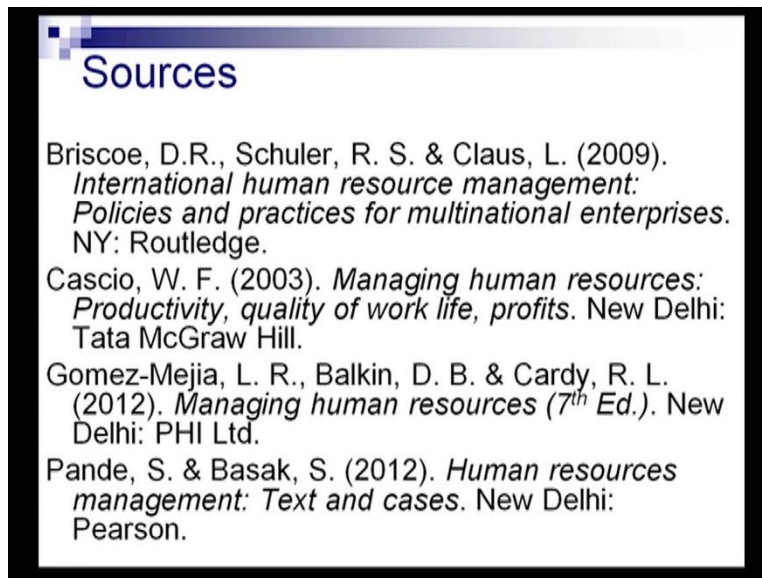


Principles of Human Resource Management
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Module No. #01
Lecture No. #01
Introduction to HRM

Welcome to the ten-hour course on, Human Resources Management, being offered by IIT, Kharagpur. My name is Aradhna Malik. I will be taking you through this course. This course is designed to alert you to show you to make you aware of the basic principles in Human Resources Management.

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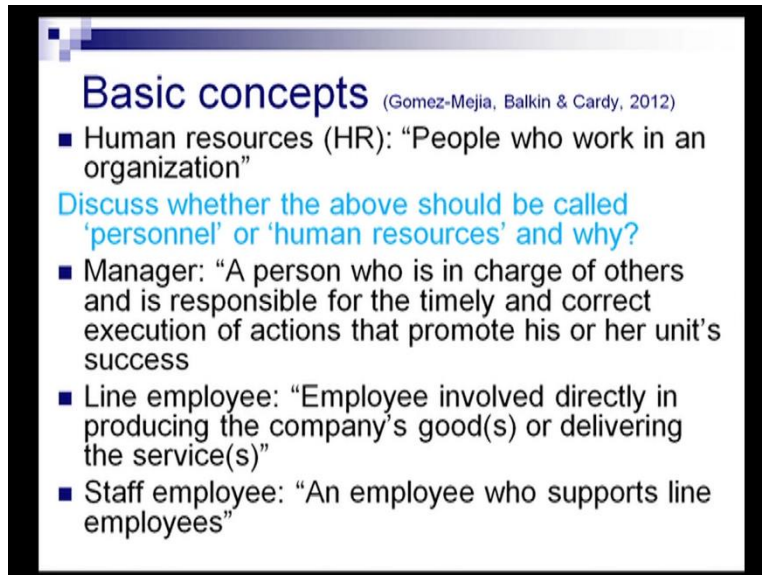


The sources that, I will be using for this course. are listed on the first slide. They are, this book by Briscoe called International Human Resource Management: Policies and Practices for Multinational Enterprises. Then, there is a book by Cascio. And then, there is a book by Gomez-Mejia, Balkin and Cardy. Then, there is another book by Pande and Basak. So, these books will be used for your course in Human Resources Management.

The topics that, I will be covering in this course are, functions of HRM, the role of Human Resource Management, Human Resource planning and recruitment, employee testing, selection, interviewing candidates, performance appraisals, performance management and the appraisal

process, training and development, and managing career. So, in brief, I will show you, what human resources are.

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Basic concepts (Gomez-Mejia, Balkin & Cardy, 2012)

- Human resources (HR): “People who work in an organization”

Discuss whether the above should be called ‘personnel’ or ‘human resources’ and why?

- Manager: “A person who is in charge of others and is responsible for the timely and correct execution of actions that promote his or her unit’s success
- Line employee: “Employee involved directly in producing the company’s good(s) or delivering the service(s)”
- Staff employee: “An employee who supports line employees”

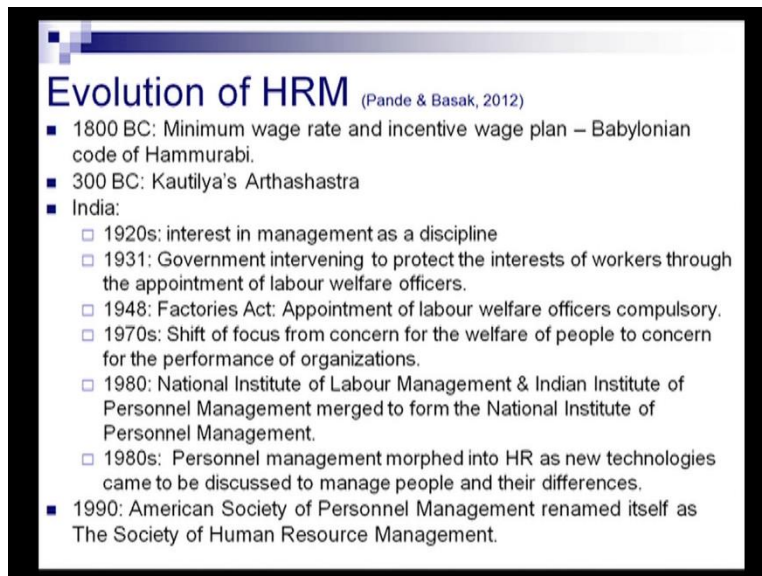
Some basic concepts. Human resources, HR. Human Resources consist of people, who work in an organization. That is what, Gomez-Mejia, Balkin, and Cardy feel. Now, why don’t you discuss amongst yourselves, whether the above should be called personnel or human resources, and why. What is the term, that would make more sense to you? What is the term, that would make that would feel better? And, I will explain the differences, between these two terms, in a few minutes from now.

So, please discuss amongst yourselves, whether this term should be Personnel Management or Human Resources Management. Because, we are essentially discussing the people, who work in an organization. Now, another basic concept that, I would like you to focus on is, manager. Gomez-Mejia, Belkin, and Cardy feel that, a manager is a person, who is in-charge of others, and is responsible for the timely and correct execution of actions, that promote his or her unit’s success. Is a manager somebody, who gets the work done by other people, or is a manager somebody, who takes responsibility for the work, that she or he gets done by people, or delegates to the people, who are responding to her or him?

The other concept, I would like you to focus on is, line employee. Gomez-Mejia, Balkin, and Cardy feel that, a line employee is an employee, who is involved directly in producing the

company's goods or services. According to them, a line employee is the person, who actually does the job. Everybody else is managing the job. But a line employee is somebody, who is really taking care of the work, that needs to be taken care off. A staff employee is a person, who supports the line employee. Which means, these are the people, who give them, whatever they need to do their work properly.

