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# HRD in the Era of LPG

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## ABSTRACT

***The liberalization and globalization process, which has come over the Indian economy in the last sixteen years, has given birth to a fair number of fly-by-night small enterprises which hope to gain legitimacy and foster rapid growth by setting up a Human Resource Department. This paper, based on the authors' own experience, portrays, in an unrestrained manner, the fate that could easily overtake the unfortunate H.R. professional.***

***As Sadri, Ray and Hegde had argued, winds of change have swept the economy and the polity of India. The country has moved towards a free market economy. Old rules of the game have been discarded and new rules have been made. Old citadels of power have made way for new baron to take charge. The Nehruvian concept of a socialistic pattern of society,(weather that meant), has been replaced by an IMF influenced liberalization policy. Indian economic thought has undergone radical charges. It is in this climate of change that we seek to look at Organizational Restructuring, Human Resource Development, Training and Development and what they mean for the employees. The article champions no cause nor does it wave any manifesto. All that is attempted is a reexamination of a particular aspect of the Human Resource Professional in a changed environment over which he has little control.***

## Development of the Personnel and H.R. Function in India

The 1950s in India saw the birth of the Personnel Function when outdated technocrats and retired army officials were appointed by industry to look after workers' interest. The 1960s saw a stress on the welfare attitude in the personnel profession. Then Labour Officers became interested in looking after canteens and latrines, meals and uniforms. the 1970s witnessed the introduction of the legal angle so that the adjudication of disputes became important and personnel officers went about obtaining law degrees to horn their legal skills for use on the shop floor. The 1980s saw an enlargement of the legal aspect, so that collective bargaining became the most important skill of the Personnel Officer. Bipartite negotiations were complemented by union militancy during the first half of the decade and by management militancy during the second half. The 1990s saw the era of participative management on the one hand and the slow withering away of unions on the others. To use the terminology of the legendary C Wright Mills, union leaders became managers of discontent, while the bourgeoisie infiltrated the ranks of the managers.

## Economic Liberalization

Ray and Sadri have already pointed out that since India began to liberate its economy and its market in 1991, a certain amount of uncertainty has crept into some segments of the economy. One prominent segment is the so-called "public sector" which really is a form of state capitalism. It was "protected" by a variety of concessions, all in the private sector were often taken over by this sector, to preserve employment at all costs instead of allowing them to liquidate their assets. In the case of basic and key industries as listed under the Industrial Policy Resolution of 1956,rigid bureaucratic controls and a lack of accountability generally kept *per capita* productivity miserably low. There was, however, a limit beyond which the economy could not afford to main these non-profit making centers on the dole, especially when the country itself was passing through an economic crisis as in the early 1990s.

When India finally had to seek a financial bail-out from the World Bank and the IMF, certain conditionalities were imposed on the Government. One of these was to liberate the markets, to encourage private industry, and open the economy of the world. Now when you have tied up the hands and feet of a man for 45 years and you suddenly untie them and tell him to compete with Carl Lewis, will he succeed? However, the Indian Government and the news media, after years of protected state capitalism, wanted liberalization to succeed over-night.

## Side Effects of Liberalization on H.R.D.

Scholars and managements were busy eulogizing the virtues of "liberalization" and the economic and social benefits that would flow from a free market economy. However, in their zeal to pursue that elusive rainbow, they forgot the importance of the human resource. They, ideologues tended to be polarized. After all, an extreme form of capitalism produced a Hitler just as an extreme form of socialism gave birth to a Stalin, and under both conditions, the exploitation of the human resource was equally horrendous. This paper tries to show that the human resource can neither be taken for granted nor can its importance be ignored without society having to pay enormous costs in the future.

Firms, which had previously been hankering for licenses to produce for a captive market suddenly, changed their focus and began seeking greater efficiency and productivity at all levels. Gaining the competitive edge become the most important concern for all and sundry. Some of the bigger and more reputed firms retained their culture, ethics and ethos while several of smaller once began to cut corners. This paper, based on real life experiences, is concerned only with the latter, i.e. with the small firm, which is a relatively new player in the competitive market and which, is desperately trying to become a multinational overnight. No sideswipes are intended and no person or organization is being alluded to.

Owners of such firms faced for the first time with dynamic market competition from local and international products did not wish to cut their fixed costs. So they began to cut their variable costs. When this was not enough to produce the profits they desired, they began to treat human resources as a variable cost to be cut down.

Let us here briefly recall the development of Human Resource Management (HRM) in welfare officers required by the Factory's Act, we have traveled a long way into the present day scenario when most organizations, if not of need, at least for fashion, employ someone exclusively to adorn the position of Human Resource Manager. It has taken a considerable period for employers really to realize the need for human resource managers in India; and just as we were in the process of implementing this realization, the markets began to be liberated and we are now faced with another turbulent period. Employers, faced with such tremendous changes in the environment had once again to grapple with the question of human relations in industry. How important is the human being? Is it necessary to reorder priorities and to see weather the earlier realization of the importance of human resource management needs modification. HRM once again occupied the limelight.

One important point to bear in the mind is that in India the advantages reaped by industries in terms of low labour costs are overshadowed by even lower labour productivity and other factors such as high energy costs, absurdly high interest rates of borrowed capital. This is the perhaps the best manifestation of executives having to take corporate decisions in a hostile external environment. One clear conclusion, however, is that HRD initiatives have perforce to be focused on building a vibrant corporate culture on the one hand and increasing the per capita productivity of the employees on the other. With this broad agenda, the HRD executive has his work cut out for him for another few years at least.

