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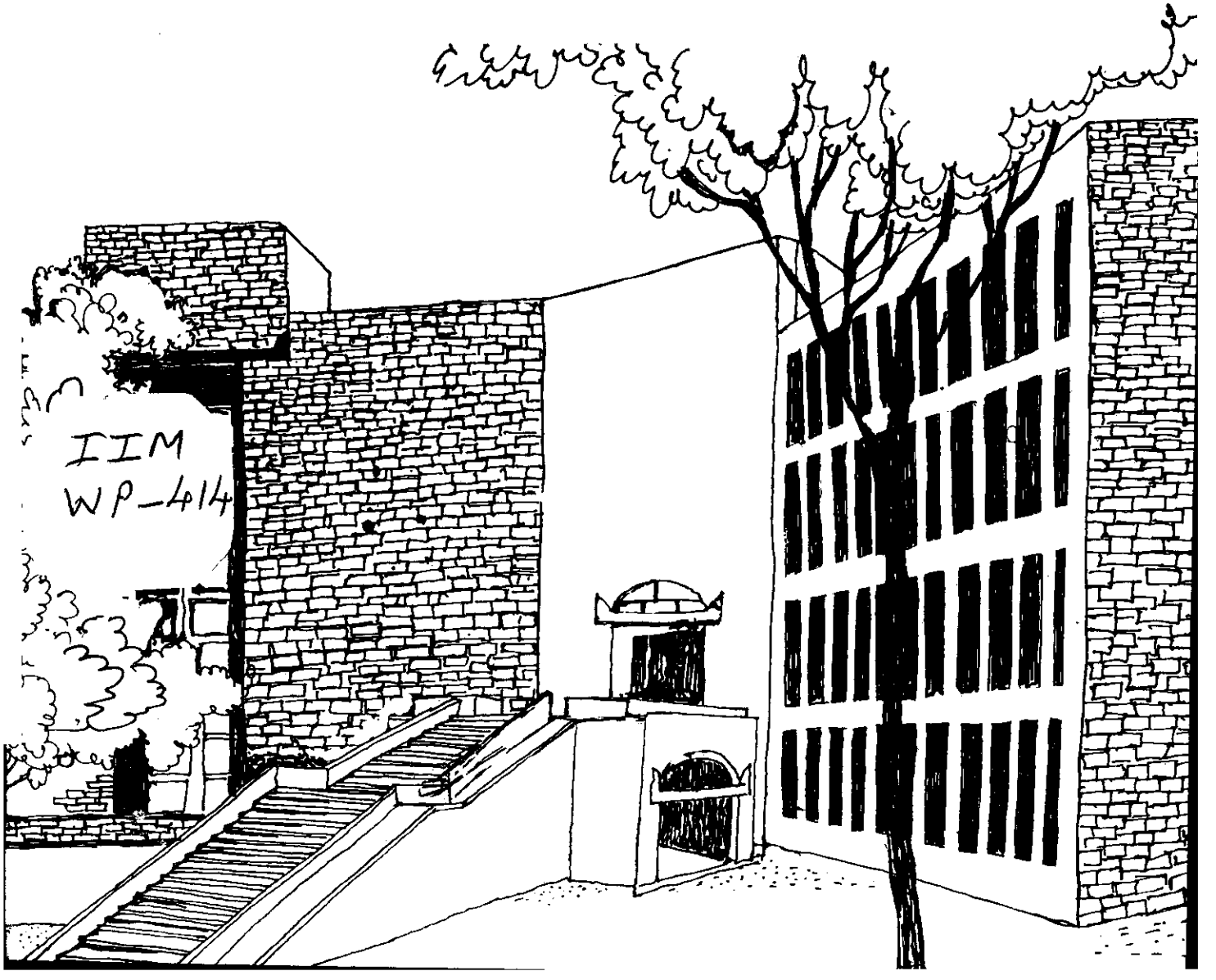

HRD PRACTICES IN INDIAN INDUSTRY

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HRD PRACTICES IN INDIAN INDUSTRY