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Evolution of HRM (Pande & Basak, 2012)

- 1800 BC: Minimum wage rate and incentive wage plan – Babylonian code of Hammurabi.
- 300 BC: Kautilya's Arthashastra
- India:
 - 1920s: interest in management as a discipline
 - 1931: Government intervening to protect the interests of workers through the appointment of labour welfare officers.
 - 1948: Factories Act: Appointment of labour welfare officers compulsory.
 - 1970s: Shift of focus from concern for the welfare of people to concern for the performance of organizations.
 - 1980: National Institute of Labour Management & Indian Institute of Personnel Management merged to form the National Institute of Personnel Management.
 - 1980s: Personnel management morphed into HR as new technologies came to be discussed to manage people and their differences.
- 1990: American Society of Personnel Management renamed itself as The Society of Human Resource Management.

Evolution. Where did this whole concept of Human Resources Management come from? The earliest recorded accounts of Human Resources Management are from 1800 BC. Where the again, historians have discovered documentation of all this, and they say that, they have records of the minimum wage rate and incentive wage plan, introduced in the Babylonian code of Hammurabi. So, these are the earliest found documents of the concept of Human Resources Management in organizations.

The term may be new, but the concept is ages old. The concept is probably as old, as the concept of business, as the concept of commerce, as the concept of give and take in human, in human societies. So, in 300 BC, then another recorded account of the evolution of human resources practices are from Kautilya's Arthashastra from 300 BC, 300 years before Christ, which is, this is year 2000, this is 2300 years ago, more than 2300 years ago.

And, this happened in India. And so, you know this was found by the Indian historians. And in India, the history of Human Resources Management, or the recorded accounts of the history of the study of Human Resources Management, dates back to the 1920's, where there was an interest in management, as a discipline among academicians.

In 1931, the government intervened to protect the interests of workers through the appointment of labor welfare officers. This was the pre-independence era. This was the time, when the British were still in the country, and we were trying to get them to leave. And this was the time, when we were in addition to forcing the British to leave our country. We were trying to take care of the employees, who were serving our businesses.

So, the government intervened, and they said that, every organization should have labor welfare officers, who should take care of the interests of workers. In 1948, as soon as India gained its independence, the one of the first thing that was put in place was the Factories act. Which insisted, which emphasized, on the need for the appointment of labor welfare officers, in every single organization.

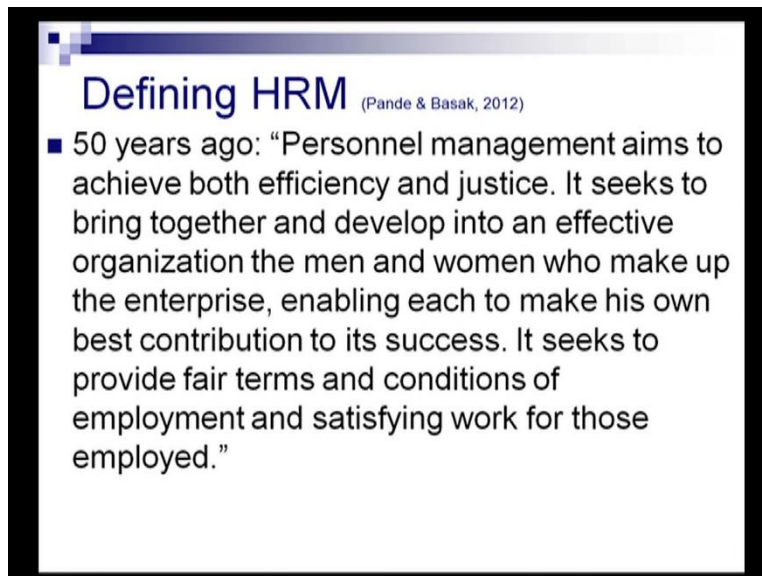
So, the people who developed our constitution, our lawmakers, realized that, in order to help a country, overcome the problems that, the British accession had left behind, that the partition had left behind, they needed somebody, they needed to take steps to ensure that, the people who were actually working in these factories, day and night were looked after.

So, because of that, this factories act was put in place. From 1948 to the 1970's, for about 25 to 30 years, this act looked after the Interests of the workers in factories. In the 1970's, then they realized that, we also need to look after the production, the productivity, the output of these people. So, there was a shift of focus, from concern for the welfare of people, to concern for the performance of organizations. So, in addition to, looking after the interests of the people, who were working in the organization, there was also a renewed interest, in looking after the, in evaluating, how much work was done by the people, who served the organization. And, that was in the 1970's.

In 1980, National Institute of Labor Management and Indian Institute of Personnel Management, merged to form, the National Institute of Personnel Management. And, in the 1980's, the personnel management morphed into human resources, as new technologies came to be discussed, to manage people and their differences.

Then in 1990, the American Society of Personnel Management renamed itself, as the Society of Human Resource Management. So, the concept of human resources, the focus on human resources, developed and evolved as time passed by. Focus shifted from, the focus on welfare of the people, to welfare plus what they produced. Evaluation of the work, that they did.

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Defining HRM, about 50 years ago, personnel management was the focus. About 50 years ago, people focused on personnel management. They focused on the interests of personnel, slowly the focus shifted from the interest of the people, who were working to the productivity.

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Personnel management & HRM

(Pande & Basak, 2012)

Personnel Management	Human Resource Management
Reactive, servicing role	Proactive, innovative role
Emphasis on implementation of procedures	Emphasis on strategy
Specialist department	General management activity
Focus on employees' need in their own right	Focus on employees' requirements in the light of business needs
Employees seen as a cost to be controlled	Employees seen as an investment to be nurtured as well as a cost to be controlled
Presumption of union manager conflicts	Conflicts dealt with by team members within their teams
Preference for collective bargaining of pay and working conditions	Management led planning of people resources & employment conditions

Some differences between personnel management and human resource management. Personnel management serves a reactive servicing role. Personnel management finds out, what has been done wrong. Finds out or works, on the interests of the people, and what should be done to protect the interests of the people.

So, how do we know that, the interests of the people have been affected. When we see that, they are sometimes, their productivity is getting affected, they are not feeling comfortable, they are not feeling safe.

So, personnel management focuses specifically on, protecting the interests of the people in hindsight. Human Resources Management on the other hand, adopts a proactive innovative role. Which means that, Human Resources Management essentially serves, to be more thinks ahead, strategizes, and develops concepts. Ahead of time, tries to understand, what is to come and work accordingly.

In personnel management, the emphasis is on, implementation of procedures. The emphasis is on working, according to the law, that has been laid down. In human resource management, the emphasis is on strategy. In personnel management, the personnel management is a specialist department. Human Resources Management on the other hand, is a general management activity.

So, people are really focusing on, what they can do to, you know, since it involves, or it influences, all the other departments of an organization. The emphasis is on integrating or looking after the interests of the people, who are involved with different aspects of management, could be operations, could be finance, could be research and development, could be human resources, could be anything.

Then, in personnel management, employees are seen as, a cost to be controlled. So, the organization spends some amount of money on employees, on hiring employees, on retaining them, it pays their salaries. So, from the perspective of personnel management, employees are seen as a cost. You pay their salaries, so it is a burden on the organization.

