

# Taking HR from Backroom to Boardroom

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According to classical economists, five fundamental agents of production-Land, Labor, capital, enterprises and organization were essential for the business, wholly consolidating towards production. Many eminent Management Gurus gave excellent contribution towards the management by incorporated research finding plethora tactics and gave a drastic turn towards management but lacking in the sixth factor i.e. *Human Relation Approach*, for successful utilization of the nation's most valuable resources, manpower. Our industrial effectiveness depends to a great extent upon physical and mental efforts and ability of those who are able to manage productive operation, without human energy, skill and knowledge, natural resources are inert and little value. The former president of India, Dr. APJ Abdul Kalam identifies India's human resource base as one of its greatest core competencies in his Book, *India 2020- A Vision for the new Millennium*, All this not only recognizes the importance of knowledge possessed by individuals in determining the destinies of nations, but also subtly hints that the intellectual, cultural, social, economic and political empowerment of the individuals is the bases on which the modern world will be constructed. This paper illustrates the emerging demand of HR, its growth, demand and its significance in today's industrialization and how its transformation takes place.

## INTRODUCTION

*" Industry is not a machine; it is complete form of human association. The true understanding of industry is to understand the thoughts of engaged in it". (-Oliver Shelton)*

India is being widely recognised as one of the most exciting emerging economics in the world. Besides becoming a global hub of outsourcing, Indian firms are spreading their wings globally through mergers and acquisitions. During the first four months of 1997, Indian companies have bought 34 foreign companies for about U.S. \$11 billion dollars. This impressive development has been due to a growth in inputs (capital and labour) as well as factor productivity. By the year 2020, India is expected to add about 250 million to its labour pool at the rate of about 18 million a year, which is more than the entire labour force of Germany. This so called 'demographic dividend' has drawn a new interest in the Human Resource concepts and practices in India. This paper traces notable evidence of economic organisations and managerial ideas from ancient Indian sources with enduring traditions and considers them in the context of contemporary challenges.

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Value of Context of HRM in India. The managerial ideologies in India dates back at least four centuries. Arthashastra written by the celebrated Indian scholar-practitioner Chanakya had three key areas of exploration, 1) public policy, 2) administration and utilisation of people, and 3) taxation and accounting principles (Chatterjee 2006). Parallel to such pragmatic formulations, a deep rooted value system, drawn from the early Aryan thinking, called Vedanta, deeply influenced the societal and institutional values in India. Overall, Indian collective culture had an interesting individualistic core while the civilization values of duty to family, group and society was always very important while Vedantic ideas nurtured an inner private sphere of individualism. Describing people as “resource” is a relatively recent practice in India underlines the fact that people are as important as other resources. Managers and workers together represent the human resources of an organization.

As organization restructure, human resources tend to decrease in quantity but increase in quality and in their value to organizational effectiveness. Investing in the developing of these valued resources makes sense. The personnel function has a key role in facilitating change. This is not because most organization today must change in order to survive. Change has mainly to do with people.

The concept of HRM has been gaining prominence and focus in management during last two decades. Human Resource is considered to be the center of all development process of the economy. While HRM has been known from ages, its rediscovery has been necessitated by deteriorating social conditions, increased competition and rapid technological advancement. By putting the mind capabilities to the proper use, this single inexhaustible resource i.e. human resource, find solutions to the social and material problem faced by the mankind. Responsible for getting the best people, training them and providing mechanism to ensure that these employees maintain their productive affiliations with the organization. The globalization and removal of trade barriers and continuous improvement and breakthroughs in new technology have revolutionized the industrial and financial sector. Organizational change and development have become a part of working life.

## **Evolution of Human Relational Movement**

From an almost unrecognized position nearly two centuries ago, HR has risen today to the central activity of our age and economy-a powerful and innovative force on which our society, the business depends for material support and national well being. The period between 1700 and 1850 highlights the industrial Revolution and writing of the classical economist.