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The need for focussing attention on the development of human resources is increasingly being felt in Indian Industry. This need arises out of the recognition by the corporate management in most organisations that they have the responsibility to create a positive and healthy psychological climate in organizations that enables its employees to enhance and utilize their capabilities to the best possible extent. This responsibility takes the direction of their making efforts to create a healthy psychological climate that increases the work-motivation, initiative and commitment. These are accomplished through creation of a climate where the employees feel a sense of pride in doing whatever they aredoing for the organisation, feel wanted, and experience a sense of achievement through accomplishing tasks associated with their roles. Thus instead of attempting to regulate and control employee behaviour through traditional control-oriented personnel practices like confidential report systems of appraisal, disciplinary action etc., the emphasis is shifting towards more humanised, positive and development-oriented personnel practices sometimes called as HRD systems or Human Resources Development mechanisms.

A few organisations have taken a lead role in establishing such mechanisms or systems that treat employees more humanly. Such a lead role is reflected in their philosophy (both stated and practiced)

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about its human resources, its appraisal systems, its promotion and reward systems, career development policies, training mechanisms and above all its investment on its own human resources. While a few organisations have taken a lead role, the situation in most of the industries on the HRD dimensions remains unknown. This survey was initiated with a view to explore the trends of such HRD practices in different industries.

METHODOLOGY

When a group of senior executives from both public and private organizations were attending a senior executives programme, the opportunity was taken to survey their practices. The ideal methodology for such a survey would have been to visit these organisations, study documents related to this area, and interview heads of personnel departments, top level managers and other executives in the organization to understand the practices followed.

During the programme which these executives were attending a select group of the participants themselves happened to present to others about the Human Resources Management practices followed in their organizations. Impressed by the utility of information they got from these companies on HRD related issues in the subsequent discussions the executives themselves expressed a need to pool from others the practices followed in their companies. As a result of this need felt by the executives, a questionnaire was developed by the author. The responses of the executives from 45 organizations

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(34 private sector and 11 public sector) are included for this survey. The responses of one executive from each was taken for this survey. Wherever there were more than one executive from a company their responses were examined to see the variations. The responses indicated that there is very little variation in the responses of executives from the same company to the questionnaire.

For example there were eight executives from the same organisation who responded to this questionnaire. Their responses on 28 structured items were compared for the extent of their agreement. A coefficient of agreement was computed as the proportion of agreements of seven candidates with the eighth candidate to the total number of agreements and differences. The coefficient obtained was .84 indicating a fairly high level of agreement among the executives.

Pareek and Rao (1981) identified the following subsystems as offering opportunities for the development of human resources: performance appraisal, potential appraisal, feedback and counselling, training, career planning and development, organization development, and data storage for monitoring employee growth and contributions and for reward administration. Components of each of these subsystems that have direct relevance to development are included in the questionnaire. The survey results are presented below.

PERFORMANCE APPRAISAL

As the dissatisfaction with traditional forms of performance

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appraisal is increasing, many organizations are getting involved in changing their appraisal systems. In some cases these changes are marginal and in a few these are substantial.

The nature of the performance appraisal and its effectiveness depend a great deal on how Human Resources are viewed and treated in the organization. If the organization believes that people do not work unless they are closely supervised and controlled, it may tend to have a confidential report form of appraisal. If the organization believs that every individual has potential and strengths and that human capabilities can be sharpened, developed and utilized better by providing a healthy climate, then the organization would have an appraisal system that attempts/identify, sharpen, develop and utilize /to the potential and capabilities of its employees. Such an appraisal system should be based on an understanding of human nature in the organizational context. The following are some propositions about human nature:

1. Employees would work hard when they feel that they are "wanted" in the organization.
2. Employees would work better when they are "clear" about what they are expected to do and when they have some say periodically in modifying these expectations.
3. Employees would work better when they start "experiencing" success in the tasks they are performing.
4. Employees would work better when they feel that the orga-

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nisation provides opportunities for their performance to be recognised and rewarded.