If you see things, from the perspective of Human Resources Management, employees are seen as an investment. And, what is an investment. An investment is something, that you pay for, that pays you later, it pays you back later. So, employees are seen, as an investment to be nurtured, as well as a cost to be controlled. Employees are seen as something, that you pay for now, that will give you a lot of returns later. Plus of course, there is some burden on the organization. You are paying them their salaries. You are paying for their training needs. And you do not know, whether they will stay with the organization long enough, to give you anything in return.

From the perspective of personnel management, there is a presumption of union-manager conflict. Which means that, a hierarchy is assumed in the organization. And, it is assumed that, people at lower levels of the hierarchy, will get together, will work collaboratively. And, as a collective, they will be disappointed, or they will be dissatisfied with the decisions, management makes or their senior managers make. And on the other side, it is also assumed that, managers will not be comfortable with the demands, the unions, these collectives of employees, are placing on the organization. Human resource management, on the other hand, sees conflicts as, inevitable in teams.

Wherever there are people, who were coming from different backgrounds, there will be a conflict, and it will be dealt with, by team members, within their teams. Personnel management focuses, on a preference for, collective bargaining of pay and working conditions. So, when

people will get together, their interest will be looked after, and they will try, and get as much from the organization as possible. In human resource management, they will, management led planning of people, resources and employment conditions, are stressed on. So, from the Human Resources Management perspective, we feel that, we will do whatever we can, to protect the interests of our employees.

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Personnel Management	Human Resource Management
Emphasis on settling pay more in terms of the organization's internal market	Emphasis on competitive pay and conditions to stay ahead of competitors
Serving other departments/ units	Contributing 'added value' to business
Supporting change	Stimulating change
Challenging business goals in the light of effect on employees	Total commitment to business goals
Less flexible approach to staff deployments	Completely flexible approach to staff deployment

From the perspective of personnel management, the emphasis is on settling, pay more in terms of the organizations internal market. Who gets paid, what, which department gets paid higher, which department gets paid lower. Every care is taken, to ensure that, the employees are not uncomfortable, with each other salaries. They are all paid, at par with each other. From the Human Resources Management perspective, we presume that, people are coming to the organization, from different parts of the world, with different capacities, may be different parts of the country. But they are, as free to choose our organization, as we are to choose them.

They are under no burden, no pressure, to choose the organization, that they are a part of. So, if we do not pay them, what they deserve, somebody else will pay them, and skilled workers will go of, from our organization to, maybe a competitor. So, the emphasis is on, competitive pay and conditions, to stay ahead of competitors. We find, who are the best people in, you know we find out, who the best people are to do the work, that we assign them to do. And, we pay them higher than our competitors, in order to stay ahead, of our competition.

We hire the best people, and give them salaries, that they would get from our competitors, or higher salaries than, what our competitors would give them. So, that they are satisfied with the organization, they are working in. And that is how, we stay ahead of the competition. From the perspective of personnel management, there is, we serve other departments or units.

The department of personnel management is a small department, which sends people to other departments, and looks after the interests of only these people. From the perspective of Human Resources Management, we are contributing added value to business. We are giving them, the people we think, can take care of the needs of this organization.

And, we are looking after these people. And, we are also, and in turn, we are improving the quality of work, produced by the organization. From the perspective of personnel management, we are supporting change. So, we modify, we adapt, as and when change occurs. From a human resource management perspective, we do everything in our capacity to anticipate, how we should change, and stay ahead of the game and stimulate change.

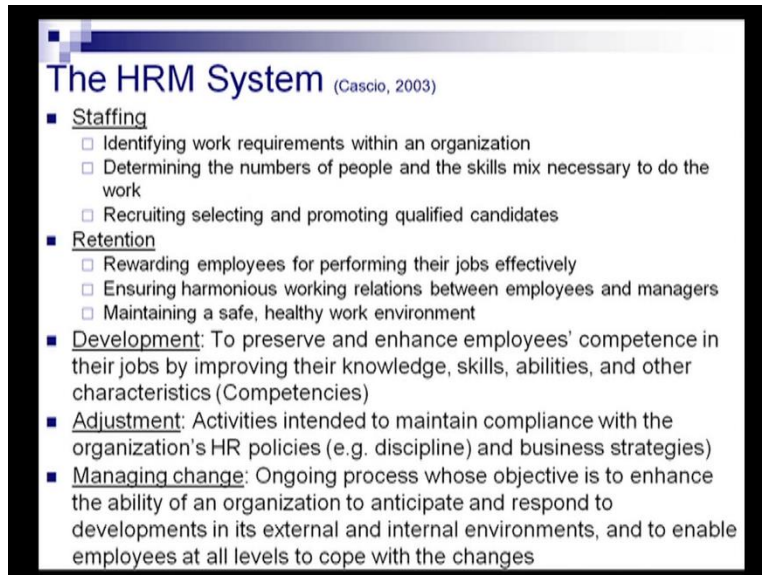
So, we become the changemakers. From the perspective of personnel management, there are challenging business goals, in the light of their effect on employees. So, the business goals, that we come across, are supposed to have an impact on the employees.

And, we are supposed to challenge, those business goals. We are supposed to change, those business goals, from the perspective of the impact that, they will have on the employees. From Human Resources Management perspective, we have a total commitment to business goals. And, we help our employees change, and adapt to the business goals, as opposed to changing, or modifying the goals, according to the needs of the employees. From the personnel management perspective, there is a less flexible approach to staff deployments.

Whoever is in one place, is supposed to be there, and not move. Why because, it will inconvenience them. In, from the human resource management perspective, there is a completely flexible approach to staff deployment. People are supposed to be moving out of their comfort zones, and doing things that, they have never done before. And, it is okay. It is the responsibility

of the organization, to take care of their needs, and help them go through, that change as best as possible.

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The HRM system, now, what does this whole system of Human Resources Management consist of. Human Resources Management can be divided into five broad categories, five broad areas. One is staffing, which includes identifying work requirements within an organization, determining the numbers of people and the skills necessary to do the work, and recruiting, selecting, and promoting, qualified candidates.

How do you identify, what needs to be done? How do you determine, the number of people, who needs to do, what needs to be done? Or, who are required to do, what needs to be done? And, how do you find these people, who can do, what needs to be done, in order to make, what the organization is, there to make. In order to do, what the organization needs them to do. How do you recruit them, which means, how do you bring in new employees.

How do you select a pool of employees? Or, how do you shortlist them? How do you decide that, this pool, this set of employees, is going to be appropriate? How do you select the best ones? And, how do you promote qualified candidates, from within the organization? All of this whole big processes called staffing. The second thing that, the department of Human Resources Management does is Retention.

Once you take employees in, what do you do to help them stay. What do you do to help them, be in the organization? What do you do, to make sure that, they stay in the organization, they contribute to the organization, and they do not leave. Okay. And, this includes, rewarding employees for performing their jobs effectively. This includes, ensuring harmonious working relations, between employees and managers.

