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T.Y.B.Com. (Sem VI)

Human Resource Management



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# 1.1 Human Resource Management (HRM)

## 1.1 Learning outcome

- **Human Resource Management (HRM):** Meaning
- **HRM:** Functions & Importance
- **Traditional v/s Strategic Human Resource Management**

### BACKGROUND

- All organizations use variety of capital resources in order to produce goods (or render services). It includes cash, machinery/equipment, or intermediate goods used in the production process. However, capital resources alone are not enough to make the business work.
- Regardless of the industry, all firms have one thing in common: they must have people to make their capital work for them.
- In simple words, all firms use people's skills and abilities in order to generate revenue.

### HUMAN RESOURCE

- Human resource comprises of people who have the ability to think and make their own decisions. They can act on their feelings and even react to the environment. It is the sum of their knowledge and capability which creates utility for all the other resources.
- In other words, the productivity of other resources depends upon the ability of the human factor. It makes human resource the most important asset for any organization.



### MEANING OF HUMAN RESOURCE MANAGEMENT (HRM)

- In order to succeed, all firms need to effectively manage the human resources.
- Human resource management (HRM) is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them.
- Every organization must provide its employees with work friendly environment & promising growth opportunities. This, in turn, will motivate employees to achieve the goals and objectives of the organization.
- The firms have specialized team, called Human Resource Department, to manage the people working in the organization.



## DEFINITION OF HRM

- According to **Edwin Flippo**, “HRM is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and societal objectives are achieved”.
- According to **David DeCenzo and Stephen Robbins**, “HRM is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives.”

### You may like to know:

The various features (or nature) of the HRM include:

- It is a systematic & continuous process.
- It is concerned with managing people at all levels of the organization.
- It is applicable to all commercial organization and non-commercial organizations.
- The principles and practices applied by the HRM are common to all organizations regardless of their nature, size, scope and purpose.
- It is a multidisciplinary & dynamic process.
- It places emphasis on the accomplishment of organization’s objectives.
- It brings long-term benefits to employees, organizations & society as whole.
- It aims at developing & maintaining team spirit.
- It also aims at development of employees’ potential to the maximum possible extent.
- It is challenging to effectively manage human resources.

### Q.1. WHAT ARE THE FUNCTIONS OF HRM?

**A. Note:** Students need to include the meaning of HRM as background.

The functions of Human resource Management (HRM) include:

#### 1. HUMAN RESOURCE PLANNING

- Human Resource Planning is a process that identifies current and future human resources needs of organization. It helps in ensuring efficiency in decision making on the part of the HR manager.
- HR manager needs to create appropriate plan before he begins the recruitment. For this purpose, he is first required to ascertain the goals and objectives of the organization. He also has to identify the quantity of human resource and level of knowledge and skill required to achieve organization’s objectives.



- HR manager has to determine the sources from which the required manpower will be recruited. He also has to take corrective action in cases of excess or shortage of manpower.

### 2. HUMAN RESOURCE ORGANIZATION

- Once the plans and procedures are formulated, steps are taken to organize manpower & other resources so as to implement the plan.
- It includes assigning specific jobs to each employee and segregating them into various departments of the company. It also includes developing a system to coordinate between different departmental activities.

### 3. ACQUISITION OF MANPOWER

- This function is concerned with employing people who possess the required skill set, aptitude and knowledge.
- It includes activities such as human resource planning, recruitment, selection, placement and induction training.
- The HR department takes steps to search employees by posting job vacancies on online portals and through newspaper advertisements. Subsequently, they conduct a series of tests and interviews in order to select the right candidate for the job. They also provide induction training for the newly appointed staff.
- HR Department is responsible for filling the vacancies arising out of promotion, transfer, resignation and termination.

### 4. PERFORMANCE APPRAISAL

- It is a system adopted to evaluate the actual performance of employees. It takes into consideration their job relevant strengths as well as weaknesses.
- Systematic feedback helps employees to correct weakness & consolidate their strengths.
- HR department is responsible for planning, designing and implementation of performance appraisal system. The department designs various monetary remuneration as well as non-monetary benefits for the employees.

### 5. TRAINING & DEVELOPMENT

- HR department is responsible for organizing training and development programmes for employees.
- The main aim for conducting training programmes is to improve the skills, knowledge and attitudes of the employees so that they are able to perform the assigned job efficiently.
- Development programmes are also conducted for the managers to develop their managerial and human relation skills. It enables them to effectively handle teams and challenging work situations.

**6. CAREER DEVELOPMENT**

- The HR department is responsible for evaluating the potential of the employees and providing them enough opportunities to advance in their career.
- HR department arranges for training programmes to prepare them to take more challenging roles and responsibilities at work. Such efforts help individual employees as well as the organization to grow.