5. Employees would work better when they see that their organisation is providing them an opportunity to develop and utilize their capabilities to a large extent.

6. Employees will have a high level of committment when they see that their organization is willing to invest time and other resources for the development of its people.

7. Employees would work better when they are being trusted and treated with dignity.

A good performance appraisal should serve the following purposes:

1. Help the individual to be clear about the expectations the organization has from him with respect to his role. i.e. provide role clarity and clarity of functions.

2. Help the individual to assess his own capabilities (knowledge, skills, attitudes, etc.) in relation to the tasks or functions he is expected to perform.

3. Help the organization to identify the problems faced by the employee in performing these tasks and enable higher level officers to take action to remove the obstacles and facilitate effective functioning of the employee.

4. Identify the capability gaps in performing various func-

tions relating to his role and arrange for development of these capabilities through training, on-the-job-coaching etc. mechanisms.

5. Generate data about the employee for rewards, job rotation, placement etc. purposes.

6. Above all this the system should serve as an instrument to help in making the individual experience his contributions to the organization, feel wanted, feel that he is important and others in the organization value him and his contributions.

To achieve these objectives the following components should be incorporated into the appraisal systems:

1. A mechanism to help every employee to become aware of the important functions he is expected to perform;

2. A mechanism to help employee to experience his accomplishments (a person experiences and feels happy about his accomplishments when he plans his goals and acts to achieve these goals);

3. A mechanism to help the employee become aware of the capabilities required to perform different functions associated with his role and help him examine the extent to which he possesses these capabilities;

4. A mechanism by which the employee can identify and use the opportunities for growth in the organization. ...[7]

5. A mechanism by which he can communicate to his boss the difficulties he is experiencing in performing his job.

Objectives of Performance Appraisal

As stated above there can be several objectives for which performance appraisal may be used. Mainly it can be used either for development of employees or for regulation and control of their behaviour through rewards, punishments etc. Sometimes there are differences between how the organization intends to use the performance appraisal and how it is actually used. The responses of the executives from these 45 companies indicate the following trend:

1. A large number of organisations appear to use it both for regulatory as well as development purposes both by their intentions and practices.

2. Some of those organizations that intend to use performance appraisal only for developmental purposes are not able to limit its use exclusively for development as certain degree of control orientation crops into the use of the system. Other details are presented in Table 1.

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Table 1

Primary purposes for which performance appraisal systems are being used in different companies

Nature of objective	Percentage of executives mentioning this
A. Stated Objective	
1. Development of Employees	27
2. Control and Regulation of Employee Behaviour	18
3. Both Control and Development	49
4. Ritual	4
5. No response	2
B. Objective in practice	
1. Development of Employees	11
2. Control and regulation of Employee Behaviour	29
3. Both Control and Development	51
4. To identify potential	4
5. No purpose/No response	4

Components of Performance Appraisal

A number of companies seem to have different components described above as a part of their appraisal system. The details are presented below in Table 2.

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Table 2

Components of Performance Appraisal used by different organizations

S.No.	Component	Percentage of executives reporting the presence of this component
1.	Some form of agreement between a boss and his subordinate on tasks or targets or functions forming a basis of appraisal	62
2.	Appraisal discussions aiming at helping the appraisee to recognise his strengths.	49
3.	Appraisal discussions aiming at helping the appraisee to recognise his weaknesses	53
4.	Appraisal feedback (written or verbal) to tell the employee the areas he needs to improve	69
5.	Self-appraisal to communicate to the boss the accomplishments of an employee	44
6.	Appraisal on managerial qualities required to perform any managerial job (eg. leadership, coordination etc.)	73
7.	Identification of training and developmental needs.	87
8.	Appraisal potential for promotions	78
9.	Identification of factors affecting performance and communicating them to the boss for his assistance and future action	44
10.	Signature by subordinates on the form after assessment by the boss.	33
11.	Appraisal/potential for promotions.	4