This also includes, maintaining a safe healthy work environment. So, you reward them, you give them positive reinforcement. You make sure that, they are comfortable with the people, who they are working with, their superiors, peers, subordinates. You also make sure that, they do not feel uncomfortable in the office environment, to maintain a safe healthy work environment. For example, in organizations, in say textile mills, there is a lot of, there is a lot of fiber, that is floating around. And that fiber, can seriously damage the respiratory system of the employees. And, that is not right.

So, you take care, to make sure that, the respiratory system of, or the breathing of the employees, is not affected by, whatever is in the air. There is a lot of tiny fiber particles moving around or there could be smoke. You know, say refineries, there could be smoke, there could be heat and that could seriously damage your, you know, cause physical and physiological damage, to the employees, working there. So, you provide them with, all kinds of safety gear, to make sure that, they are able to do their work properly. So, that is part of the retention strategies.

Then comes, development. To preserve and enhance employee's confidence in their jobs, by improving their knowledge, skills, abilities, and other characteristics, which constitute their competencies. So, you take employees in. You make sure that, they want to stay. Then, you also help them grow. We are all human beings. We all want growth. We all want to do things well. We all want to excel in our careers. We all want to learn from our environment. So, how do we do that. And, it is the, when we take employees in, we want them to contribute to the working of our organization. At the same time, we also want these employees to feel comfortable.

And, all employees come into the organization with personal goals. They come, they want to help the organization grow. They have to contribute to the ultimate goal and objective of the organization. But at the same time, they also have certain personal goals, could be money, could be learning new skills, could be a, you know engaging and challenging roles, could be, I mean anything.

So, it becomes the responsibility of the human resources department to identify, what they want from the organization, and give it to them as much as possible. So, they stay engaged in their jobs, they stay interested in the company, they stay involved with the company's goals, and they are able to achieve their own personal goals, through the achievement of the organizational goals.

Next is adjustment. Most of the times, we do not like, what we do. Let us all admit it. I am a professor. I am the, only painful part of my job is corrections. I will be honest with you, I am declaring this in a public forum. I love teaching. I love research. I like to deliver courses like these. And you know, but we also have to comply with, whatever we are asked to do so. When we teach students, it becomes our responsibility to ensure that, their papers are evaluated.

So, I also need to work on, I also need to read answer scripts. I also need to go through, say 50, 80, 100 papers with similar answers, to the same question. Every single time, I set, maybe 7, 8, 10 questions. And during the examinations, when students sit and write, it is my responsibility to read every word and give students credit, for whatever they have understood.

And, that is very boring. Teachers, know it. But, we have to do it. So, in every job, there are things that, we may not like. There are parts of our work that, we are not comfortable with. And, it becomes the responsibility of the HR department, to help us adjust to these situations. It becomes the responsibility of the HR department, to help us adapt to these situations, to help us become more comfortable with things that, we may not feel comfortable with, and to help us stay within the rules. Now as a teacher, I would like to teach whenever I want. But I have to go to class on time.

So, there are checks and balances. I have to make sure that, I stay within the boundaries of the syllabus, that has been decided. Or, I inform students ahead of time, whenever I making any change. I would like to do things at my own whim, but then I cannot do them. And, there is a set of rules, that governs, who stays in my class, and who does not.

I have freedom in the classroom, but I am also bound by these rules. Who decides these rules? The human resources department of any organization in any work. So, the boundaries, the limitations, what you can and cannot do, your jurisdiction, is decided by the human resources department.

Okay. Managing change is another thing that, the human resources department does. It is an ongoing process. Whose objective is to enhance the ability of an organization, to anticipate and respond to developments, in its external and internal environments. And, to enable employees at all levels, to cope with these changes. So, it becomes the responsibility of the human resources department, to find out, where and how changes occurring, and to keep pace with it. Okay.

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Activity	Responsibility of HR Department
<u>Staffing</u>	Job analysis, human resource planning, recruitment, compliance with civil rights laws and regulations, application blanks, written tests, performance tests, interviews, background investigations, reference checks, physical examinations
<u>Retention</u>	Compensation and benefits, employee relations, health and safety, employee services
<u>Development</u>	Development of legally sound performance management systems, morale surveys, technical training, management and organizational development, career planning, counseling, HR research
<u>Adjustment</u>	Investigation of employee complaints, outplacement services, retirement counselling
<u>Managing change</u>	Provide expertise to facilitate the overall process of managing change

This table, sums up these different responsibilities, of the department of human resources. (Refer Slide Time: 29:22)

Challenges of HRM (Gomez-Mejia, Balkin & Cardy, 2012)

- Environmental challenges: “Forces external to the firm”
 - Rapid change
 - New company townships
 - Dealing with stress
 - Rise of the Internet
 - Necessitating better written communication skills
 - Dealing with information overflow
 - Breaking down labor market barriers – workers & companies know where to get what they need
 - Using online learning
 - Enabling HR to focus on management
 - Workforce diversity

Okay, some challenges. Some challenges of the department of human resources now. First, the first category of challenges, that any human resources manager faces, is the environmental challenges. What are environmental challenges? Environmental challenges are the forces, external to the firm. They are, what happens outside the organization, that affect, what goes on inside the organization. The first one is, rapid change in the environment.

So, it could be the socio-political environment, it could be the socio-economic environment, it could be the technical environment. Now, so many changes are happening. And, they are leading to new company townships, new ways of living, people coming in, people going out, lot of mobility. You know, changing family structure is leading to, a lot of stress. The demands on the organization, to stay ahead of its competitors, is leading to a lot of stress, among the employees.

In all this, is the result of rapid change. How do you keep up, with new technologies, coming in? All of this, is affecting, how we deal with the change. So, and that places a lot of stress on us. Then, the second thing, which is related to the first point is, rise of the internet. Many of us have seen a life, without the internet. Many of us have seen a life, where we use the big black heavy telephones. Where our fingers would get tired, when we dialed phone numbers, these big heavy black phones. I personally have seen, single digit numbers, phone numbers. I have seen the transition from single digit phone numbers in my hometown.

Single digit to two digit, where we had to pick up the receiver and we would get connected with somebody in the exchange, who would recognize our voice, after a few days or months, and would first have a chat with us, and then would connect us to the number, we were asking to be connected to.

So, one, two, by the time, you know things in my hometown, transitioned to the third, say three digit numbers. we started using the dials, and these were the big black heavy phones, that we could not lift. Somebody had would come and put them there, and we did not have to, we were not allowed to move the place. So, you know, that transition was very difficult for us.

And, just imagine for people, who were working. These transitions were even faster. The generation, the people, those of us, who have worked, or who have been around, since the 1970's or 80's have seen this transition, from in no phone era, or say, you know this picking up the receiver, or maybe a single number era, to a ten-digit mobile phone era, where all you do is, press one button on your mobile phones, and get connected.

Another thing is that, this internet business has resulted in the course, that I am teaching you, face to face. I am recording this on the 16th of September, 2015. Because of the internet, because of the change in technology, I do not know, when this course will be aired. But, because of this technology, I would not be surprised.

If there is any value in this course, and if it is still viewed in, say 2050 or 2150, who knows. It could still be around long after, I have died. And, that is the big benefit that, technology has given us. I have to be very careful about, what I say here. I would not need to be so careful, in a regular classroom. But here, I have to be careful about, how I look, how I talk, what I say, what I do not say, whether you can hear me coughing, all of this has to be a part of, what I am saying.

