

HUMAN RESOURCE MANAGEMENT

Revised
CBCS & GS
Syllabus

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 **NIRALI**
PRAKASHAN
ADVANCEMENT OF KNOWLEDGE

A Book Of

HUMAN RESOURCE MANAGEMENT

**For
MBA Semester - II
As Per Revised Syllabus
Choice Based Credit System and Grading System**

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ADVANCEMENT OF KNOWLEDGE

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Preface ...

Human Resource Management deals with a wide variety of topics such as Human Resource Planning, Training and Development, Human Resource Procurement, Performance Management, Employee Appraisal and Compensation, Employee Relations and so on.

These topics are important from the view point of development and growth of organisations and employees. There is an urgent need for effective utilisation of human resources to attain individual, organisational and national goals in this era of keen competition, privatisation, globalisation and liberalisation.

Human Resource Management has assumed great importance at the corporate level and HRM has become a driving force in success of an organisation. Considering these aspects, various topics have been explained in this text book as per the new revised syllabus.

We therefore have great pleasure in bringing out this book of Human Resource Management incorporating chapters on SHRM, HR Procurement, Training and Development, Employee Appraisal, Managing Employee Relations to meet the requirements of various topics prescribed for the examination.

We sincerely hope that the students and teachers will find this book useful in meeting their needs from the view point of their examination. We shall consider our efforts amply rewarded if this book is appreciated by those for whom it is meant.

In spite of sincere efforts, some errors might have crept in the book at some places, which we hope shall be condoned.

We are very grateful to Shri. Dineshbhai Furia, Shri. Jigneshbhai Furia, our publishers; Mr. Malik Shaikh, Mr. Prasad Chintakindi and the entire staff of Nirali Prakashan, Pune for publishing this book.

We extend our good wishes to all students, teachers, and readers with the genuine hope that they will receive this book with the same degree of enthusiasm with which we have written it.

Pune
December 2013

Prof. S. D. GEET
Mrs. Asmita A. Deshpande

Syllabus ...

[New Syllabus w.e.f. June 2016]

1. Introduction to HRM and Framework :

Nature of HRM, Scope of HRM, HRM : Functions and Objectives, FIRM : Policies and Practices. SHRM - Nature of SHRM, Global competitiveness and Strategic HR, Linkage of organisational and HR strategies, SHRM Model - The Integrated System Model, Devanna et al - Strategic Human Resource Management "Matching Model".

2. HR Procurement :

2.1 Human Resource Planning : Job Analysis, Job Design : Writing job description, introduction and factors affecting job design, Job characteristics model (Hackman and Oldham, 1976) of effective job and job satisfaction. The need of manpower planning, What is Human Resource Planning, Definition, objectives, importance, benefits, the process of Human resource planning, Preparing manpower inventory (Supply Forecasting).

2.2 Recruitment and Selection : Strategic approach to recruitment, Labour markets and recruitment, Recruiting and diversity considerations, Employment advertising, Recruiting Diverse workers, Recruiting Source choices : Internal Vs. external, introduction to selection process, Selection procedure.

2.3 Career Planning : Succession Planning.

3. Training and Development :

Employee Training and Development, Nature of Training, Training Process, Training Needs Assessment, Training Evaluation, Training Design, Implementing Training Programmes (Training methods), Implementing Management Development Programmes.

4. Employee Appraisal and Compensation :

Performance - Definition, Why to Measure Performance, Use of Performance Data, Measurement Process, Performance Feedback, Performance Appraisal Methods, Compensation - Concept, Traditional Approach, Current trends in Compensation, Linking Compensation with Performance - Advantages and Problems, Team Based Incentives.

5. Managing Employee Relations :

Concept, Importance, Organizational Entry, Employee Status, Flexible Work Arrangement, (Employee Surveys, Handbooks, Violations of Policy/Discipline, Industrial Relations and Disputes, Grievance Procedure, Termination, Resignation, Downsizing, Lay-off, Retirement, Organizational Exit.

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Chapter 1 ...

Framework of Human Resource Management

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 - 1.2.3 Linkage of Organisational Strategy and HRM Strategy
- 1.3 Models of SHRM
 - 1.3.1 The Harvard Model or The Integrated System Model
 - 1.3.3 Devanna Model - Strategic Human Resource Management "Matching Model", Michigan Model
- Points to Remember
- Questions for Discussion
- Questions from Previous Examinations

Learning Objectives:

- To understand the Concept of HRM, its Nature and Features and the Importance of HRM
- To be able to discuss the Objectives and Scope of HRM
- To learn about SHRM, Global Competitiveness and Strategic HR
- To understand the Linkage of Organisations and HR Strategies
- To gain Knowledge of the Models of SHRM

Introduction

Human Resource Management is an evolving science which is concerned with the management of human resources.