12.	Confidential ratings by an officer one level above or reporting officer.	71
13.	Confidential rating by an officer atleast two levels above the appraisee.	40

This table indicates a very encouraging trend in the performance appraisal systems being used by different organizations. Particularly performance review feedback to help the employee recognise his strengths and weaknesses, use of appraisal for identification of training needs, basing the appraisal on mutually agreed tasks, targets or functions and self-appraisal seem to characterize about half of the organizations. All these components if monitored well are likely to facilitate employee development. Inspite of this trend it appears, that in a large number of organisations (71%) the final assessment appears to be that of confidential nature. Probably the culture in our organizations may require some more time before one switches on to such an extent of openness when every employee knows his ratings. This has already started in some of the organizations.

Some other characteristics of Appraisal Systems

The following appear to be some of the characteristics of appraisal systems that are different from the usual ones. In 11 of the companies surveyed the executives mentioned these as unique components of their appraisal systems. Each item below belongs to a different organisation.

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1. Appraisal of a person falling under the category "outstanding" should be accompanied by a brief citation of the individual's performance with specific details which earned him the grade.

2. The final ratings are given by an officer three levels above the appraisee. He gives his confidential ratings on the basis of the independent ratings by the reporting and reviewing officers of the employee.

3. To avoid biased assessment by the immediate supervisor, the appraisal form is sent to employees from other department one level above the appraisee and with whom the appraisee is interacting.

4. Appraisal forms are simple (one page) for workers and staff. For officers and managers they are lengthy and go into depth.

5. The appraisal reports by reporting officer are shown to the appraisee and his comments are obtained. The reviewing officer gives his final ratings confidentially. From this year onwards even these are going to be shown to the appraisee.

6. A "merit award" system is operating for those whose performance is praiseworthy.

7. The ratings are given for various qualities in a printed form. There is a coefficient factor for each of the ratings. The ratings are multiplied by this coefficient factor and final number is arrived at the personnel department.

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8. First assessment is finalised by the reporting officer after discussions with the appraisee. These are then sent to the head of the division who may make changes based on his knowledge about the performance of this employee and others of his level in the division working at other locations. These are then sent to the divisional director for his own analysis and transmission to personnel department.

9. The reporting officer of the appraisee and the reviewing officer discuss the performance of the appraisee before the reporting officer discusses with the appraisee. Then the assessment is sent to the head of the department who sends them to the manpower planning and development managers for review.

10. Appraisee is assessed by two officers two levels above the appraisee. The appraisee is informed of his strengths and weaknesses and is allowed to defend himself. His comments and suggestions are recorded.

11. The senior managers of the company are expected to give a minimum of four objectives per year and plans as to how they will be achieved. The MD along with the divisional head will review at the end of six months and at the end of the year the progress achieved. Improvements needed are verbally communicated to the employee.

MANAGEMENT OF REWARDS AND PROMOTIONS

Rewards play an important role in managing human resources. One's own growth and development through acquisition of new capabilities is a great reward any employee can have in any organization. If opportunities for career growth are not there in any organization employees may not feel motivated to learn new things or acquire new capabilities and even maintain a high level of performance. However, organizations have serious limitations in providing such career growth opportunities for a large number of employees due to limitations of their own growth and scope for expansion. In such cases use of a variety of reward modes help a great deal in maintaining the motivation and high performance. If those who work hard and are high performers are not rewarded, after sometime they may start comparing themselves with low performers and may want to be like them bringing the performance level of the organization down. As a result 'low work' or 'no work' atmosphere sets in. Thus it becomes necessary to use rewards to maintain the motivation of people high.

It is true that reward management is not an easy thing. There are difficulties involved in assessing those who deserve to be rewarded. As most employees who are reasonably hard working think that they deserve to be rewarded, when rewards are announced there are bound to be some employee who feel upset after such announcements. In a few cases they may even react by not continuing to perform well (a mechanism of attracting attention or protest). While such employees can be helped through

counselling, sometimes the top management takes an easy option of not rewarding anyone to avoid any problems of disappointment and frustration. This leads generally to the decline of organizational effectiveness. It is like throwing the baby with bath-water.

