

## **DECLARATION**

The following study material is for the reference of the students of the Department of Tourism Management, pursuing MBA-TTM. The material consists of references and texts from several sources, mentioned at the end, and there is **no claim of the originality** of this material.

## **MBAT–201: ORGANIZATION BEHAVIOUR & HUMAN RESOURCE MANAGEMENT**

### **UNIT 1**

#### **Definition of HRM**

According to Flippo, “*Personnel Management, or, human resources management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance, and separation of human resources to the end that individual, organisational and social objectives are accomplished*”.

According to Ivancevich and Glueck, “*HRM is the function performed in an organisation that facilitates the most effective use of people to achieve organisational and individual goals.*”

HRM can be defined as a *process of procuring, developing and maintaining competent resources in the organization so that the goals of an organization are achieved in an effective and efficient manner. In other words, HRM is an art of managing people at work in such a manner that they give best to the organisation.*

According to K. Aswathappa, HRM is, “*a management function that helps managers’ recruit, select, train and develop members for an organisation*”. HRM is concerned with the people’s dimension in the organisation.

#### **Significance of HRM**

Human resources are the most precious asset of an organization. They are the activators of non-human resources, means for developing competitive advantages and sources of creativity.

#### **Organizational significance**

- i. Effective utilization of human resources to motivate them and to change their attitudes to work and the organization.
- ii. To develop personnel to meet the demands of the work effectively;

iii. To ensure proper recruitment and to retain the personnel in the organization so that the right people are available.

### **Social significance**

This aspect aims to achieve the need for satisfaction of personnel in the organisation. It is often said that a happy worker is not only happy in his workplace but also at home and in society also.

Hence HRM seeks to achieve the following:

1. Maintaining the balance between jobs and job-seekers, taking into consideration job requirements, job seekers' abilities and aptitudes
2. Providing the most productive employment from which socio-psychological satisfaction can be derived.
3. Utilizing human capabilities effectively and matching with government rewards.
4. Eliminating wasteful organizational and individual practices.

### **Professional Significance**

This aspect involves developing people and providing an appropriate environment for effective utilization of their capabilities and involves:

1. Developing people continuously to meet the challenges of their jobs.
2. Maintaining the dignity of personnel at the workplace.
3. Providing proper physical and social environment at the workplace to create a congenial working atmosphere.

### **Concept of HRM** borders on,

1. Men or personnel can do many wonderful things and take up any challenge.
2. They can be trained to do efficient work.
3. Necessary climate can be created to increase their efficiency.
4. Environment and their liberties can be increased to create a congenial atmosphere.

### **Development of HRM**

HRM, being a part of management discipline, has followed the pattern of development of management because of the interrelationship of the problems of both the fields. *HRM is still evolving to become an amalgam of organisational behaviour, personnel management, industrial relations and labour legislation.*

Awareness regarding HRM was felt during the industrial revolution around 1850 in Western Europe and the U.S.A. Only during the beginning of the 20th century, it was felt in India. Since then to the present era, the development of HRM may be classified as follows:

1. Industrial revolution era— 19th century

2. Trade union movement era — close to the 19th century
3. Social responsibility era — beginning of the 20th century
4. Scientific management era— 1900-1920s
5. Human relations era— 1930s-1950s
6. Behavioural science era— 1950s-1960s
7. Systems and contingency approach era – 1960 onwards
8. Human resource management era — 1980 onwards

**1. Industrial Revolution Era:** The systematic development of HRM started with the industrial revolution that started during the 1850s in Western Europe and the USA. The industrial revolution consisted, essentially, the development of machinery, the use of mechanical energy in production processes, and consequently the emergence of the concept of the factory with a large number of the workforce working together.

The factory system replaced the old cottage system. The industrial revolution brought out several changes like centralized work locations with a large number of workers working together, mechanized production process, migration of workers from their place of origin, and indirect contact between factory owners and workers.