The term 'Human Resources' can be thought of as the total knowledge, creative skills and abilities, talents, aptitudes and attitudes of an organisation's total workforce i.e. people at work as well as the values and beliefs of the individuals involved.

Human resources consist of inter-dependent, inter-related and interacting psychological, physiological, sociological and ethical components.

An organisation possesses various resources in the form of materials, machines, space, money, etc. These resources are required to be used in the most efficient manner for the success of an organisation. Use of these resources is done by employees working in the organisation. They may use the resources fully or partially. However, if the available resources are not used fully and properly, there will be wastage. As a result, sufficient returns will not be available to the owners.

Human resources are the most vital assets of an organisation. It is the human resources who make other resources moving. They perform various functions like production, research, finance, marketing, and so on by carrying out the relevant activities.

From the management's point of view, human resource is important because for engaging and maintaining the human resource, it has to spend money.

Performance of an organisation depends upon the quality of the employee efforts. To engage the best employees, the management must be ready to pay competitive remunerations and provide satisfactory working conditions along with various amenities. Such expenditure varies from 20% to 50% of the total cost incurred. Since such a large proportion of the cost is related to the human resource employed, all decisions relating to it has to be taken in a careful manner.

Efforts are required to be made for the use of this valuable resource in a proper way. If the productivity of the employees is increased through training and development programmes, the labour cost can be reduced.

Further, while managing the human resources, attention should be given to team building. Employees work in groups and establish relationships with other members of the group. These relations can be formal or informal but they satisfy the social needs of the employees. Therefore, management should encourage such relationships and use them for creating team spirit which helps in increasing productivity of the employees.

Management's aim should be to get the best from the employees and for this purpose, handling of the employees should be done in an effective way. Success of the organisations, to a great extent, also depends upon the attitude of the management towards the employees.

Success in today's competitive business environment is increasingly a result of effective human resource management. Structure and technology can be duplicated. But the factor that can set apart an organisation is its human resource. Hence, human resource must be managed effectively.

To understand the framework of human resource management, let us first gain knowledge of the definitions, nature, importance, objectives and other aspects of Human Resource Management in this chapter.

1.1 Introduction to HRM and Framework

Human Resource Management, as a branch of management, is comparatively of recent origin. Though Human Resource Management activities have probably been performed since ancient times and human resource has always been a key source as a formal discipline, its roots are traceable to the period immediately following the Industrial Revolution. It can be said that the pioneering work of the masters of management like Peter Drucker, Douglas McGregor, etc., laid the formal foundation of Human Resource Management.

Human resource is the greatest asset to any organisation and all efforts are required to be made to develop the available human resource. An organisation must either have or develop an ability to effectively manage and develop its human resources. The concept of HRD has been gaining prominence and focus in management during the last three decades.

An employee in HRM is treated not merely as a worker or an economic resource but is considered as a social and psychological resource. HRM is thus the management of employees' knowledge, skills, abilities, attitudes and aptitudes, talents and creative abilities. They are very often used for mutual benefits of the organisation wherein they themselves work. They are treated as a profit centre and hence, their all-sided development is desired. From this point of view, HRM is a strategic management function which involves procurement of suitable human resources, training and development of their competencies, proper motivation and creation of vigour in them so that they become the part of the management team for the success and growth of the organisation.

In order to know more about HRM, let us consider some views presented by management experts and authorities. From the definitions stated below, you will come to know the nature and features of Human Resource Management.

1.1.1 Definitions of Human Resource Management

(1) **Prof. Cynthia D. Fisher, Lyle F. Schoenfeldt and James B. Shaw** state that, *“HRM involves all management decisions and practices that directly affect or influence the people or human resources who work for the organisation. In recent years, increasing attention has been devoted to how the organisations manage human resources. It is important to examine as to how organisation’s employees enable an organisation to achieve its goals”*.