I can see the people, who are recording this, are switching between the slides in my face. Anytime I need to take a break, to cough, they are switching. All of this is, because of the internet, because of this change in technology. How do they know, when to focus on my face, and when to focus on the slides?

They have access to the slides. They have access to me. So, they are constantly changing these things. Any way. Then the other thing is that, dealing with information overflow. Of course, a rise of the internet has led to a necessity, for better written communication skills.

When you put something on line, we need to know, how to write. By default, the people, who invented the internet, were native speakers of English. So, everything is happening in English. If the person, who invented the internet, or because of, who the internet became, came to be used worldwide, maybe, if that person had been a German, we would have been having, this conversation, this course in German. Everybody would have been forced to learn German, or Italian, or Chinese, or Hindi, or whatever.

But, we all need to, one develop expertise in the language, that is being used, and learn, how to write in that language. Dealing with the information overflow, many must remember a time when, to get one piece of information, we had to go to the library, and look at this big fat book called an encyclopedia. And these days, what do we do.

One click of a button. So, at one click of a button, we are able to get, all the information, we need, and much more. And, we do not know, what to trust, and what not to trust. The other thing, we need to, or we are having to, deal with, because of the internet is breaking down labor market barriers.

I can get a job, anywhere I want, based on my qualifications. So, location is not a problem for me. Okay, most of us are willing to move, outside our home towns, outside our states, outside our countries. So, we can go anywhere, we want. Similarly, geographical location is not a restricting factor for organizations.

We have, so many people, who have been hired from abroad. One very good example of this is, the private airlines, within India. In India, a lot of people, if you know, we do not come to know, how many foreign pilots, there are. But, when you sit on an Aeroplane, say, on one of the private

airlines. I cannot tell you, which one, but you know, when the captain's name is announced. You realize, oh my god, this person does not belong to India.

So, we are not restricting ourselves. We not only looking for Indian pilot, even though, India has a very large number of, very qualified, very experienced, pilots. But, depending on our need, we get people from, all over the world. And, this is even more pronounced in bigger cities, which is where, a lot of foreigners are willing to come.

So, may be Hyderabad, maybe Delhi, may be Bombay. Of course, Bombay has a very large population of people from abroad. Bangalore, a lot of people have decided to come and settled down in Bangalore. Ahmedabad to some extent. It has lots of people from all over the world. We are not restricting ourselves.

And, how do we know that, somebody, say in Poland, or somebody in Uruguay, or somebody in Greece, can help us do, what we want. How do we know this? At the click of a button. Just imagine, in this day and age, it is not so unimaginable. But, a lot of your senior's people, who were around my age group, would have known this.

When we were in school and college, even getting through, to somebody in another town, was difficult till, the straight trunk dialing came in. So, the STD facility came in. And, these booths sprung up all over India. It was difficult.

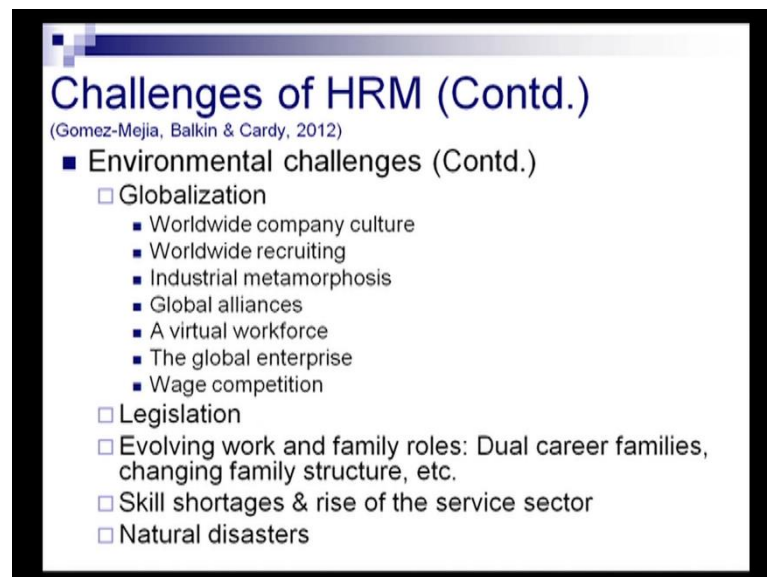
We have to book a trunk call, and wait for hours, sometimes days, to get through to somebody, in another town or state. And these days, at the click of a button, we can do a video chat. I remember reading a comic about it. Telly picture phone, when I was a kid. That was science fiction, that time. And, today it is a reality. What was called telly picture phone at that time is, what you do on your phone using the video chat app. We had never heard these things, when we were kids. So, all of this has changed. And, because of this, you can find out, which person in, which part of the world, is qualified to do, what you need them to do. And, you just have a chat with them, and you bring them to your place of work.

Using online learning. So, this is what, we are doing. That is, in again, a reason, a result of the internet, enabling human resources, to focus on management. So, we are using human resources to help us, focus on management. To focus, on the overall picture, of how we do things.

We are no longer looking only at the interests of the employees, we are also looking at, how these employees can contribute to the organization and workforce diversity. Different people from different parts of the world are bringing different ways of working to the workplace. And, knowledge of human resources being well-versed.

In human resources helps us, take whatever they bring, and apply it, use it, to get the maximum benefit, out of their skills, out of what they can do. It also helps us understand, how we can make their workplace, so more comfortable. So, they feel inclined to contribute, and they are able to contribute. Two things, one is the willingness, two is the ability. And, having a thorough knowledge of the differences in backgrounds of people, and how these differences can influence people, helps us understand, how we can use their skills and potential to their maximum.

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Challenges of HRM (Contd.)
(Gomez-Mejia, Balkin & Cardy, 2012)

- **Environmental challenges (Contd.)**
 - Globalization
 - Worldwide company culture
 - Worldwide recruiting
 - Industrial metamorphosis
 - Global alliances
 - A virtual workforce
 - The global enterprise
 - Wage competition
 - Legislation
 - Evolving work and family roles: Dual career families, changing family structure, etc.
 - Skill shortages & rise of the service sector
 - Natural disasters

Another thing is globalization. Globalization means, being able to stay in touch with people, being able to move to different parts of people, being able to consider perspectives of different people, from all over the world. So, this is very similar to what, I was talking about earlier.

Geographical location is no longer a limitation. It is actually an opportunity for us. Geographical location is so, I mean you know, we do not really think about, where a person is coming from.

We just find out, who is qualified and able to do, what we need them to do. And, we call them and they come. So, the world is our village now. Otherwise, one big large village, we are able to get in touch with people. We are able to find out, what they are able to do, and we are able to get them here. And, that has led to the growth of the worldwide company culture.

We have people from, so many different backgrounds. We have a, we are getting, a pool of candidates, from all over the world. And, that is leading to an industrial metamorphosis. How we view organizations. What organizations can do, what they can explore is really unlimited at this point.

So, an organization, that was initially, or started initially, as a cloth mill is now selling vegetables, are also into selling fresh fruits. So, it is your homework, you go and find out, what is the name of this organization. You know, it started out, that factory started out as a factory that sold, or a, an organization that sold cloth, in its initial stages. And now, it is in to, petroleum, and it is also selling, or has stores, that sell fresh foods.