To manage people in the factory system of the industrial revolution, three systems of HRM were developed- recruitment of workers, training for workers, and control of workers. However, the basic philosophy of managing workers revolved around a master-servant relationship.

**2. Trade Union Movement Era:** The conditions of workers in the aftermath of the factory system as an outcome of the industrial revolution, were very pitiable. The Royal Commission of Labour in India in 1911, under the chairmanship of J.H. Whitely, recommended the abolition of the 'Jobber' system and the appointment of labour officers in the industrial enterprise to perform the recruitment function as well as to settle workers' grievance. **Workers also started forming 'trade unions'**. The basic object underlying trade union was to safeguard the worker's interest and to sort out their problems such as the use of child labour, long hours of work and poor working conditions.

**These unions used strikes, slowdowns, walkouts, picketing, as weapons for the acceptance of their problems. These activities of trade unions gave rise to personnel practices such as collective bargaining, grievance handling system, arbitration, disciplinary practices, employee benefit programmes and sound wage structure.**

**3. Social Responsibility Era:** At the beginning of the 20th century, some factory owners, **employers started showing a humanistic approach towards the workers. Robert Owen**, a British industrialist is considered to be the **first to adopt the humanistic approach** towards workers. He viewed that the principal social and economic environments influence the physical, mental and psychological development of workers. He felt that **to improve productivity, it is necessary to improve the conditions of employees by removing them from the adverse environment to a congenial**

**atmosphere with the availability of satisfactory living and working conditions.**

This era focuses on the paternalistic approach, which consists of the philosophy that the **workers are just like children and the owner is just like a father.** Therefore the owner should take care of the workers, just like a father looks after his children. Owen himself implemented this philosophy in his cotton mill in Scotland by introducing facilities such as shower baths, toilets, restrooms and increased minimum wages and housing scheme.

- 4. Scientific Management Era:** The concept of scientific management was introduced by F. W. Taylor in the USA in the early part of 20th century as an alternative to the prevailing system of management by initiative and incentive-based on his shop floor job experience.

**Taylor developed four principles of scientific management**

1. Development and use of scientific methods in setting work standards, determining fair work, and the best way of doing work.
2. Scientific selection and placement of workers best suited to perform the various tasks and provision of their training and development for maximum efficiency.
3. Clear cut division of work and responsibility between management and workers.
4. Harmonious relationship and close cooperation with workers to achieve the performance of work following the planned jobs and tasks.

In scientific theory, **Taylor viewed men and workers as one driven by fear of hunger and search for profit.** Accordingly, if an economic reward is tied up with the efforts put on the job, the worker will respond with his maximum physical capability. Taylor also developed several techniques to introduce his scientific ideas in management.

- 5. Human Relations Era:** During the years 1925 to 1935, experts expressed their opinions towards the human aspects of organisation activities. Hugo Munsterberg in his book, "Psychology and Industrial Efficiency", suggested the **use of psychology in the selection, placement, testing and training of employees in an organisation.**

**Elton Mayo** and his associates conducted a series of experiments from 1924 to 1932 of the Hawthorne plant of the Western Electric Company in the USA. The main findings of **Hawthorne Experiments** were as follows:

1. Physical environments at the workplace do not have any material impact on the efficiency of work.
2. Favourable attitudes of workers and psychological needs had a beneficial impact on the morale and efficiency of the workman.
3. Fulfilment of the worker's social and psychological needs had a beneficial impact on the morale and efficiency of workmen.
4. Employee groups based on social interactions and common interests exercised a strong influence on worker's performance.
5. **Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition, the right to express their opinion on**

**matters related to them.**

The findings have stated that the relationship between the superiors and subordinates should relate to social and psychological satisfaction of the employees. **Employee satisfaction is the best means of increasing employee productivity.**

**6. Behavioural Science Era:** In contrast to human relations which assume that happy workers are productive workers, the behavioural scientists have been goal and efficiency-oriented and consider the understanding of human behaviour to be the major means to that end. Important elements of the behavioural approach to HRM is as follows:

1. **Individual behaviour is linked with group behaviour.** For example, a person may resist changing his/her behaviour as an individual. But he/she will readily do so if the group to which he or she belongs, decides to change its behaviour.