(2) **According to Prof. Wendell L. French, University of Washington**, *“HRM is the term increasingly used for the philosophy, policies, procedures and practices related to the management of people working in an organisation”*. He further makes clear that the usual way to describe human resources as it is practiced today is in process system view and the significance of the process-system view is that it – (i) takes in account the interdependence of all aspects of human resources management; and (ii) recognises the relationship between human resources activities and organisational goals. According to the process-system view, human resource management is the systematic planning, development and a network of inter-related processes affecting and involving all members of an organisation. These processes include human resources planning, job and work design, staffing, training and development, performance appraisal and review, compensation and reward, employee protection and representation, organisation improvement”.

(3) **Prof. K. Aswathappa** makes it clear that, *“Human Resources Management is a management function that helps managers’ recruit, select, train and develop members for an organisation. Obviously, HRM is concerned with people’s dimension in organisation”*.

(4) **According to Prof. George T. Milkovich and Prof. John W. Boudreau**, *“Human Resource Management is a series of decisions that affect the relationship between employees and employers; it affects many aspects and is intended to influence the effectiveness and abilities of employees and employers to achieve their objectives”*.

(5) **Prof. C. B. Mamoria and Prof. S. V. Gankar** have stated a very simple and easily understandable definition of HRM which is as follows:

“Human Resource Management is concerned with the people who work in the organisation to achieve the objectives of the organisation. It concerns with the acquisition of appropriate human resources, developing their skills and competencies, motivating them for best performance and ensuring their continued commitment to the organisation to achieve its objectives”. According to them, this definition applies to all types of organisations - industry, business, government, education, health or social welfare of the people.

(6) **According to Prof. Gary Dessler of the Florida International University**, all managers have to perform certain basic functions viz., planning, organising, staffing, leading, controlling etc. These functions, in fact, represent the management process. In his opinion, *"Human Resource Management is the process of acquiring, training, appraising and compensating employees and attending to their labour relations, health and safety and fairness concerns"*. Prof. Gary Dessler has pointed out certain important aspects of human resource management. Of course, there are many other aspects or topics which have also now become the part of the study of 'Human Resource Management'.

(7) **Ivancevich and Glueck** stated that, *"Human Resource Management is the function performed in organisations that facilitates the most effective use of people (employees) to achieve organisational and individual goals"*.

(8) **According to Dale Yoder**, *"The management of human resources is viewed as a system in which participants seek to attain both individual and group goals"*.

(9) **According to David Decenzo and Stephen Robbins**, *"Human Resource Management is concerned with the people dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to high level of performance and ensuring that they continue to maintain their commitment to the organisation are essential to achieve organisational objectives. This is true, regardless of the type of organisation, government, business, education, health, recreation or social action"*.

(10) **According to Michael VP**, *"Human Resource Management is that part of management process which develops and manages the human elements of enterprise considering the resourcefulness of the people employed in organisation in terms of total knowledge, skills, creative abilities, talents, aptitudes and potentialities for actuating effectively"*.

(11) **Prof. L. M. Prasad** focuses attention on the employment and utilisation of human resources with a view that the organisation has the right people, at the right time and also at right place. According to him, *"HRM is concerned with competing for and competing on human resources. Competing for human resources involves recruitment and employing right personnel and competing on human resources involves developing, training and integrating personnel to achieve competitive advantages"*.

(12) **Prof. Guest** has developed four propositions-*strategic integration, high commitment, high quality and flexibility* - which he believes can be tested and can be used for creating more effective organisation. These propositions are defined by him as under:

- **Strategic integration** is defined as *the ability of organisations to integrate HRM issues into their strategic plans, to ensure that the various aspects of HRM cohere and for line managers to incorporate an HRM perspective into their decision-making.*
- **High commitment** is defined as *being concerned with both behavioural commitment to pursue agreed goals and attitudinal commitment reflected in a strong identification with the enterprise.*
- **High quality** refers to *all aspects of managerial behaviour, including management of employees and investment in high-quality employees, which in turn will bear directly on the quality of the goods and services provided.*
- **Flexibility** is seen as *being primarily concerned with what is sometimes called functional flexibility but also with an adaptable organisational structure with the capacity to manage innovation.*

The scope of Human Resource Management is quite large and increasing. It includes human resource or manpower planning, the selection and recruitment, development of all the employees, performance appraisal and review, compensation and rewards, employee protection and representation, organisational development, maintenance of cordial industrial relations, etc.

Human Resource Management is thus the management of employees with a human approach. Employees should be treated with respect and mutuality of interests of the management and the employees is to be ensured. Management and employees must work together for the success of the organisation.

