRM

- **People:** Organisations mean people. It is the people who staff and manage organisations.
- **Management:** HM involves application of management functions and principles for acquiring, developing, maintaining, and remunerating employees in organisations.
- **Behavioural Dynamics:** Decisions regarding people must be integrated and consistent and should influence the effectiveness and efficiency of the organisation which in turn should result into better customer service and Total Quality Management (TQM)

- **Uniformity of application:** HM principles are applicable to business as well as non-business organisations too, such as education, health, recreation, and even voluntary organisations.

Authors and their work related to HRM:

1. **Peter Drucker** (in the book Land Marks of Tomorrow) - no matter how much we can quantify, the basic phenomenon are qualitative ones such as change, innovation, risk, judgement, dedication, vision, reward and motivation.
2. **Robert Owen (1771-1858)** — Best investment of organisation is in worker (he called vital machines)
3. **Charles Babbage (1792-1871)** — A professor of mathematics an advocate of division of labour. He believed in applying scientific principles to work processes for increasing productivity and reducing expenses.
4. **Frederick Taylor (1856-1915)** — He is famous for his concept of Division of Labour and Time & motion studies.

Objectives of HRM

1. **Societal Objectives:** To be ethically and socially responsible to the needs and challenges of the society while minimizing the negative impact of such demands upon the organisation.
2. **Organisational Objectives:** To recognize the role of HRM in bringing about organisational effectiveness; as a major constituent in achieving organisational objectives.
3. **Functional Objectives:** To develop and maintain departmental contribution and level of services appropriate to the organisation's needs.
4. **Personal Objectives:** To assist employees in achieving their personal goals, to enhance the individual's contribution to the organisation.

Employee policies therefore need necessarily to focus on developing, retaining, and motivating employees in the organisation.

Managerial Functions of HRM

1. **Planning:** Planning is a pre-determined future course of action to achieve the desired results. Planning function involves - **Plan and research about best employee practices, wage trends, labour market conditions and forecast manpower** needs for optimum efficiency.
2. **Organizing:** Organising is a process by which a group of human beings **allocates its tasks among to members, identifies relationships, and integrates the activities towards achieving common goal.** Given this concept to organizing, the function of Organising encompasses - **Organizing manpower and material resources by creating a positive work environment for the achievement of organisational goals and objectives.**
3. **Staffing:** Organisation process results in the creation of a structure with various positions. Staffing is a process by which the various **functional departments are optimally employed by cost effective Recruitment and Selection, to attract not the best employee but the best fit.**
4. **Directing:** Directing is a process of **leading, supervising and guiding the personnel and activities** of the organisation. This function involves various tasks like **laying down policies, providing guidance and motivation of employees** for optimum efficiency.
5. **Controlling:** Controlling is an activity of regulating, checking, and verifying whether everything is in conformity with the laid down plans and objectives. Control function involves **regulating employee activities and policies according to structured plans and ensuring optimum utilisation of available manpower.**

Operational Functions of HRM

- 1. Procurement:** HR Planning, Recruitment and Selection, Induction and Placement.
- 2. Development:** Training, Skill Development, Career Planning and Mentoring, Counselling.
- 3. Compensation:** Wage and Salary determination and administration.
- 4. Integration:** Integration of human resources and its values with organisation.
- 5. Maintenance:** Sustaining and improving working conditions, motivation, employee communication.
- 6. Retention:** Minimal impact of separations caused by resignations, terminations, layoffs, death, medical sickness, etc.
- 7. Counselling or Advisory:** Providing expert advice and preventive counselling for all levels of employees for maintaining a healthier work environment.

Employee Policies

- A Policy is a Plan of Action. An employee policy spells out the Vision of the Management, **addresses basic needs of the employees and helps ensure a consistent treatment to all personnel by minimising favouritism and discrimination.**
- These policies are also plans of action to resolve **intra-personal, inter-personal and inter-group conflicts.** Managers need to ensure that their part of the organisation provides an environment in which individuals can flourish to the benefit of the enterprise and the individuals involved.
- **A well thought out and a well-defined policy helps manage the human resources effectively.** Ideally such policies should evolve over a period of time.

- People management is so dynamic that it rarely reaches a level of stability. One can expect an environment of continual change.
- **Organisations have attempted to deal with people, their employees, according to the understanding prevalent about human behaviour at any point in time.**

Importance of Human Capital

- **Human capital** means Human+ Capital
- **Human** refers to people who work in organisation which are assets of a firm.
- **Capital** refers to all of the assets a business needs to produce the goods and services it sells. **E.g.-** equipment, land, buildings, money, and, of course, people—human capital.

"Our employees are our greatest assets and the policy to attract and retain them is the key driver of our future business", a statement being made routinely by all CEOs.

It is important to examine the actual worth of human capital and how, **if well utilised, this capital can be converted into a highly productive resource.**

- In an organizational context, human capital refers to the collective value of the **organization's intellectual capital** (competencies, knowledge, and skills).