The advent of the factory system during this period highlighted for the first time the importance of direction as a managerial function. Several economists during this period explained in their writing the concepts and importance of their research. F.W. Taylor, Henry Fayol, Max Weber, Frank and Lilian Gilberth, Herbert Simon, Mooney and Reilly and many more management Scholar bestowed the industry a splendid track which is quite appreciable, but the criticism of the scientific and administrative theory gave birth to the Human Relational Movement. The Behavioral scientists criticized the early approaches for their insensitiveness to the human side of the organization, as exploitation of employees had been explored where employees were considered as a mere part to be fixed in job structure disregarding their attitudes , values and ideas.

## Historical Development of HR

As the mechanistic approach and factory system approach for the better production continued only up to 1920, somewhere the process of Labor consciousness rose and developed in stages between 1700 and 1950 and for this our argument will be based on world scale. Labor consciousness refers to the realization of labor force of its own importance and its important historical role in the development of society.

The origins of the concern for labor's welfare had well begun by socialist writer who were predated the Manifesto of the communist party by Karl Marx and Fredrick Engels in 1848, But it was only after their time that HRM is a subject began to take somewhat of an embryonic-nucleus form.

The trade Union Movement in the Indian colony had started but HRM had not. In Europe the trade Union Movement remained the form of guilds and began to take serious route. People were Wilfred owen, Alaxender Dumas and Charles Dickens wrote about the plight of labor but that was it. In India too, scholars like Rabinder Nath Tagore, Lala Lajpat Rai, Bankim Chander Chattopadyay, Munshi Prem Chand and Mulk Rajanand wrote eloquently about the poverty of the working class.

## Origin of HRM

Then came the First World War 1914-18 and the great October revolution 1917 which for the first time prompted labor to take control of industry in the Soviet Union, The Indian soldier brought back with an idea of socialist emancipation they received from their comrades in the battle field. In India it was palliative to prevent labor organization being transformed in to movements for seeking political freedom. This was the birth of HRM when concern for labor welfare became a part of state policy at the same time Elton Mayo began work on motivation theory at the Hawthorne plant of Chicago.

## Contribution of Elton Mayo

The human civilization had entered the machine age after industrial Revolution. Maximum output is emphasized during the machine age. That time nobody consider human relation i.e. the relationship between employers and the employees to be significant. They lead to exploitation of workers and they do not care to fulfill the psychological needs of workers. Managers were facing the problems as employees did not always follow predicted or rational patterns of behavior. Thus, there was an increased interest in helping manager deal more effectively with the "people side" of their organizations. *George Elton Mayo* was the first person to look into the matter of human Relations emphasizing importance of desires, attitude and feeling of the workers. *Hawthorne experiments* get credit for the change in the outlook of the management towards worker. These Experiments are important landmarks in the history of Human Relations Movement. The real inspiration for the movement, however, came from the Hawthorne Experiments.

## Hawthorne Experiment:

- Illumination Experiments
- Relay Assembly Test Room
- Interviewing Program
- Bank Wiring test Room

Hawthorne experiment have opened new vista in Human Behavior and develop the Team Spirit in an organization and thence identified the factor responsible for motivating workers at the work place.

Contributions:

- A Business organization is not merely a techno- economics system but is also a social system; hence it is as important for it to provide social satisfaction to the workers as produce goods.
- There is no correlation between improved working condition and high production.
- A worker's production is set and enforced by his group and not by the time and motion study done by any industrial engineer. Those who deviate from the group norm are penalized by their co- workers.
- A worker does not work for money only but non-financial rewards (such as the affection and respect of his workers) also significantly affect his behavior and largely limit the effect the economic incentive plan.
- Employee-centered, democratic and participative style of supervisory leadership is more effective than task-centered leadership.
- The informal group and not the individual is the dominant unit of analysis in organizations.

## **PHASES OF HRM Growth (New Research of its Emergence)**

*first Phase:* Era of evolution-1950-58

*Principle*

1. Maintain Discipline
2. Prevent the formation of and break-up the leadership of trade unionism.
3. Handle recruitment and Termination.
4. Keep some form of attendance and personal records.

*Second Phase:* Era Of Evolution-1960

Principle: few more principle were added to the second phase

1. Managing canteens, latrines and crèches.
2. Filling and filing of returns to governmental agencies.
3. Record keeping for employed personnel.