**7. WELFARE FACILITIES**

- The HR department provides welfare facilities such as crèches, medical and insurance cover, loans for pursuing advanced studies, housing and transport facilities etc.
- All these facilities motivate the employees to stay committed to the organization and increase productivity.

**8. COMPENSATION (remuneration and rewards)**

- All employees must be rewarded & recognized for their performance. HR Department is responsible for designing appropriate compensation package for employees.
- Provision of attractive pay scale is important factor to attract new employees and motivate existing employees to perform better. In order to determine adequate salary for the employee, the HR department has to conduct job evaluation and performance appraisal programmes on regular basis.
- This function involves management of salary system, incentives, bonus, social security benefits and flexible work schedules etc.
- Appropriate remuneration & rewards motivate employees and indicate that the organization values/respects its employees.

**9. MAINTAINING INDUSTRIAL RELATIONS**

- This function ensures that there are good relations between the management and the industrial workers. It includes strengthening union-management relations, settlement of industrial disputes, taking disciplinary actions, collective bargaining etc. It also involves setting up a system to address the needs and solve grievances of the employees.
- HR Department ensures there is smooth flow of communication between the management and the workers.

**10. ENSURING ATTAINMENT OF ORGANIZATIONAL GOALS**

- This function is concerned with ensuring that the activities performed by the employees are in accordance with the organizational plans.
- The HR manager takes corrective actions when the actual performance is not as per the set/ required standards.

**11. MAINTENANCE OF EMPLOYEES**

- Maintaining the competent employees is a challenging task for the HR department. This is because of availability of better job opportunities.
- Therefore, the HR department has to ensure that the employees are given adequate monetary benefits, proper health and medical cover, equal opportunity, work appreciation, job security etc.

**12. OTHER FUNCTIONS**

- Other additional functions performed by the HR department include: maintaining record of employee details, health and medical records, attendance, salary and benefit records etc., ensuring that all legal provisions related to employees are complied with.

**Q.2. EXPLAIN THE IMPORTANCE OF HRM.**

**A. Note:** Students need to include the meaning of HRM as background.

Human resource Management (HRM) is important for the following reasons:

**1. EMPLOYING COMPETENT EMPLOYEES**

The HR department conducts series of tests and interviews before employing any individual for the organization. The HRM helps in selecting right employees for the right job in any organization. In turn, HR department plays role in achieving organizational objectives by employing competent and committed employees.

**2. DEVELOPMENT OF HUMAN RESOURCE**

The HR department organizes various seminars and training sessions for the development of technical and operational skills of employees. The arrangement of training programs on regular basis helps employees to improve their skills, attitudes and knowledge.

**3. EFFICIENT UTILIZATION OF MANPOWER**

The HR department ensures that there is optimum utilization of human resource. The department assigns specific tasks to the employees on the basis of their knowledge, skill set and abilities. It ensures that all employees perform the assigned task in the most efficient way.

**4. PERFORMANCE APPRAISAL**

The HR department conducts appraisals on regular basis. The department develop various methods and systems to evaluate the performance of employees. HR department recognizes the efforts and achievements of employees by rewarding them. Performance appraisal motivates employees to perform better.



**5. PROVISION OF OPPORTUNITIES FOR CAREER ADVANCEMENT**

The HR department is responsible for evaluating the potential of employees and providing them with opportunities to advance in their career. The competent employees are given fair chance of promotions. HR department also arranges training programmes to prepare them to assume more challenging roles & responsibilities. The department also provide opportunities to pursue further studies.

**6. MOTIVATING AND RETAINING EMPLOYEES**

The attractive pay structure motivates employees to perform better and stay committed to the organization. The HR department also arranges for monetary and non-monetary benefits such as bonuses, incentives, promotion etc. The various welfare facilities such as crèches, transport and housing facilities, loans, health and medical insurance and so on encourage the employees to take genuine interest in accomplishing organization's objectives.

**7. CULTIVATING TEAM WORK AND TEAM SPIRIT**

The HR department encourages the employees to take active participation in group discussions and brain storming session. HR team reward departments or groups on the basis of their performance which builds morale and team spirit of the employees.

**8. MAINTAINING RELATION BETWEEN MANAGEMENT & EMPLOYEES**

The HR department is responsible for maintaining harmonious relationship between the management and employees. The department sets up a system to address and solve the grievances of employees. The department is also responsible for taking disciplinary actions in case of any unacceptable behaviour. In short, HR department ensures smooth flow of communication between management and employees.

**9. BUILDING CORPORATE IMAGE**

Effective human resource management aids to improve the organization's image in the minds of various stakeholders such as customers, shareholders, employees etc.

**10. FACILITATING SOCIAL DEVELOPMENT**

The various HR initiatives (such as CSR activities-corporate social responsibility) aids social development & thereby help in fostering social progress.