2. **Informal leadership** rather than the formal leadership of the manager **is more effective in influencing people to achieve standards of performance.** According to their view, the democratic leadership style of the manager is more acceptable to the subordinates and hence more effective.

3. By nature, people do not dislike work. Most people enjoy work and one is motivated by self-control and self-development. In fact job itself is a source of motivation and satisfaction to the employee.

4. Managers' basic job is to use untapped human potential in the organization.

5. Expanding subordinate influence, self-control and self – direction can improve operating efficiency.

**7. Systems Approach Era:** A system may be defined as **a set of interdependent parts forming an organized unit or entity.** The parts, also known as sub-systems, interact with each other and are subject to change.

**The system approach is characterized by the following features:**

i. A system is a **group of elements which are separate entities/ units.**

ii. All the elements are **interrelatedd** in an **orderly manner.**

iii. There is a need for **proper and timely communication** to facilitate interaction between the elements.

iv. The **interaction** between the elements should **lead to achieving** some **common goal.**

At the heart of the systems, approach is a **Management Information System (MIS)** and **communication network for collection, analysis and flow of information to facilitate the function of planning and control.**

Modern thinkers consider **HRM as a system that integrates activities to make the best use of resources** which are always scarce.

**Contingency Approach Era:** Contingency refers to **immediate circumstances.** Contingency approach believes that **there is no one way of managing that works best in all situations.** According to this approach, **the best way to manage varies with the**

**situation.** Hence this approach is called a 'situational approach'. There may not be one universal way of managing in all situations. A particular approach may yield fruitful results in one situation but may drastically fail in another situation. Therefore managers are to analyse different situations and then use the best approach suitable in that particular situation.

**8. Human Resource Management Era:** When the factory system was applied in production, a large number of workers started working together. A need was felt that there should be someone who should take care of recruiting, developing, and looking after the welfare of these workers. For this purpose, the industrial relations department came into existence in most of the large organisations which were concerned mostly with workers.

With the increasing competition for market share, competition for resources including human talents, and increased knowledge in the field of managing human resources, people were not treated merely as physiological beings but socio-psychological beings as a prime source of organizational effectiveness and large organizations changed the nomenclature of their personnel department to human resource 'department to reflect the contemporary view.

## **Development of HRM in India**

Like U.K and USA, the evolution and development of HRM in India were **not voluntary**. After the second world war, difficult conditions erupted in India. Malpractices in the recruitment of workers and payment of wages led to the **trade union movement**. In 1931, on the recommendations of The Royal Commission of Labour, 'Jobber' system was abolished.

After independence, the **Factories Act, 1948** laid down provisions for **Labour Officers, Labour welfare, safety and regulation of working hours and working conditions**.

Two professional bodies emerged. They are '**The Indian Institute of Personnel Management**' (IIPM), Kolkata and the '**National Institute of Labour Management (NILM), Mumbai**.'

These two institutes are guiding in Human Resource Management and Labour management.

The massive thrust on basic industries in India during the **1<sup>st</sup> Five-year plan (1956-61), which accelerated public sector undertakings, gave a boost to personnel management and HRD practices**. The **professionalism in managing organizations** became quite **visible by 1970s**. There was a clear shift from the **welfare approach to efficiency approach**.

The two professional bodies **IIPM & NILM merged in 1980 to form National Institute of Personnel Management (NIPM), Kolkata**.

Evolving along the years, the approach has shifted to human values and productivity through people. It is against such a shift in managing people in the 1990s, a new approach has

emerged as human resources management (HRM). This approach focuses more on the development aspects of human resources.