*Third Phase:* Era Of evolution-1970

Principle: Management functions were divided into two sections.

1. Personal Officers - looked after industrial relation matters and dealt with the trade union.
2. Establishment officer- Looked after personal record, performance appraisal and wage administration.

*Fourth Phase:* Era of evolution1976-77

Principle: Behavioral Development approach came into limelight.

1. Attitudinal Development became prime concern.
2. Skill training came into existence.

*Fifth Phase:* Era of evolution:1985

Principle: Growth of HRM and shift towards HRD

1. HR termed as Human Relation rather Human Resource.
2. New Gimmick added for good measure in research like case study.
3. Japanese Management methods became popular like Kaizen, Kanban, Quality Assurance etc.

**Sixth Phase:** Era Of Evolution 1980-90s

Principle: Advent of HRM as Strategy

1. HR interventions were used.
2. New HR Strategy introduced for Motivation and Stress Management.

**Seventh Phase:** Era of Evolution 1990s

Principle: HRM bifurcated into sub-specializations;

Industrial Relations, Training and Development, Information Systems, Personnel and Manpower Planning were the special department consisting of HRM as a whole.

**Eighth Phase:** Era Of Evolution 1999

Principle: HRM was not selective management strategy anymore.

- HR Expert was now a part of Corporate Strategy Formulation and strategy Implementation Team.
- HR Manger graduated from the role of specialist to super-specialist.
- Knowledge Management is no longer buzzword.

## HRM Concept

*"You can take my factories and-burn up my buildings, but give me my people and I'll build it right back again"* (Henry Ford)

"Human labor cannot be treated merely as a resource necessary for production -- the so-called 'work force.' Man cannot be regarded as a tool of production. Man is the creator of work and its craftsman." Pope John Paul II

HR is specifically is not a personal management in a new grab or old wine in a new bottle, as is commonly and mistakenly understood. This term, HR, in fact, implies four things viz.

- Labor is an important resource that assists the organization in meeting its goals. However there are other resource too like Land, capital, raw material and technology.
- Management is a factor of production like land, labor and capital. Its principal task is to ensure that all available resources are optimally allocated and utilized so that the organizational goal is met.
- Since labor is a living entity, we must consider values, feeling, egos, beliefs, expectations and aspirations when dealing with labor.
- Organizations serve a business purposes as well as a social purpose, both of which have to be managed.

HR is an important vital component of an enterprise entailing its significance as for equilibrium with environment, a major factor involve a group of people engaging in assorted chore. The milieu is an organizational and social at the same time. HR is above all else, is People Management and a specialized dimension within Applied Social Science. Hence, in understanding HRM one will have to borrow insights from Sociology, Political Science, Psychology, Anthropology, Economics,

Mathematics and Philosophy to blend them into the practice of management science. For instance, the following aspects from each mother specialization come into use in HRM.

### **Mother Specialization**

Sociology  
Political Science  
Psychology  
Philosophy  
Anthropology  
Economics  
Mathematics

### **Learning and aspects borrowed**

Group Dynamics  
Power  
Motivation  
Social Responsibility  
Customs Traditions  
Environmental Scanning  
Manpower Planning

## **The Changing Human Resources Role**

*“The world hates change, Yet it is the only thing that has brought progress”*

- **Kettring**

The role of the HR professional is changing. In the past, HR managers were often viewed as the systematizing, policing arm of executive management. Their role was more closely aligned with personnel and administration functions that were viewed by the organization as paperwork.

When you consider that the initial HR function, in many companies, comes out of the administration or finance department because hiring employees, paying employees, and dealing with benefits were the organization's first HR needs, this is not surprising.

In this role, the HR professional served executive agendas well, but was frequently viewed as a road block by much of the rest of the organization. While some need for this role occasionally remains – you wouldn't want every manager putting his own spin on a sexual harassment policy, as an example – much of the HR role is transforming itself.

## **New HR Role**

The role of the HR manager must parallel the needs of his or her changing organization. Successful organizations are becoming more adaptable, resilient, quick to change direction, and customer-centered.