An economic history of human wealth can be divided into 3 eras, namely Agrarian era, Industrial era, and The Knowledge era which is currently most widespread.

- In the Agrarian era, man and his immediate surroundings were the primary source of wealth, in the Industrial era, machinery and natural resources formed the source of wealth and
- **In the current Knowledge era, it is the human capital that is the source of wealth. The essence of business is to convert its knowledge into goods and services required by the customer.**
- Ultimately it is the **knowledge that is exchanged for money.**
- Human capital thus can be discussed as the **sum of people skills, knowledge, attributes, motivation, and efforts.** It can be given or rented to others but purely on temporary basis, its ownership is **not transferable.**
- 'Human Capital is a core corporate asset, just like financial and physical assets. As such, it must be managed the way companies manage other assets. This requires thinking strategically about how to invest in human capital and figuring out how to optimize. And measure its return - **Allan Schweyer.**

Human Capital in Banks

- It is heartening to note that the new generation banks and the foreign banks have given considerable **importance to attracting the right talent, developing them to take up responsible positions in the organisation** and generally watch over their progress with considerable motivational inputs along the way.
- Many banks have a system of **continuous training and development of employees** across **all levels of the organisation from the clerical to the senior most executive.**

The Role of Industrial Relations

- Along with a more pronounced HRM approach would come the decline in the current IR focus. The typical Indian industrial relations have evolved **from political roots and labour market demands**. Politicians have sponsored unions and a number of major political parties have greatly influenced the scope of legislation in the industrial relations area.
- With the new-generation employees stepping on to the organizations, the 'Industrial relations' in organisations has taken a new dimension. The new-generation employees **are less inclined to Unionize thereby the Trade Unions of late have redefined its approach, philosophy, and roles**. Accordingly, the managements need to approach Industrial Relations function **with new and dynamic strategies devoid of old approaches without infringing the workers' rights and privileges**.

Key HRM Practices in Indian Organisations

HRM Practice	Observable Features
Job Description	Percentage of employees with formally defined work roles is very high in the public sector.
Recruitment	Strong dependence on formal labour market. Direct recruitment from institutions of higher learning is very common amongst management, engineering, and similar professional cadres. Amongst other vehicles, placement agencies, internet and print media are the most popular medium for recruitment.
Compensation	Strong emphasis on security and lifetime employment in public sector including a range of facilities like, healthcare, housing, and schooling for children.

Training and Development	Poorly institutionalized in Indian organizations. Popularity of training programmes and their effect in skill and value development undeveloped.
Performance Appraisal	A very low coverage of employees under formal performance appraisal and rewards or organizational goals.
Promotion and Reward	Moderately variable across industries. Seniority systems still dominate the public sector enterprises. Use of merit and performance limited mostly to globally orientated industries.
Career Planning	Limited in scope. The seniority-based escalator system in the public sector provides stability and progression in career. Widespread acceptance of voluntary retirement scheme in public sector by high performing staff. Cross functional career paths uncommon.
Gender Equity	Driven by proactive court rulings, IL guidelines and legislature provisions. Lack of strategic and inclusion vision spread.
Reservation System	The central government has fixed 15 per cent reservations for scheduled castes, 7.5 per cent for scheduled tribes and 27 per cent for backward communities. States vary in their reservation systems.

NEW INSIGHTS INTO HR MANAGEMENT

Contemporary Issues in Indian HRM

1. Growing internationalisation of business has its impact on HRM in terms of **problems of unfamiliar laws, languages, practices, competition, attitudes, management styles, work ethics and more.**
2. Changes in workforce are **largely reflected by dual career couples, an ever-younger workforce with little sense of loyalty, old superannuating employees, working mothers, more education leading to specialised sectors such as information technology, Biotechnology, and better-informed workers.** Employee expectations and attitudes have also changed; traditional allurements like **job security, house, and terminal benefits are less attractive today; employees now demand high cash compensation, empowerment, and a high degree of freedom to operate.** HR is required to redesign the profile of workers, and discover new methods of hiring, training, remunerating and motivating employees.
3. In today's dynamic world, even unions have understood that strikes and militancy have lost their relevance; trade union membership has fallen drastically worldwide, and the future of labour movement is in danger. **HR must adopt a proactive industrial relations approach and be prepared to renegotiate bargainable rights.**
4. The HR manager's focus on people must be justified and sustainable. Managers who demand decision-making, bossism, and operational freedom have to realign their roles in enhancing organisational and people capabilities.

Relationship Between HRM, PM, HRD

BASIS FOR COMPARISON	HRM	HRD
Meaning	Human Resource Management refers to the application of principles of management to manage the people working in the organization.	Human Resource Development means a continuous development function that intends to improve the performance of people working in the organization.
What is it?	Management function.	Subset of Human Resource Management.
Function	Reactive	Proactive
Objective	To improve the performance of the employees.	To develop the skills, knowledge and competency of employees.
Process	Routine	Ongoing
Dependency	Independent	It is a subsystem.
Concerned with	People only	Development of the entire organization.