**The changing internal environment in organizations calls for better understanding of human resources management.**

## **Organisational Culture**

**The culture or climate of an organization is made up of traditions, values, habits, ways of organizing, and interpersonal relationships at work.**

Culture is reflected in organizational structure, strategy, systems, power and reward distribution, conformity, development process, motivational dynamics, organizational clarity, warmth and support received by employees, leadership styles, the standard of performance and shared subordinate values.

Effective work culture is **flexible, integrated, decentralized, performance-oriented, quality conscious, cooperative, collaborative, and supportive.**

The major elements of HRM strategy and functions can be related to organizational culture. **Corporate mission, philosophy and strategic plan give birth to a culture in organizations.**

## **Functions of HRM**

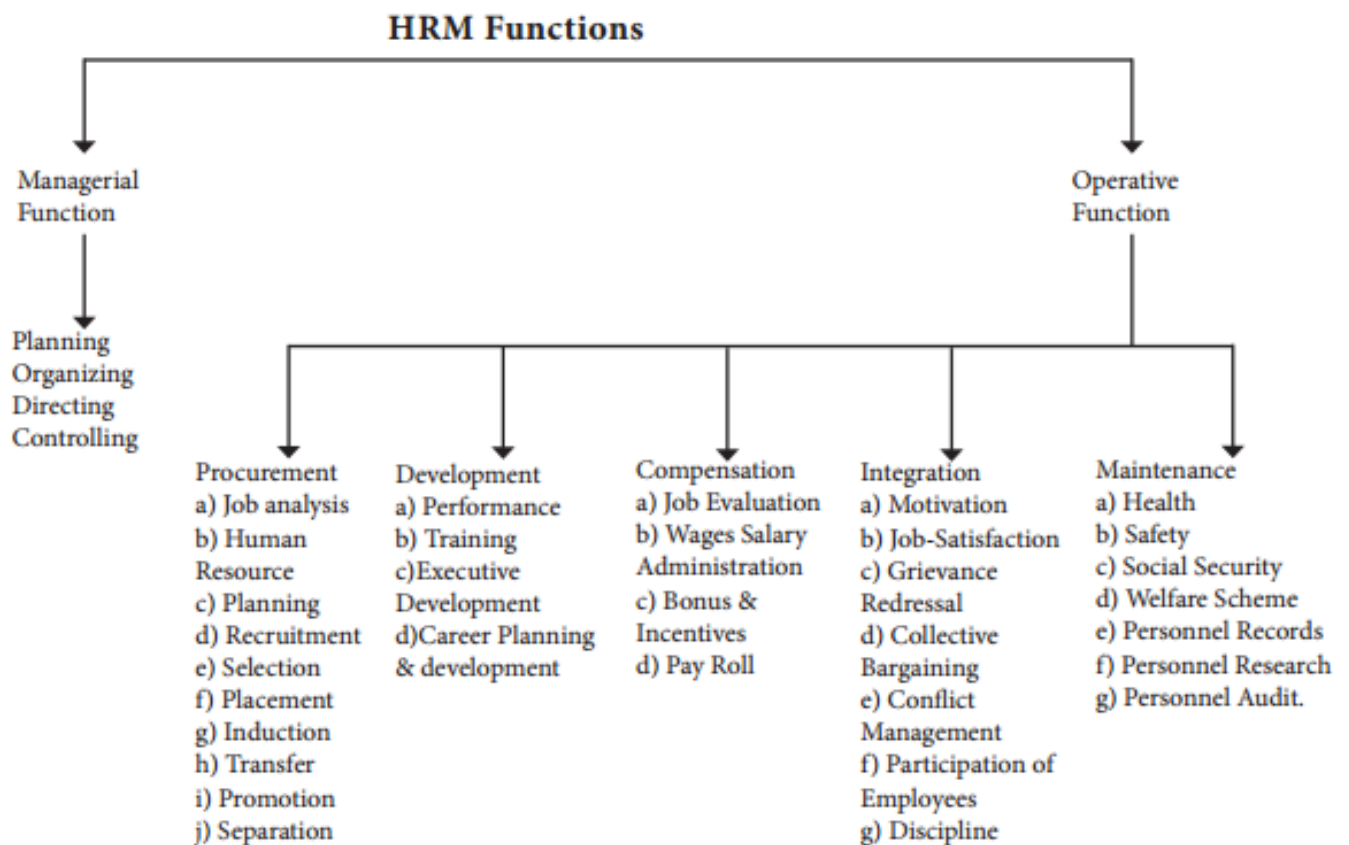
The different **Objectives of HRM** are:

- a) Helping the organization to attain its goals effectively and efficiently by recruiting competent and motivated employees.
- b) Utilizing the available human resources effectively.
- c) Increasing employee's job satisfaction and self-actualization.
- d) Maintaining the quality work life (QWL)
- e) Maintaining ethical policies and behaviour inside and outside the organization.
- f) Establishing and maintaining a cordial relationship between employees & management and
- g) Reconciling individual and group goals with organizational goals.

## **Functions**

The functions performed by managers are common to all organization. Generally, the functions performed by HRM are classified into:

- i) Managerial Function
- ii) Operative Function



## **Difference between HRM and HRD**

Human Resource Management (HRM) is a branch of management; that is concerned with making the best possible use of the enterprise's human resources. On the other end, Human Resource Development (HRD) is a wing of HRM that keeps focusing on the development part of the organisation's manpower.

1. HRM deals with all aspects of the human resources function - HRD only deals with the development part.
2. HRM is concerned with recruitment, rewards among others - HRD is concerned with employee skills development.
3. HRM functions are mostly formal - HRD functions can be informal like mentorship.
4. HRM is a routine and administrative process - HRD is a continuous process

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

### Relevance of HRM

HRM is relevant in the modern changed scenario on the following grounds:

**Change management:** The popular terms of the present-day world are ‘Learning Organization’, ‘Managing Organizational Change’, ‘Change Agents’ and the like. It is now accepted that any **organization can survive in today’s socio-economic environment only if it is pro-active to environmental changes**. Advances in information technology are also compelling the organisations to change their very way of thinking.

**Competence:** In any organization, it may not be feasible to allocate tasks to individuals at which each one excels. But it is possible to **enhance the competence of the individuals to specific tasks through well-designed training programmes**. HRD attempts to enhance competence through well defined and planned training programmes.

**Commitment:** The extent to which the employees are committed to their work and organization has a significant bearing on an organization's performance. Commitment levels can be assessed using informal interviews and questionnaires, statistics on absenteeism, grievances and voluntary separations.

Transparency in organizational functioning, employees perception of various HRM policies, channels of communication and role models played by superiors influence employee commitment.

**Congruence of objective:** All newcomers to the organisation must be properly socialized into the existing community and are made aware of the organizational values, work ethos, customs and traditions. **They must know what the organization stands for and what it wants to achieve and in this process what is expected from each individual.** They should understand the meaning of the existence of the organization. This exercise is commonly referred to as socialization.

**Motivation:** The performance of the workers could be improved and increased by proper motivation. **Most people can exercise far more creativity, self-direction and self-control than their present jobs demand. It is, however, necessary to create an environment in which all members can contribute to the limits of their ability.** Subordinates must be encouraged to participate in the process of decision making, continuously broadening their self-direction and self-control. These would not only lead to a direct improvement in operating efficiency but would also ensure them to groom for higher responsibilities.

## **Environments of HRM**

### **- Internal Environment:**

**Trade Union:** Trade Unions are formed to safeguard the interest of its member workers, HR activities like recruitment, selection, training, compensation, industrial relations and separation are carried out in consultation with trade union leaders. Various activities of trade unions have a bearing on the HRM.

**Organizational culture and conflict:** As individuals have personality, organizations have cultures. Each organization has its own culture, which it cherishes and wants to retain and follow faithfully. Culture is some core values and beliefs cherished by the members of the organization. The Reliance Industries Ltd., has "value for time", as its core culture. Tata's have the core culture of "get the best people and set them free". HR practices that best fit the organization's culture need to be implemented. Conflict usually surfaces because of dualities such as personal goal, vs. organizational goal, discipline vs. duties etc. Such conflicts have their bearings on HR activities in an organization.