Given this need for rewarding employees we may now look at the practices followed in different companies for rewarding high performers. Table 3 presents the various mechanisms used in the organizations surveyed.

Table 3

Mechanisms of rewarding good performance

S.No.	Reward mechanism	Percentage mentioning this
1.	Salary increments	73
2.	Promotions	40
3.	Cash awards	27
4.	Foreign travel	24
5.	Appreciation letters and certificates	16
6.	Advanced training at repu-ted institutions	11
7.	Study tours	9
8.	Giving higher responsibilities	7

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Table 3 (Contd.)

9.	Transfers to better places	2
10.	Publications and announcement of names	2
11.	No reward system at all	7
12.	No response	4

It is interesting to note that only in seven percent of the companies surveyed the managers say that there is no reward mechanism used. Another four percent did not respond. The rest of the organisations seem to use one or more mechanisms. Most of the organisations seem to use salary administration, promotions, cash awards, and sponsoring for foreign travel.

POTENTIAL APPRAISAL AND PROMOTION DECISIONS

When a person is promoted it is expected that he handles higher level responsibilities. Promotion generally brings in new tasks and new functions to some extent. Hence use of different capabilities are required for the new job. If the new position does not involve any different functions or new responsibilities then it is not promotion, but it is a mere upgrading of the job or redesignation of an employee.

Promotion decisions made on the basis of performance appraisal are likely to create problems of mismatch between the person and the role. This is because 'past performance' may not be an indicator of future effectiveness in different functions. That is why when-

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ever employees are considered for promotion to a higher level job it is necessary to appraise the potential of the employee in relation to the new job. Past performance can be an indicator of this potential only for the functions that the employee has performed in the past. Potential appraisal therefore requires the following:

a. An understanding of the functions required for the job and details of capabilities (managerial, technical, behavioural and conceptual knowledge, skills, attitudes, etc.)

b. A listing of the indicators of these capabilities.

c. Identification of mechanisms or instruments to assess these capabilities (tests, simulation exercises, performance appraisal reports etc.).

d. Use of these instruments to assess the extent to which the employee possesses the potential.

For such a potential appraisal there should also be a company policy on promotions dealing with issues like conditions of merit versus seniority, opportunities for developing potential of senior and high performing employees etc. A system of potential appraisal is required for promotion decisions. The existing practices followed in making promotion decisions are presented in Table 4.

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TABLE 4

Practices followed in different organization for promotion decisions

S.No.	Mechanism of promotion Decision	Percentage reporting this
1.	Promotion decisions are made purely on the basis of performance appraisal reports and recommendations by the boss/head of the department.	45
2.	Mainly seniority is the basis but appraisal reports are used to ensure that poor performers are not promoted.	5
3.	Performance appraisal reports and interviews by a board with outside specialists.	5
4.	Mainly performance appraisal is used to assess merit, and seniority is considered.	2
5.	Potential appraisal is made by a team of specialists (internal or external) using systematic tests, management games, exercises etc. and these data are used.	0
6.	A combination of 1 and 4 above	8
7.	A combination of 1 and 2 above	10
8.	Other mechanisms (some of which are described in the text)	25

From Table 4 it appears that performance appraisal reports form a significant and important input in a majority of companies for promotion decisions. In fact it appears to be the only input in most companies. Very little attention is being paid to the assessment of potential and there seems to be an urgent need to

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pay attention to this aspect.

Some of the companies seem to follow somewhat different mechanisms for promotion decisions. These include the following:

Organization 1: A Committee evaluates the performance of supervisory staff and considers them for promotions. Appraising the potential is done as a continuous process by the MD. He has an informal outlook in this aspect and in his daily or weekly meetings with respective managers he expresses his views about how a job was done. The managers are free to clarify. This leads to a process of understanding of the executives and this understanding is used in promotion decisions.