The Role of the HRD Professional

While most HR professionals are required to perform routine activities, the HR head must work with **the management to develop a plan that would support a specific business strategy.**

Thus, he would advise the management as to how to bring about change, develop an incentive scheme that will make compensation structure most competitive in the industry and provide expert professional advice for optimal use of the human resources available. Working more as an internal consultant, the starting point is to have a clear understanding of the firm's environment, culture as well as the demands that can be made on this workforce.

- His role would be **to put in place a clear organisational structure**, then **develop an internal competitive environment** and **establish a very clear line of communication to result in coordination and cooperation** between business units as well as the various tiers of management.

The traditional HR approach includes the following as major **responsibility areas for the HR head**:

- **Planning** - Includes projections and planning for the skilled matrix of manpower required for the future organisation.
- **Staffing** - Providing the competency matrix required to face future challenges.
- **Employee development** - identify cost effective and modern methods of training for skill and competency development.
- **Performance Management** - Developing an entire gamut of performance linked measures to align individual performance to the overall corporate performance.
- **Employee Rewards** - with the pronounced emphasis on Pay for Performance, develop an incentive scheme that would reduce fixed costs while at the same time being motivating enough to induce best performance from an employee.

- **Maintaining Quality of Work Life and Discipline** - with the impact of global workforce it is necessary to develop a linked work-life discipline for all employees in the organisation.

Responsibilities and Tasks

Planning

- Develop, monitor use and update policies in line with the Company's strategic objective.
- Ensure uniform implementation of HR procedures as well as organisational compliance to recognised HR practices.

Staffing

- Provide each function/section with adequate staff with up-to-date job descriptions in line with managerial expectations.
- Implement all aspects of recruitment, induction, remuneration and termination in line with the HR policies as the need arises.

Performance Management

- Review performance processes and evaluate performance to ensure that the tasks performed are in line with the Company's strategy.
- Put in place measurement systems for periodic reviews and correction.

Training and Development

- Design a comprehensive training plan for the organisation.
- Implement the staff career development plans annually.

Compensation and Rewards

- Develop and implement a competitive remuneration strategy, updated annually, based on current best incentive practices.
- Design an Incentive plan to link rewards to performance.

Maintaining Quality of Work life and Discipline:

- Develop and implement a healthy retention strategy,
- Continually monitor statutory compliance, and
- Ensure methods for creative work-life balance.

Role of HR Managers in Banks (Today)

- **Counselor:** Consultations to employees about personal, health, mental, physical and career problems. A friend and career advisor to employees in the time of promotions, transfers as well as lateral movements.
- **Mediator:** Playing the role of a peacemaker during disputes, conflicts between individuals and groups and management. Display proficiency in union handling.
- **Problem Solver:** Solving problems related to engagement of human resources and long-term organisational planning
- **Change Agent:** Introducing and implementing institutional changes and installing organisational development programs; most critical in PSU banks where major transformations take place due to increased use of technology.
- **Management of Manpower Resources:** Broadly concerned with leadership both in the group, individual relationships, and labour-management relations.

Qualities and traits of a successful HR Professional

In order to be successful, the HR professional need essentially to possess the following qualities/traits:

- He should possess **good leadership abilities**.
- He should possess a high degree of freedom from bias. To be truly effective, the HR Manager must have an impartial objective attitude towards management, workers and work-groups. He should be known for his **honesty, integrity, sincerity, fearlessness and a sense of balance and justice**. He must have the ability to **understand human psychology**. He should be **humane and skilled in human relations**.
- He must provide **good growth opportunities to people and encourage them to take up higher positions and responsibilities** and to provide required **motivation for their development**.
- He should possess **good and effective communication skills**. He should be good **counselor** and should possess good **problem-solving ability**. Equally he should be a good listener and be considerate.
- He should have high level of **intelligence and knowledge**. His position demands high degree of **analytical ability, great resourcefulness, good judgment, intellectual honesty, alertness, and keen perception etc.**

ONE LINERS

- _____ means a continuous development function that intends to improve the performance of people working in the organization.

Ans: HRD

- _____ is a process of leading, supervising and guiding the personnel and activities of the organisation.

Ans: Directing

- Who called workers as a vital machine?

Ans: Robert Owen

- _____ it is the _____ that is the source of wealth.

Ans: Knowledge era & Human capital

- HR Planning, Recruitment and Selection, Induction and Placement comes under _____ function.

Ans: Procurement

- _____ is a process by which a group of human beings allocates its tasks among to members, identifies relationships, and integrates the activities towards achieving common goal.

Ans: Organizing

- Human Resources Management helps to improve _____

Ans: Productivity

- **Who famously adopted Taylor's Scientific Management approach?**
Ans: Henry Ford