### **- External Environment**

**Economic Factors:** Economic forces such as growth rate and strategy, industrial production, national and per-capita incomes, money and capital markets, competitions, industrial labour and globalization have an impact on HRM policies. Growing unemployment and reservations in employment also affect the choice for recruitment and selection of employees in organizations.

**Political Factors:** The total political environment is composed of the legislature, executive and judiciary and all of them have to impact on placement, training retention and maintenance of employees.

**Technical:** Technology is a systematic application of organized knowledge to practical tasks. Technological advances affect HR functions in several ways. Technology makes the job more intellectual or upgraded. Secondly, it renders workers dislocated, if they do not equip themselves to the job. Thirdly, the job becomes challenging for the employees who cope with the requirements of technology. Further, technology reduces human interaction in the workplace.

Finally, job holders become highly professionalized and knowledge-based in the job they perform.

**Demographic:** Demographic variables include sex, age, literacy, mobility, etc., All these have different dimensions in employment and placement.

**People management:** Men or personnel should be managed properly and effectively in any organization and at the macro level, at the national level.

## **Organisational Climate**

“Organisational climate is a set of characteristics of an organisation which are referred in the descriptions employees make of the policies, practices and conditions which exist in the working environment”.

HRD Climate is helpful in the fulfilment of committed goals of an individual, organization and society. It increases the capabilities and efficiency of an individual and is likely to reflect itself in the long run in the well-being of the individual, reputation of the institution and ultimately the well-being of the society. However, the nature of efforts and investments in developing human resources may vary from organization to organization depending on its need, nature of capabilities the organization wants to build up and the size of the organization etc.

### **Components of HRD Climate**

The organizational climate consists of:

- **Organisational Structure-** An organization’s structure is actually a ‘snapshot’ of a work process, frozen in time so that it can be viewed. The structure enables the people’s energy to be focused towards process achievement and goal achievement. Employee

must have a clear definition of not only the work structure but also the role used to organize the work. If the structure and the role is not clear, people will not know what the work process is, who is responsible for what, whom to go for help and decision, and who can Assist in solving problems that may arise.

- **Organisational Culture-** Organisational culture is the pattern of beliefs, knowledge, attitudes, and customs that exists within an organisation. Organizational culture may result in part from senior management beliefs or from the beliefs of employees.

Organizational culture can be supportive or unsupportive, positive or negative. It can affect the ability or willingness of employees to adapt or perform well within the organisation. The most effective work culture is one that supports the organizations HR strategies by aligning behaviors, processes and methods with the desired results. It is not just achieving results but the methods through which they are achieved that are critical to long-term success. Before any HR strategy is designed there must be a clear understanding of the organisation, its current values, its structure, its people as well as its goals and vision for the future.

- **HR Processes-** The HR system of an organisation should be comprehensive enough to take care of employees from the time they join till the time they leave HR. Their demands must not be ignored, but a feeling of belongingness be created. Process should be very clear and impartial, so that employee's faith in organisation. From recruitment to retirement whole process should be according to employees expectation and ability of employer.

## Organisational Structure

The organisation structure is a basic framework within which the managers' decision-making behaviour takes place. **The structure is the pattern in which various parts or components are interrelated or interconnected. Organization structure is the pattern of relationships among various components or parts of the organization.** This prescribes the relationships among various activities and positions. **Since the positions are held by various persons, the structure is the relationship among people in the organization.**

Org Structure decides **how the work of an organisation will be divided and assigned among various positions, groups, divisions, departments, etc., and how the coordination necessary to accomplish total organizational objectives will be achieved.**

a sound organizational structure is a pre-requisite for HRM activities and to achieve organizational objectives.