Organization 2: Promotions are decided exclusively based on the impressions of the chief executive.

Organization 3: An Interview Board or promotion committee is constituted who interview and make final decisions. They use appraisal reports for their decisions (about 10% of the organisations seem to have similar practice).

Organization 4: Purely on the basis of the recommendations by the Head of the Department subject to seniority norms.

Organization 5: Potential executives are identified by the Managers of respective factories/units and their recommendations are sent to G.M. - Production at H.O., through

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appraisal forms. He forwards the reports with his comments to senior G.M. - Management Development & Training. He in turn passes his views to the chairman.

Simultaneously, the G.M. - Production tries to assess personally the executive in different factories when he meets them formally or informally during this visits to factories every 3/4 months. He also meets their families informally at least once a year in a formal get-together during one of his visits.

The Deputy Chairman, to whom the G.M. reports, also meets these potential executives when he visits the factories at least once a year.

Thereafter a list of potential executives are made out and the same is updated every year.

Final selection is made taking the following into consideration whenever vacancy arises:

1. Appraisal reports and recommendation of the Unit Managers.
2. Personal observation/impression of the G.M.
3. Personal impression of Deputy Chairman.
4. Consultation and agreement between G.M., Deputy Chairman and Chairman.

None of these practices are any way near the desierable. Particularly for senior executive level and top management positions a thorough potential appraisal is necessary to assist in promotion

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decisions. Wrongly chosen top level Manager or a senior executive who is a misfit to the role can do a lot of damage to the organization and to himself. The more he discovers that he is a misfit the more he may become insecure, the more he becomes insecure, the more he may attempt to exercise his authority and dictate decisions to subordinates and as a result the organizational climate gets spoiled and a number of poor decisions get made. The manager is not happy, and the organisation has a new problem of how to manage him. Our potential appraisal are not well developed and they will continue to be undeveloped until organisations start using them.

TRAINING

Training is the most important instrument available for any organisation to develop its executives. It can be used for the following purposes, all of which directly or indirectly contribute to executive development:

1. Developing capabilities (attitudes, knowledge, skills etc.) required to perform the existing jobs better.
2. Develop capabilities required to perform future jobs identified for the employee.
3. Develop capabilities in higher level managers to create system and mechanisms that make use of human resources and that create a healthy and productive atmosphere.
4. To generate proper perspectives in the employee about his roles, about his organisation etc. so that his commitment

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to and involvement in the work he is doing increases.

For achieving any of these objectives, the training programmes would help only when the training is planned. Unplanned way of utilising training is reflected when organisations start identifying executives after they see a programme announcement from some institutions. When an organisation starts looking for executives in response to a programme advertisement, it is probably indicative that the company merely wants to utilize an opportunity for its own sake rather than on the basis of genuine needs. Executives so sponsored for training do learn from such training, but they learn better under the following conditions:

1. The training programme meets the training needs of the employee identified by the organisation.
2. The executive is aware of the reasons why he has been sent for training and what he is expected to look for or learn.
3. The executives sees the use of the training in a similar way as the organization does and feels interested in it.
4. The executive is sponsored at a time that does not create any serious inconvenience to him - particularly if he is to be away for a long time from home.
5. The organisation provides the facilities and atmosphere for implementing or using the capabilities acquired in training.

Ensuring these would require a training policy, systematic identification of training needs, willingness to invest time and

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other resources on employee development and a training division to monitor the training programmes. With this orientation we may now look at the existing state of training in the companies surveyed. The survey indicates the following trends:

1. In about 45% of the organizations there seems to be a definite policy available on development of human resources that indicates the commitment of top management to cater to the developmental needs of its managerial staff. However, in 22% of these organizations the executives stated that there is no such policy. In the rest of the 33% of the organizations the executives were not aware if there is any such policy or any indicators of the top management's commitment to the development of Human Resources.