I am in the year 2015. So, I am sure, this organization will survive a lot longer, and will be around for a longer time. There is an organization, that makes steel. That has a lot of, you know, they make jewelry, they make steel. They have, they are in to the service industry. They have an airline. They have hotels. So large conglomerate. And, so you know all of this has happened, why because, we are able to find out new avenues, of taking our business to different levels.

Then there is global alliances. We are partnering with people from different parts of the world. We are getting together with people from different parts of the world. And, we are adapting to their ways of working, and they are adapting to our ways of working. And, that has led us to

globalization. Now, in order to, you know in, in addition to this, being an opportunity, it is also a limitation.

And, I will tell you in a little while, how this is a limitation. Then, we have a virtual workforce. We can outsource work. We can get things done online. We can get things to us online. We do not even have to meet people. A very nice example of this, I can cite a personal example here is that, I am on the editorial board of an international journal. It is an un-paid assignment. I just help out my own profession

And, in this, you know, as part of this work, I am sent a chunk of articles, that I review, that I proof read, that I edit, and then I compile, all of them into the form of a journal, and I sign off as the associate production editor of this journal. I have never met these people. I have been helping this journal for about five years now. I have never met these people in my life.

But, I have done a lot of work with them, and for them. So, I send them emails. Sometimes, five emails a day, and ask for their advice, get back to them, ask them to do things for me, they have me do things for them. We never met. This is a virtual workforce.

Whatever, we do put together is, up available on the internet, in the form of this journal. A lot of journals are doing it. So, I am not here to publicize any company or journals. I am not going to tell you the name. But, that is how, these virtual organizations work the global enterprise.

We not only do things virtually, we also are not restricting ourselves to setting up our offices within one country. We are moving out of our geographical boundaries. We are moving out of our hometowns, out of our states, out of our countries, and setting up an office, wherever, either there is a need, or wherever, we can get things done.

For example, in India, at this point in time, in the year 2015, there are a lot of companies, that have set up their back-office operations, here in the past 15 to 20 years. A lot of organizations have outsourced, their back-office operations. Why, because commuting or getting information over the internet is not so difficult.

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Challenges of HRM (Contd.)
(Gomez-Mejia, Balkin & Cardy, 2012)

- **Environmental challenges (Contd.)**
 - Globalization
 - Worldwide company culture
 - Worldwide recruiting
 - Industrial metamorphosis
 - Global alliances
 - A virtual workforce
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 - Wage competition
 - Legislation
 - Evolving work and family roles: Dual career families, changing family structure, etc.
 - Skill shortages & rise of the service sector
 - Natural disasters

There could be various reasons. One of them is that, they pay, they end of the total amount of money, they end up spending in India, is much less than, the total amount of money, they would end up spending in their home countries. So, labor is cheap. People are very smart. Indians are very smart. Very very hard-working. I am not saying, people in other countries are not. But, Indians, South Asians are known for their hard work and intellect. And, it works as a win-win situation, plus there is a need for jobs.

So, these companies are bringing in lots of money. So, we are also opening our doors to them. So, you know a lot of reasons have gone into it. But the fact remains that, a lot of people have brought their work to India. Why because, people can get their work, and here, see may be, much faster, or you know, at cheaper rates, or there are more qualified people here, or various reasons.

Similarly, there are organizations, that have set up their operations, in a the first level of their operations in the country, where they get raw material from. So, this has staked their operations there. Take the raw material there. Put it into or to transform it into a form, that they can bring back to their country. And just put it together and make a product.

So, we are not restricting ourselves. Then there is the wage competition. Again, you know that globalization has led to, you know a confusion about, what kind of wages to pay the employee. So, if you hire local labor, you pay them slightly higher than, what they are getting in their home countries. But, it could end up being much cheaper than, what you would pay to the same people, or similarly qualified people in your home country.

So, how do you decide, all of this is being caused by globalization. We know, what our counterparts are getting in other country. So, we ask for competitive wages, and this causes a confusion. But then again, if we are getting more than, what our counterparts within our own country are getting, then that sort out or stabilizes the issue.

The other challenge is legislation. Now, legislation is a big challenge. Why because, when you employ people in different countries, when you with all these changes, you know especially in the case of international human resources. We do not know, where the laws of which country, we need to follow. Whose laws, do we need to follow? What we need to do? What we cannot do?

All of these things are part of the environmental challenges. Then, evolving work and family roles. The family structure is changing. A lot more people are feeling, the need for working alongside their partners. The traditional working husband, homemaker, wife role has not transformed into dual career families. Both husband and wife are working.

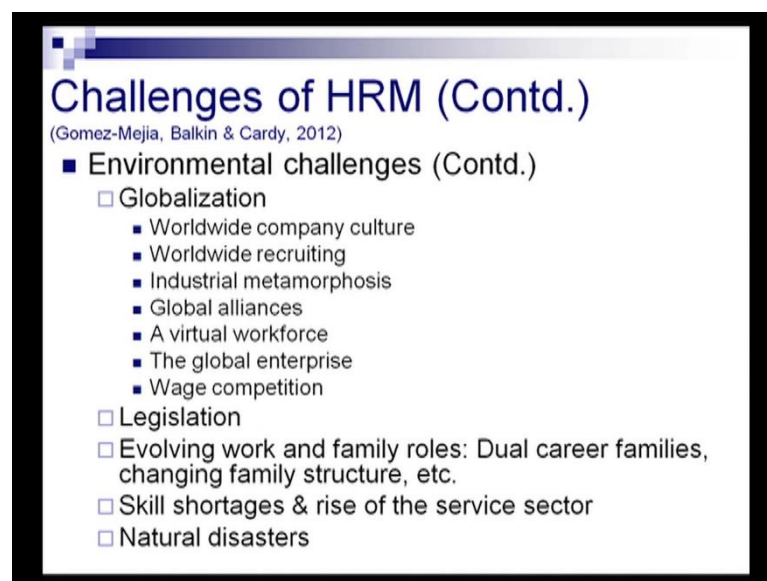
Children feel much better, if both their parents are working. Because, they get, I mean, it is better for the growth of their children also. Because, they get very different perspective from their parents. I am not saying that, single families, where women are homemaker are bad. I grew up in a household, where my mother was a dedicated homemaker. And, I would not have had it any other way.

Many of us, Indians especially in India, we feel that way. But, there is some merit also to, you know, the working women. I am a working woman myself. So, you know dual career families are on the rise. And, organizations need to take care of these spouses of people. We are all human beings. At the end of the day, we are all human beings. I am not here only for the

challenge, that this work forge me. I am also here in this organization, for the past seven years. Because, my organization treats me like a human being.

I have chosen to stick with this organization, to be committed to this organization, to work for this organization, because I am treated like a person, a living, breathing, feeling person. If I am in trouble, my organization comes together and takes care of me. In times of crisis, my organization, my employees, my subordinates, my superiors, come together like a family.