### **The features of a Good Organization Structure**

1. **Simplicity:** An organization structure should be simple. The concept of simplicity implies that various **organizational relations & Managerial levels should be kept to**

**the minimum. Every person in the organization should be clear about to whom he has to consult on a particular matter. Too many levels, too many communication channels, the multiplicity of commands or too many committees create more problems than solving them.**

**2. Flexibility:** An organization structure should be flexible enough so that **changes can be incorporated whenever there is a need. The structure should be designed not only for the present but also for future needs.** There may be a need for incorporating changes in the organisation structure. Changes can be incorporated easily if the structure is flexible. Thus, a flexible structure provides an opportunity to incorporate changes whenever needed without adversely affecting other parts.

**3. Line of Authority:** There should be clear lines of authority running from top to bottom or in horizontal directions. The concept of a clear line of authority implies that one should be clear about what he is expected to achieve or contribute and what relationships should be maintained by him in his official level.

**4. Ultimate Responsibility:** There is always the concept of ultimate responsibility which suggests that although a superior manager assigns some of the work to his subordinates, he is ultimately responsible for the performance of total work. Thus, **he/she is responsible for his/her work as well as for the work performed by his subordinates.** In this concept, **no superior can absolve himself from the responsibility for the non-performance of work by his subordinates.**

**5. Delegation of Authority:** There should be a proper and adequate delegation of authority. Responsibility cannot be delegated without proper authority to the delegate. He can discharge his responsibility properly if he has commensurate authority. A common problem in organisational life is that managers often fail to delegate adequate authority and suffer from various problems. The organizational structure shall be such that it should be amenable for delegation.

**6. Unity of Direction and Command:** It is no good if **direction and command are given by more than one person** having authority. Sometimes, the structure, if defective may lead to **multiplicity of commands**, making the subordinate in a fix as to whom he is answerable. If there is a well grouped and arranged organizational structure, it may lead to desirable unity of command.

**7. Proper emphasis on staff: Line functions should be separated from staff functions and adequate emphasis should be placed on important staff activities.** This is important, particularly in large organizations. The line and staff activities are required because both serve different objectives in the organization. **A line activity is that which serves the organizational objectives directly.**

**Production activities, marketing activities etc can be considered as good examples for the line activity. On the other hand, contributions of staff activities are indirect,**

that is, they help in carrying out the line activities to achieve organizational objectives. Personnel, accounting etc., are staff activities.

### The advantages of a good Organization Structure

**1. Facilitating Management:** A properly designed organization facilitates both management and operation of the enterprise. On the other hand, the inadequate and faulty structure would discourage and hamper effective management. Management work takes place with certainty and continuity **only if appropriate functional groups are provided to help managers. The grouping and arrangement of activities directly affect operating results.** Successful managers always try to develop a good structure. In many enterprises, a separate unit for organization analysis is created which looks after authority and responsibility, delegation, communication, control and coordination.

**2. Facilitating growth:** The organizational structure is the framework within which an enterprise grows. This requires a **flexible structure where changes may be incorporated.** With the increase in size, either the number of same work increases or diversification takes place: **a sound structure facilitates growth by increasing the efficiency.**

**3. Full utilization of technological improvement:** Many new technological improvements are being made every day and the organization cannot remain aloof to these improvements. The advantages can be best realised by having a **suitable organization structure which can quickly adjust to the new technology.**

**4. Encouragement to personnel:** Psychological satisfaction to individuals in the organization is needed. An individual contributes his best when his satisfaction is the most. **Psychological satisfaction is largely derived from his work, his relationships, and his work environment. Psychological satisfaction could be provided through good organization structure. A good organization structure also develops provisions for training and promotional avenues.**

**5. Creativity stimulation:** A sound organization based on specialization, **stimulates creative thinking and initiatives by providing a well defined area of work** with the provision of development of new and improved ways of working.

The organisational structure mainly under **three categories:**

- 1. Functional (or Traditional) type organization.**
- 2. Product (or Process) type organization**
- 3. Matrix type organization.**

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