Within this environment, the HR professional, who is considered necessary by line managers, is a strategic partner, an employee sponsor or advocate and a change mentor. At the same time, especially the HR Generalist, still has responsibility for employee benefits administration, often payroll, and employee paperwork, especially in the absence of an HR Assistant.

Depending on the size of the organization, the HR manager has responsibility for all of the functions that deal with the needs and activities of the organization's people including these areas of responsibility.

## **HR Role: Business and Strategic Partner**

In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives.

The HR business objectives are established to support the attainment of the overall strategic business plan and objectives. The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. This strategic partnership impacts

HR services such as the design of work positions; hiring; reward, recognition and strategic pay; performance development and appraisal systems; career and succession planning; and employee development.

To be successful business partners, the HR staff members have to think like business people, know finance and accounting, and be accountable and responsible for cost reductions and the measurement of all HR programs and processes. It's not enough to ask for the seat for executive level; HR people will have to prove they have the business savvy necessary to sit there.

### **HR Role: Employee Advocate**

As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy. Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well.

In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities.

### **HR Role: Change Champion**

The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued.

Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He also sponsors change in other departments and in work practices. To promote the overall success of his organization, he champions the identification of the organizational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organization how well it is succeeding in all of this.

### **HRD - A professional Innovation**

*"When people go to work, they should not have to leave their hearts at home."*

- Betty Bender

HRD is not a mere theoretical concept. It is professional innovation necessitated by the exigencies of the situation fuelled by human idealism, supported by a growing knowledge by human systems and chiseled by pioneering practitioners. Since 1980 "High Performance work systems" has become increasingly popular. In this changing context, total human resource management-The holistic approach and not partial Personal management would be relevant. In the last 25 years a large number of corporations have established Human Resources Development Departments, introduced new systems of HRD, and made structural changes in terms of differentiating the HRD function and integrating it with HR function. A good number of CEOs saw a hope in HRD for most of their problems, issues and challenges. HR systems are people intensive and require a lot of managerial time. There are examples of corporations where HRD has taken a driver's seat and has

given a lot of benefits. In to-days competitive world, “people” or employees can give a good degree of competitive advantage to the company. To get the best out of HR, there should be a good alignment of the function, its strategies, structure, systems, and styles with business and its goals (financial, customer etc. parameters). It should be aligned both with the short-term goals and long term strategies. If it is not aligned, HR could become a big liability to corporations. Besides this alignment, the skills and styles of HR staff, the line managers and the top management should synergise with the HR goals and strategies. HRD audit is an attempt to assess these alignments and ensure the same.

Perhaps India is the first country to formally establish a totally dedicated HRD (Human Resources development) Department separated from the Personnel Department. This was designed in the year 1974 when the term HRD itself was not very popular in the USA. Two consultants from the Indian Institute of Management, Ahmadabad after reviewing the effectiveness of the performance appraisal system and training in Larsen & Toubro recommended an Integrated HR System to be established and the department dealing with development issues be separated out from the personnel department and be called the HRD department. Thus the first HRD department was established. The State Bank of India and its Associates to start a series of new HRD departments followed it in the banking sector. By late seventies the concept of HRD and the need for having separate HRD departments picked up momentum. In Pareek and Rao’s model of HRD department the objective of this department is to facilitate learning and change in the organizations. This department is supposed to have learning specialists who facilitate change process.

### **HRD as an OD Intervention:**

*“Coming together is a beginning, keeping together is progress, and working together is success”.*

- Henry Ford

In their model, OD was conceived as one of the main tasks of the HRD department. Thus an attempt was made to institutionalize OD through HRD departments. As the departments picked up momentum a lot of OD work had begun to be done through the HRD departments. Infact most change interventions have been and are being made by the HRD departments (as differentiated from the Personnel departments). The HRD Managers in India do undertake a number of interventions, which may be classified as OD interventions. The nature of interventions undertaken by the HRD departments includes:

- Cultural change through new performance management systems.
- TQM based interventions (in most cases these are undertaken also by a separate group of professionals).
- Survey Feedback.
- Role clarity and Role negotiation exercises.
- Training.
- Career Planning and Succession exercise.
- Assessment Centres and promotion policies.
- Visioning and value clarification exercises.
- Performance coaching workshops.
- Team building interventions.