They forget that, I am an employee. They only focus on my needs as a human being. And, they look after me, so well. And that is why, I am here. And here, I would like to bring up a very pertinent example of, how organizations deal with their employees. And, that example is that of, the Indian armed forces. Especially, I do not know about, how things happen in other, in the armed forces of other countries. But, as far as India is concerned, I can, you know, I know this from personal experience. That in India, you know, we focus so much on personnel management. (Refer Slide Time: 51:48)



We are emphasizing, the need for, employees to be looked after. Your superior, your commanding officer, tells you in the battlefield, to go and die. And you say, haan ji sab. You say, yes sir, and you get go, and get shot in the chest. And, that in itself, says a lot about, how the organization is treating its employees.

Would employees in, say an outsourced company, be able to do that? No. Why do they do it in the Indian armed forces? Why because, there is a sense of pride, fighting for the country? And the amount of care, that is taken of the employees is tremendous. Right from day one, you are treated like a part of this very big family, called the Indian army or Indian navy or Indian air force.

And, if a soldier, and by soldier, I mean, a person at any rank, could be a soldier, could be a junior officer, could be a senior officer, could be anyone. If a soldier of the Indian army finds himself or herself in the company of a soldier of the Indian navy or Indian air force, they will still be treated like a person, like a member of the Indian armed forces.

You know, you this is one big family, is like a big joint family. And everybody loves everybody. They take care of everybody. So, that is the, again you know, that is a challenge as far as private organizations are concerned. But it is also an opportunity. Evolving work and family structure, the peoples, families, are looked after. And, that is the responsibility of a human resources manager, to look after the interests of people. Treat people as people.

Even with these changes, that keeping up with these changes, is a little difficult. Skill shortages and rise of the service sector, people are moving out. From the rural hands-on jobs, people do not want to be masons, anymore. People do not want to break stones, anymore. Everybody wants to study courses like, these could be seen as a threat to this big service sector. But again, these courses are important. So, initially people did not have access to these courses. So, those who had access, became you know, got more from society, from their workplaces, than those, who did not have access.

Today, everybody has access. So, how do you bridge this gap. Lot of people, do not want to menial jobs, fair enough. We are all becoming self-reliant, which is very nice. But then again, this is putting a pressure on the human resources personnel. How do you manage jobs? Where do you find people, who are willing to do the work, that was initially done by people, who were not so aware, who were not educated.

So, in this, how do you train people? You know, what kind of training do you give to your employees, to deal with, all of these changes in the environment. And, there is a rise in the service sector. We are expecting a lot more from, what we buy. We are expecting, a lot more from the products, that are sold to us.

We do not only want the product, we also want service associated with that product. We are becoming super specialized. So, we are looking at skill shortages. We are the need for, super specialization is increasing. And, we are looking at, you know, we want more and more qualified people. We are not getting them. How do we train our current employees? Do we find them outside? Will they be available inside? This is one more challenge, that a human resources manager, has to deal with, on a day-to-day basis.

The other is natural disasters, Malthusian theory. Whenever the population of the world goes up, some natural disaster will occur, and bring it down. I do not know, natural disasters are really occurring more, or if they have been taken note of more, I do not know. But then, if natural disasters occur, then a human resources manager also, has to take care of those natural disasters, and look after the employees.

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Challenges of HRM (Contd.)

(Gomez-Mejia, Balkin & Cardy, 2012)

- Organizational challenges: “Concerns or problems internal to a firm”
 - Competitive position: Cost, quality, or distinctive capabilities
 - Controlling costs
 - Improving quality
 - Creating distinctive capabilities
 - Decentralization
 - Downsizing
 - Organizational restructuring
 - Self managed work teams
 - Growth of small businesses

Then, there are organizational challenges. So, in organizational challenges, we have competitive positions. These are the concerns of problems internal to a firm. One of these, the first one is competitive position. How do you control the cost quality, or distinctive capabilities, of your organization? How do you control costs? How do you improve the quality? And, how do you still retain your unique selling point? And how do you keep retaining, or how do you maintain that unique selling point. So, because of the information boom, everybody knows, what everybody else is doing. So, it very difficult to keep your progress, your growth path, hidden.

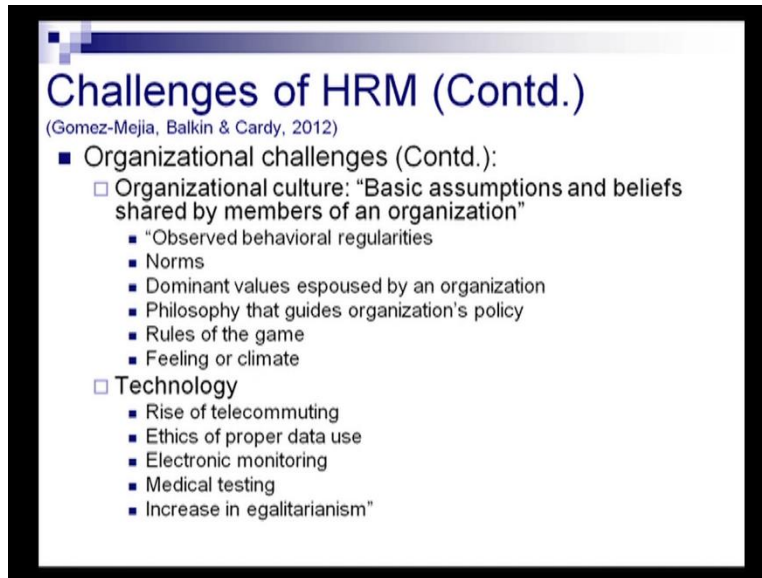
The other is the decentralization. How much do you keep to yourself? How much do you centralize? Which decisions are taken centrally at the organizational level? And, which are given to the team? We will talk more about this, when we discuss organizational structure.

Downsizing. Costs are going up. Companies are becoming the leaner. So, they are cutting down extra employees. But, where do you cut, and where do you encourage employees. That is one big challenge. Organizational restructuring again, downsizing, rightsizing, you know shaping the organizations, differently.

Self-managed work teams. I will tell you more about it. But, it is more about self-governance. Okay. So, how do you monitor yourself, growth of small businesses. You know, as new ideas are coming up ; information is increasing, knowledge is increasing, education is increasing, smaller

businesses are coming up. And, that provides an organizational, or posing an organizational challenge, for a firm, that has been in existence for a long time.

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Challenges of HRM (Contd.)
(Gomez-Mejia, Balkin & Cardy, 2012)

- Organizational challenges (Contd.):
 - Organizational culture: "Basic assumptions and beliefs shared by members of an organization"
 - "Observed behavioral regularities"
 - Norms
 - Dominant values espoused by an organization
 - Philosophy that guides organization's policy
 - Rules of the game
 - Feeling or climate
 - Technology
 - Rise of telecommuting
 - Ethics of proper data use
 - Electronic monitoring
 - Medical testing
 - Increase in egalitarianism"

Organizational culture. You know, what people are like. How they behave attitudes, aptitudes, etcetera. Technology, we have already discussed this.

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Challenges of HRM (Contd.)
(Gomez-Mejia, Balkin & Cardy, 2012)

- **Organizational challenges (Contd.)**
 - Internal security
 - Data security
 - Outsourcing
 - Product integrity

Internal security, what do you hide? What comes in the public domain? What does not? Data security. And how do you maintain consistency in the product?