**STRATEGIC HUMAN RESOURCE MANAGEMENT**



**DEFINITION**

According to **John Bralton**, "*Strategic human resource management is the process of linking the human resource function with the strategic objectives of the organization in order to improve performance.*"

- According to **Gary Dessler**, “Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviours that the company needs to achieve its strategic aims.”



**MEANING**

- It involves formulation, execution and evaluation of HRM policies, practices and strategies in alignment with the overall corporate strategy of organization to achieve the organizational goals.
- HR departments that practice strategic human resource management do not work independently within a silo. They interact with other departments within organization in order to understand their goals and then create strategies that are consistent with departmental as well as organizational objectives.
- The strategic human resource managements ensure that the organization has competent, skilled and knowledgeable team of employees which facilitates in achieving the goals and objectives of the organization.

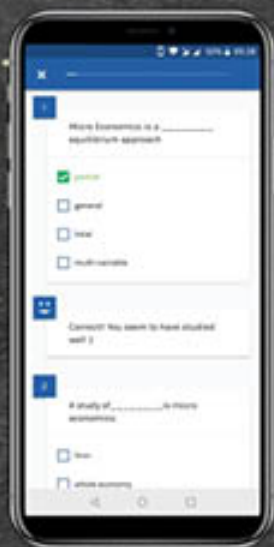
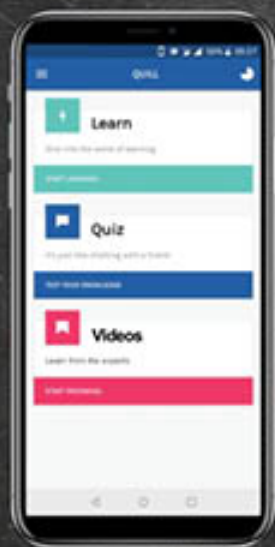
**Q.3. DISTINGUISH BETWEEN TRADITIONAL HRM AND STRATEGIC HRM.**

Traditional HRM	Strategic HRM
<b>1. MEANING</b>	
It is a traditional method of managing people so as to undertake organizational activities or achieve short-term organizational goals.	It is a modern and professional approach so as to manage and develop the human resources in line with the overall strategy of the organization.
<b>2. OBJECTIVES</b>	
The objective is to select and compensate employees for the activities performed by them for the organization.	The objective is to improve effectiveness and efficiency of employees to achieve organizational goals. It includes selection, training, appraisal, promotion, compensation, motivation and retention of competent employees.
<b>3. RESPONSIBILITY</b>	
HR department deals with/is responsible for managing the employees.	All departmental managers (who deal with employees on day-to-day basis and get the work done) as well as HR department work in tandem.

<b>4. FUNCTION</b>	
It is a part of the organization that implements and ensures compliance of all HR policies.	It functions as a strategic partner of the organization so that organizational objectives are achieved.
<b>5. FOCUS</b>	
It focuses on operational issues and needs of human resources.	It focuses on overall result and issues of the organization.
<b>6. NATURE OF DECISIONS</b>	
Traditional HRM takes reactive decisions relating to human resource issues.	Strategic HRM takes proactive decisions relating to human resource issues.
<b>7. NATURE OF HR POLICIES</b>	
Generally, HR policies are rigid in nature.	HR policies are flexible & are reviewed periodically so as to make revisions.
<b>8. SPECIALIZATION</b>	
One manager looks after almost all areas of HR (such as selection, training, performance appraisal etc.)	There is specialization in HR areas such as selection, training, performance appraisal etc.
<b>9. EMPLOYEE TREATMENT</b>	
The employees are treated as hired workers. There is lack of deep respect & care for employees.	The employees are deemed to be partners in progress. They are treated with respect & considered as internal customers.
<b>10. OTHER DIFFERENCES</b>	
There is less emphasis on relevant employment tests & interviews during selection. It places less importance on training & development. The traditional performance appraisal techniques are used. The promotion by seniority is followed at all levels. No special measures are taken to retain employees.	The relevant employment tests and interviews are conducted during selection. It places great importance on training and development. The modern performance appraisal techniques (assessment centre, role analysis) are used. The promotion is based on merit at all levels. Special measures are designed to retain employees (retention bonus, loyalty programs).

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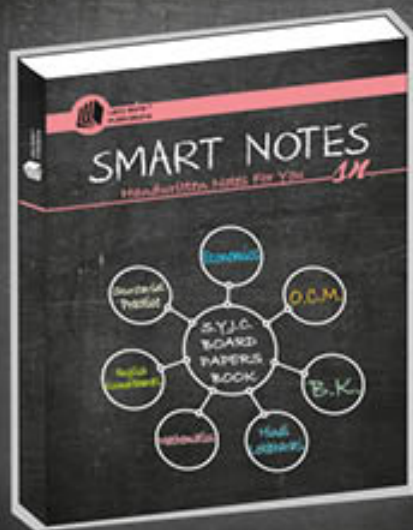
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