The Academy of Human Resources Development has come up with a concept of **IOAC** (Individual and Organizational Assessment Centres) which is becoming popular as an intervention by the HRD departments. In this concept the HRD department establishes an Assessment Canter with the purposes of assessing and developing the competencies of Individuals as Individuals. Individuals



in relation to their current and future Roles, Dyadic relationships, teams, Interterm collaboration and work and Organizational Climate and Synergy.

## Emergent Issues:

### The HR Scorecard Approach

#### HR scorecard

Measures the HR function's effectiveness and efficiency in producing employee behaviors needed to achieve the company's strategic goals.

#### Creating an HR scorecard

- For that we must know about the company's strategy . Because the strategy will determine what the important employee behaviors and strategically important organizational outcomes are and hoe the firm will measure organizational performance.
- One must understand the causal links between HR activities, employee behaviors, organizational outcomes, and the organization's performance.

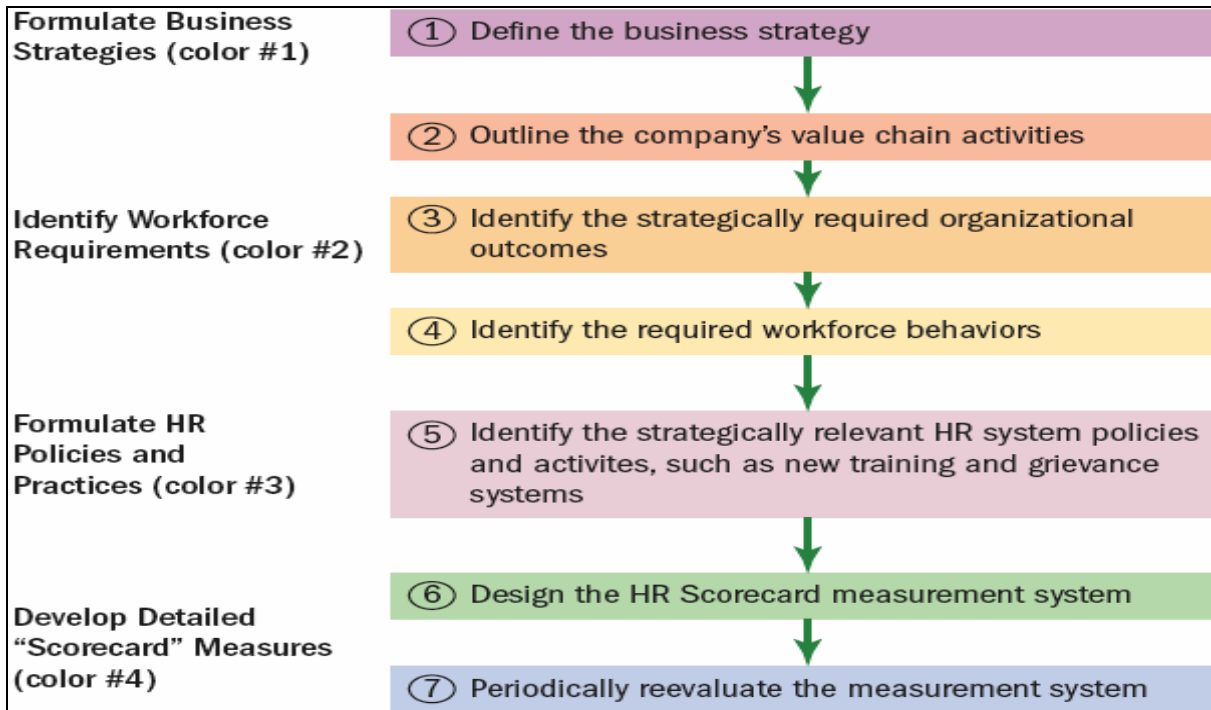
Following figure summarize the basic Strategic HR Relationships



- One must have metrics to measure all the activities and results involved.