1.1.2 Nature and Features of Human Resource Management

From the definitions of Human Resource Management stated above and the discussions so far, we come to know the nature and features of the Human Resource Management.

Human Resource Management definitely has a much broader scope than personnel management at the component level as well as in coverage at the organisational level.

HRM is a very important approach to the management of people at different levels. In other words, it refers to a set of programmes, functions, activities, and so on, designed and carried out for maximising effectiveness of employees as well as the organisation.

Proper incentives, mutual involvement, timely guidance, training and advice, quick decision-making for career planning, development activities, etc. are very essential if human resource has to operate efficiently. Hence, human resources are required to be managed through the application of sound managerial principles. From this point of view, HRM is

considered as a strategic approach to the acquisition, motivation, development and management of the human resources of the organisation. The points given below make clear the nature and scope of Human Resource Management.

1. Human Resource Management is a Science

Human Resource Management is based on the principle and theories of management. It is a positive science as it is based on logical reasoning, certain principles and theories. It is not only a positive science but it also has a normative side. It will be useless unless it studies the causes which promote welfare of human resources. It is concerned with what should be done under given circumstances to make better management decisions and to achieve organisational goals most efficiently considering the welfare of the people employed. Value judgement cannot be neglected while taking certain decisions.

2. The scope of the Human Resource Management is Vast and Increasing

The scope of HRM is really very vast. All major activities in the working life of the people employed, right from the time of their entry into an organisation until they leave the organisation come under the purview of HRM. Such activities are human resource or manpower planning, recruitment and selection, job analysis and design, training, orientation, placement, development, performance appraisal and job evaluation, remuneration of employees, motivation, welfare, safety and health of employees, industrial relations, etc. It is found that organisations, around the world are remodeling themselves as they have to respond to the challenges presented by the global economy. There is increased globalisation of the economy. Technological changes are taking place. Characteristics of workforce are also changing. All these and many such other aspects affect human resource practices and as a result, the scope of HRM is getting wider by the day.

3. HRM is a Comprehensive Function

HRM covers all categories of employees employed at different levels. This implies that HRM applies to workers, supervisors, officers, managers and all other types of employees. It covers organised as well as unorganised employees and it applies to the employees in all types of organisations.

4. HRM is Employee-Oriented

HRM is concerned with employees in attaining goals and objectives. It is also concerned with behavioural, emotional, social, economic, organisational aspects of employees. It is the process of bringing employees, other people and the organisation together so that the goals of each of them can be met.

5. HRM is Individual-Oriented

HRM considers every employee as an individual so as to provide services and programmes in order to facilitate employee satisfaction, development and growth. This

implies that HRM is concerned with the proper development of human resources in suitable manner and is individual oriented.

6. HRM is a Staff Function

HRM is a responsibility of all line managers and a function of staff managers in an organisation. HR Managers do not manufacture or sell goods but they direct various organisational activities for the success, development and growth of an organisation by advising and managing the operating departments in the desired manner.

7. HRM is a Continuous Function or Process

HRM is a continuous and never ending process. George R. Terry, the renowned expert in the field of management, rightly pointed out that, *"It cannot be turned on and off like water from a faucet (i.e. tap); it cannot be practiced, only one hour each day or one day each week. Personnel management (or HRM) requires a constant alertness and awareness of human relations and their importance in everyday operations"*.

8. HRM is a Challenging Function

Management of human resources is not an easy task. It is a challenging job due to the dynamic nature of human resources. HRM aims at securing unreserved co-operation from all employees for attaining the pre-determined goals and objectives.

9. HRM is a Pervasive (i.e. tending to spread) Function

HRM is the central sub-function of an organisation. It is concerned with all types of functional management such as production management, marketing management, financial management, etc. All managers working in an organisation are involved with human resources function.

10. HRM is Development Oriented

Goals of employees consist of job security, job satisfaction, attractive salaries and fringe benefits, pride, status and recognition, opportunity for development, etc. HRM is definitely concerned with developing the potential of employees so that they can derive maximum satisfaction from their work and put in their best efforts, for their organisation.

11. HRM is a part of Management Discipline

It is beyond any doubt that HRM is an integral part of management discipline. HRM, being a branch of management science, draws heavily from management concepts, theories, principles and techniques and applies them in managing human resources.

12. HRM is Directed towards the Achievement of Goals and Objectives:

HRM is directed towards the achievement of organisational goals and objectives by providing tools and techniques of managing employees in the organisation properly and

Human Resource Management



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