2. However, in 49% of the organizations the executives report a formal training policy describing when and how an executive should be sponsored for training and how the training should be utilized etc. In 22% of the companies there is no such formal training policy. And 27% of the respondents did not know if there are such policies in their organizations.

The following have been stated as important components of the training policies followed in different organizations:

1. Training needs are assessed along with performance appraisal (a few organizations appear to do this).

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2. In one company training is given only to officers below the age of 40. Those above 40 are sent only for conferences and seminars. A top management committee called as "Training Steering Committee" decides the programmes for which executives can be sponsored. A training bulletin is brought out every year giving the names of officers, courses for which they are sponsored etc. (a few other companies also seem to follow this pattern).

3. Self-appraisal in performance appraisal plays an important part in identifying candidates for training. Managers interested in receiving training mention this in self-appraisal. This is processed by the top management and managers are sponsored wherever there is an agreement about the need. (only in one organisation this is oso).

4. Training is used mainly for potential development (in more than one organisation this is so).

5. Atleast once in a year officers in the Sales, Systems Engineering and Field Engineering are sponsored for training to upgrade their skills (one organisation).

6. There is a department of Training and Development which scrutinizes the appraisal reports, assesses training needs and organises training programmes (more than oneorganisation).

More details of the patterns of managing the training functions are reflected in Table 5.

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Table 5

Percentage of companies having different practices with respect to management training function.

S.No.	Dimension of Training	Percentage reporting this
1.	There is a separate department in the company to look after the executive training	70
2.	There are training facilities (training centre, audio-visual aids etc.) existing in the company for incompany training of executives.	55
3.	There is a practice of putting every new employee in supervisory/managerial cadre to put through an induction programme after joining.	79
4.	In-plant management development programmes are regularly conducted.	59
5.	Attending outside programmes is encouraged for executives	85
6.	There is a separate budget provided for training	81
7.	After executives return from training efforts are made to provide an opportunity for them to utilize what he has learnt in the programme.	72
8.	Employees are trained for the new role before promotion.	53
9.	There are on-the-job-coaching programmes where executives are helped to develop their managerial capabilities by formal coaching by their bosses.	20

From the table it appears that the training function is fairly well attended to in these organization. A large percentage of organizations have separate training department and a training budget.

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The following were stated by some executives as characteristics of training function in their organizations:

1. In one company the seniors are made to train the juniors. On an average it is stated that about 20% of the time of each manager is spent in such training. This is done even by the Managing Directors.

2. In another company even though no formal training policy is available, the top management takes keen interest and looks for training programmes in functional as well as general management areas. Every manager keeps a record of his observations about executives, and supervisors and identifies areas of their training needs. Many times there are mutual discussions to get suggestions of employees and understand their aspirations.

3. Another organisation has a system where all the categories of new employees irrespective of their basic qualifications or position are given shop training for about 6 months on activities like design, production, planning and marketing. This helps people in developing appreciation for different functions and departments.

4. Another organization encourages employees to enrich their qualifications by attending part-time courses.

5. A few organizations are using professional bodies and institutions to conduct incompany programmes tailor-made for themselves. Several batches of executives are being exposed to these programmes.

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6. Senior executives are used as faculty which in turn helps them to improve their own skills.

7. Another large public sector organization has established a Management Academy for training its entire managerial force in various subjects in a planned way.

8. Another organization has a specialised training programme in which executives from all functional departments are called and exposed to various operations of the company, its philosophy and policies. It is intended to get a better understanding of the company and also to facilitate interaction among executives.

This survey indicates that many organizations are moving in the direction of re-orienting their personnel function to focus on Human Resources Development. However, it is difficult to say if any planned and systematic efforts are being made to achieve this focus. Unless integrated HRD systems taking simultaneously into consideration a variety of mechanisms like performance and potential appraisals, training, feedback and counselling, career planning etc. are introduced the HRD focus may be difficult to achieve and personnel function may remain a control-oriented regulatory function. It may be useful to think in terms of establishing separate HRD departments.

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