### Using the HR Scorecard Approach

The HR scorecard approach is formulating HR Policies, Activities and Strategies.



Organizations are increasingly using strategy tools such as workforce scorecards to keep track of human resource management related change processes that have been implemented and the effects of these on business unit performance. However, in this area, the challenge of finding appropriate indicators, establishing temporal relationships and providing useful management information still remains. Using longitudinal archival data from 171 branches of a large financial service organization, this study examines to what extent employee surveys can serve as a predictor of better financial performance at the branch level. Results from a series of models in AMOS (Analysis of Moment Structures) showed that a significant part of branch profits could be predicted using employee surveys after correcting for prior profits. Based on extrapolation to all branches of this organization, the changes in employee survey scores predict higher yearly profits of 178 million euros (17.9 per cent of the total yearly profits) across the entire company.

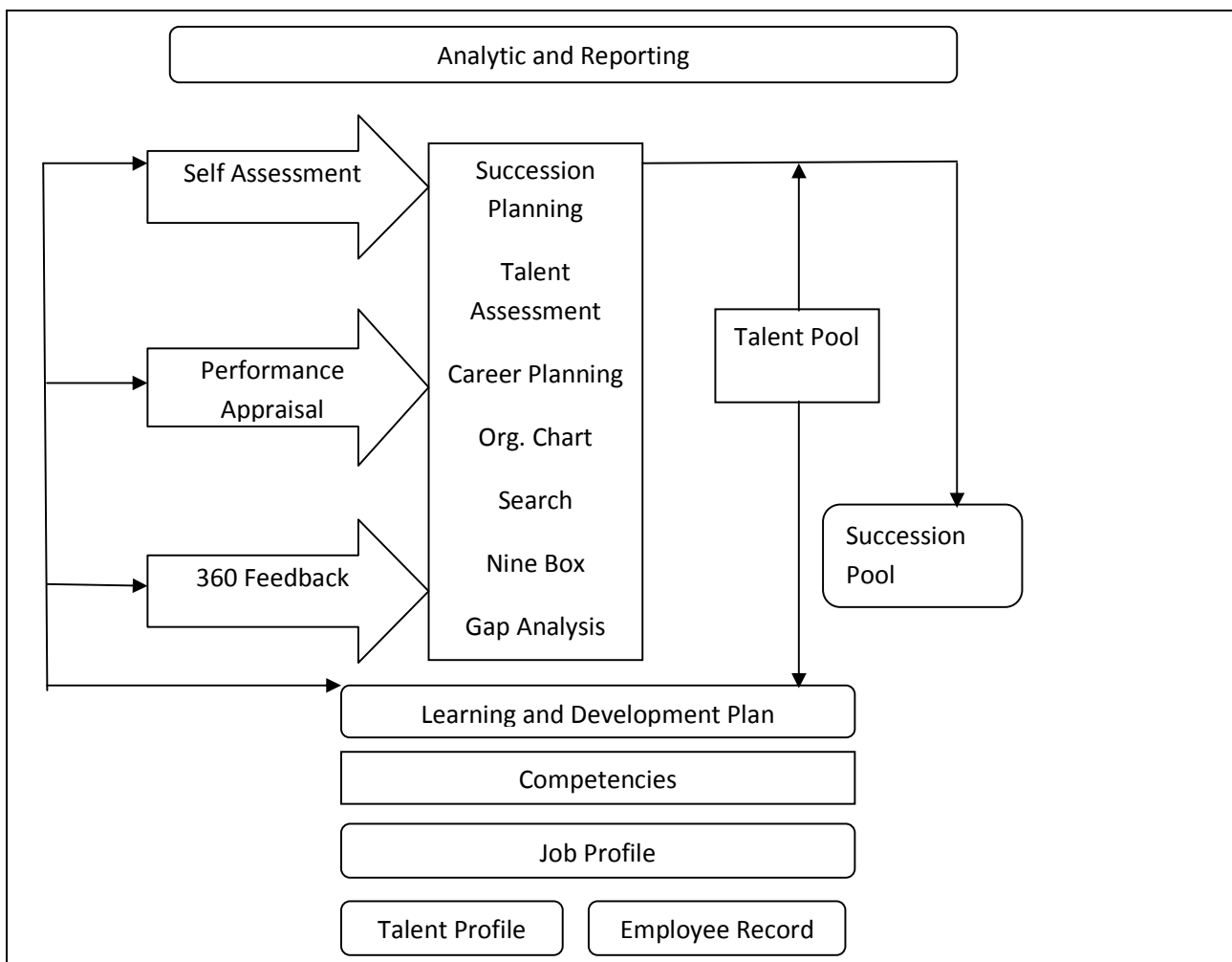
### Shifting From Automation to Optimization