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Challenges of HRM (Contd.)
(Gomez-Mejia, Balkin & Cardy, 2012)

- **Individual challenges:**
 - Matching people and organizations
 - Ethics and social responsibility
 - Productivity
 - Employee ability
 - Motivation
 - Empowerment
 - Brain drain
 - Job insecurity

And, some individual challenges. Different attitudes of people. Different aptitudes. Brain drain empowerment. How much do you give them? How to keep them motivated? You know, how do they keep their job secure? Do they feel insecure? Do they want to move on? All of these are some of the challenges of human resources managers.

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Responses of firms to the new competitive realities (Cascio, 2003)

- Smaller companies that employ fewer people
- The shift from vertically integrated hierarchies to networks of specialists
- Technicians, ranging from computer repair specialists to radiation therapists, replacing manufacturing operatives as the worker elite.
- Pay tied less to a person's position or tenure in an organization and more to the market value of his or her skills
- A change in the paradigm of doing business from making a product to providing a service, often by part-time or temporary employees
- Outsourcing of activities that are not core competencies of a firm (e.g. Payroll, or Collections, or downsizing – movie Up in the air)
- Redefinition of work itself: Constant learning, more higher order thinking, less nine to five mentality

Responses of firms to the new competitive realities (Contd.) (Cascio, 2003)

- New forms of organization: Virtual, offshoring, telecommuting
- Restructuring, including downsizing
- Total quality management
- Reengineering: Fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality and speed.
- Flexibility

HR managers try to answer the following questions (Cascio, 2003)

- Who specifies the content of each job?
- Who decides how many jobs are necessary?
- How are the interrelationships among jobs determined and communicated?
- Has anyone looked at the number, design and content of jobs from the perspective of the entire organization? What is the big picture?
- What should training programs stress?
- How should performance on each job be measured?
- How much is each job worth?

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Planning and implementing strategic HR policies (Gomez-Mejia, Balkin & Cardy, 2012)

Strategic HR planning: "Process of formulating HR strategies & establishing programs or tactics to implement them."

□ Benefits:

- Encouragement of proactive rather than reactive behavior
- Explicit communication of company goals
- Stimulation of critical thinking and ongoing examination of assumptions
- Identification of gaps between current situation and future vision
- Encouragement of line managers' participation
- Identification of HR constraints and opportunities
- Creation of common bonds

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Strategic HR Choices

(Gomez-Mejia, Balkin & Cardy, 2012)

Strategic HR choices: Options it has available in designing its HR system

- Work flows:
 - Efficiency/ innovation
 - Control/ flexibility
 - Explicit/ broad job descriptions
 - Detailed/ loose work planning
- Staffing:
 - Promoting from within/ hiring from outside
 - Empowering immediate supervisors/ centralizing decisions in HR dept
 - Emphasizing good fit between applicant/ hiring most knowledgeable applicant regardless of interpersonal considerations
 - Hiring new workers informally/ formal & systematic hiring

Strategic HR Choices (Contd.)

(Gomez-Mejia, Balkin & Cardy, 2012)

- Employee separations
 - Voluntary inducements (e.g.VRS)/ layoffs
 - Hiring freeze/ recruiting as needed
 - Continued support to separated employees/ leaving them to fend for themselves
 - Committing to rehiring laid off employees / fresh unbiased recruitment if circumstances permit
- Performance appraisal
 - Customised/ standardized appraisal system
 - Appraisal data as developmental tool/ control mechanism
 - Designing appraisal system with multiple objectives/ narrow purpose
 - Appraisal system with active participation/ only inputs from employees

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Strategic HR Choices (Contd.)

(Gomez-Mejia, Balkin & Cardy, 2012)

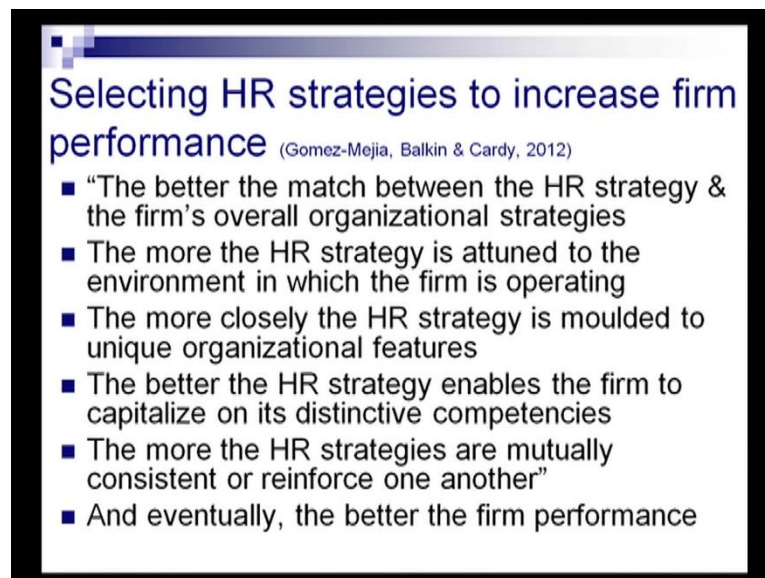
- **Training and career development**
 - Individual/ group training
 - Training on the job/ by external agencies
 - Job specific/ generic training
 - Hiring external experts at a higher wage/ training own employees to become experts
- **Compensation**
 - Fixed salary and benefits/ variable compensation
 - Compensation based on position/ individual contribution
 - Rewarding for length of service/ performance
 - Centralizing pay decisions/ empowering supervisors to make pay decisions

Strategic HR Choices (Contd.)

(Gomez-Mejia, Balkin & Cardy, 2012)

- **Employee & labor relations**
 - Top-down communication/ bottom-up feedback
 - Avoiding or suppressing/ dealing with unions
 - Adversarial approach/ responding to employee needs
- **Employee rights**
 - Discipline/ proactive encouragement for appropriate behavior
 - Employer's / employee's interest
 - Informal/ explicit standards and procedures for ethical behavior

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Selecting HR strategies to increase firm performance (Gomez-Mejia, Balkin & Cardy, 2012)

- “The better the match between the HR strategy & the firm’s overall organizational strategies
- The more the HR strategy is attuned to the environment in which the firm is operating
- The more closely the HR strategy is moulded to unique organizational features
- The better the HR strategy enables the firm to capitalize on its distinctive competencies
- The more the HR strategies are mutually consistent or reinforce one another”
- And eventually, the better the firm performance

Now, I just want to leave you with, one last thought. Okay. The better the match between, the human resources strategy and the firms overall organizational strategy, is the more the HR strategies, these are tuned to the environment in which, the firm is operating. The more closely the HR strategy is molded to unique organizational features, the better the HR strategy enables the firm to capitalize on its distinctive competencies. The more the HR strategies are mutually consistent, or reinforce one and other, and eventually the better the firm performance.

So, do think about it, and we will take it from here, in the next class. In the next class, people deal specifically with employee recruitment and staffing, and all of those things. But, I hope, I have given you lots of ideas, to think about today. And come prepared for, with in the next class. Thank you very much.