Strategic Human Capital Management (HCM) - or talent management - is contingent upon integration of disparate HR functions, processes, and systems. These include performance management, hiring, succession planning, compensation, learning and development, employee records and talent profiles, and workforce analytics. It all amounts to leverage. If succession planning is currently a high priority, is there a performance management system in place to identify high performers? If a company is promoting a performance-oriented culture, is it effectively linking pay (compensation) to performance?

Automating individual HR functions is a tactical exercise. Optimizing the connections between HR functions is a strategic one. The reality is that tactical and strategic endeavours are not mutually exclusive. Both build upon each other, and both are essential to not only weathering the economic storm, but also to positioning HR to become a more strategic contributor to the overall business. HR leaders that focus on a holistic HCM strategy supported by integrated technology - even when the instinct is to hunker down and cut costs - are poised to become mission critical.

Traditionally, organizations automated individual processes, such as performance reviews, compensation, or learning management. Yet while automating a single process can garner significant improvements, it does little to solve more strategic problems. Automating individual activities creates silos that isolate information from other users and processes. Points of leverage cannot be fully exploited, and creating these stand alone silos does not enable HR leaders to gain insight into information that spans different HR activities and processes. Succession planning provides an ideal example. Effective succession planning requires a centralized foundation and numerous inputs, as well as key outputs such as learning and development for career planning. In essence, succession planning is not a soloed business process, but part of a broader talent ecosystem (see Figure 1).

Figure 1: Succession Planning Within The Broader Talent Ecosystem



A case study of the company ALFA further highlights the value of HCM process interdependency. Based in Mexico and employing more than 50,000 people, ALFA is a diversified global company consisting of four distinct business units: petrochemicals, aluminium auto components, refrigerated food, and telecommunications.

A key challenge facing the company was promoting cross-business unit transfers, thereby minimizing employee attrition to the competition. ALFA was losing high-performing talent because it was unable to find growth opportunities for employees within the organization. Due to the proliferation of different HR systems at each of its four business units, ALFA suffered from inconsistency in managing its global HR processes as well as a lack of visibility into key employee information that could be used to drive succession planning.

To address its challenges, ALFA standardized on a single, integrated human capital platform across its diverse business units. This platform, provided by Softscape, became the centerpiece of ALFA's employee lifecycle, which consists of planning, hiring, compensation, performance management, learning and development, succession planning, reporting and analysis, and HR management. As a result of ALFA's implementation, it is far more common for employees to jump from one business unit within the company to another, expanding their experience and skill sets via promotion and advancement. This example clearly demonstrates that HR has become a strategic and mission critical contributor to ALFA.

## CONCLUSION:

A true global leader is one who not only foresees challenges he faces today but who can envisage them for tomorrow and know solutions to combat them. The world today is changing frighteningly fast and organizations which are going to survive and prosper are those which have HRM that understands better and thinks ahead of their rivals and get ahead of the competitive wave rather than getting drowned by it. But an organization can only be as good as its people – it takes the best people, often from many walks of life, working as a motivated team, to produce world-class products or services. With so much diversities found in varied cultures, the job of Human Resource Management is like “dipping into a worldwide labor pool”. The effectiveness of diversity-based management enables organizations to harness the talent of its people. Today mergers and acquisitions have become commonality and HR has been the primary guiding force for its success. Outsourcing is the latest buzzword in HR to reduce costs. Virtual corporations, strategic HRM and organizational development have been riding high owing to globalization.

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