The hostile environment we have mentioned does little to attract to foreign capital which is vital for growth in a market economy. Even Indian investors are today shying away from the stock markets. Now if the circulation of money in the economy falls, employers cannot make profits. How then can industry flourished? Yet, when the axe has to fall and blame is to be attributed the HRD executive makes an ideal " fall guy". Therefore, he tries to build a halo around his specialty by coining new terms and phrases like old wine in new bottles. Nevertheless one of the most mouthed buzz words in Indian industrial centers today is Human Resource Development (HRD), which rivals even "Business |Process Reengineering (BPR)".

Such is the popularity of HRD that it is not surprising to find an ex-receptionist masquerading as a consultant in human resources administration or an ex-salesman gifted with the gap elevating himself to the position of a Management Trainer. Part time and distance learning courses give them a sort of legitimacy to stake their claim and easy to read manuals enable them to show their expertise to a limited audience. The limited audience which is addressed, has a three-fold advantage from the consultant's point of view,. First of all, their knowledge of the subject is so limited that they can easily be taken in by training and are afraid that a bad remark from the trainer could affect their careers. Thirdly, they are generally so awestruck by the trainer that they accept to be fobbed off with a reporter or a clever joke when they have asked a serious question.

These disadvantages of the trainees are compounded by the sketchy knowledge on the part of several corporate managers regarding what exactly is HRD. This sometimes leads senior executives who are out of date and out of touch with their mother discipline to concentrate on HRD, which in their limited wisdom, they consider a soft option.

## Business Process Reengineering (BPR)

To argue that globalization without completing the liberalization process is a fatal economic flaw that is not understood by many corporate managers. They all wish to globalize their operations even though such things as the primitive 'octroi' duty remain part of the present economy five years after the reforms began! The Spate of reforms ushered in over the past years, as we know, have forced top management to sit up and think. Small time entrepreneurs trading on the margin and speculating with venture capital have suddenly found out they can become very rich. The urge to grow richer takes them to consultants who often are professional dilettantes of the same ilk as the H.R. "specialists" alluded to. These "consultants" have a sure for all ills, a panacea for all organizational needs – B.P.R. or business process reengineering.

Once top management has been made to swallow the bait, the organization is committed to BPR hook line and sinker. Top management then insists on a sea change in attitudes overnight and expects employees to think in terms of teams, goals, processes and HRD is expected to perform the magic to make all this happen. Many a time top management has no clue what HRD is all about and yet they seek HRD interventions.

The CEOs and MDs if such firms often say "the only thing constant in this company is change", and what is most damaging to the organization is that all change is seen as synonymous with progress. The CEO quite often finds himself on the horns of a dilemma when he wants the organization to change with the times but is unable to do so himself. The sweep back can be catastrophic the CEO pushes the organization forward, but his own unwillingness to let go of power creates contradictions at all levels in the organization.

## Empowerment and other Contradictions

The first instance of contradiction is seen when top management speaks of empowerment but is unwilling to let senior executives decided without a nod from the CEO. This means that, whereas, the organization is supposed to be flexible to keep in tune with market realities, its executives are bound by old authoritarian structures. Thus, opportunities are lost, decisions are made based on individual preferences, power games are played and sycophancy thrives. Mediocrity is safe, as it poses no threat, to those at the top.

The second contradiction is to be found when CEOs speak of trust, faith and delegation but at the same time have a very powerful "internal audit" department whose ambit of concern spreads far beyond checking accounts. Is it a surprise then that good chartered accounts shy away from internal audit? Only those who cannot make it elsewhere or have a nasty streak in their character often opt for this, if only to increase their nuisance value. When internal audit gains precedence in this fashion all HRD initiatives will go out of the windows, because the small employer understand the financial bottom line better than the needs of human beings. Since every activity is now reduced to monetary terms, Internal Audit is concerned with everything. In short it is the eyes and ears of top management, its men are universally abhorred and kept at arms length by every professional: accountant, technologist human resources expert, systems analyst and others in the organization. Some organizations have even moved to a higher level of sophistication in management by remote control and call this department Corporate Governance.

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The Third Example of contradiction can be found when CEOs speak of Transparency and Openness while almost every sensitive aspect of management remains a closely guarded secret. In short, transparency at the lower level is a must, but transparency at the top is a term reserved exclusively for business meetings and managers conferences. It is quite common, for instance, to find a company claiming to have one foot in the 21st century when there is trusted blood relative of top management placed in each department to give regular and personalized feedback on the others.

The list of contradictions, though quite long, need not be further lengthened. Suffice it is to say that these CEOs and those close to them, hardly if ever," walk their talk". What invariably happens is that small pocket of power emerge with their own informal rules and their special bonds of loyalty where the mediocrities with one another for greater influence.

## Effect on the HR Professional

In their bid to appear progressive, these companies which are trying to move from the status of private businesses to corporate houses often recruit top class H.R. professionals. However, the fact is that the transition from private ownership and control to a modern organization is prevented from happening by the sheer weight of external contradictions which takes time to sink into the consciousness of these recently hired professionals. By the time this happens, the damage is done and if the professional is sloe to act, the damage is compounded.

At this point yet another contradiction emerges: that between what the HR professional wishes to achieve and is able to achieve. First of all, the professional frame logical polices which will hopefully improve structures and functions. However, all policies need approval from the CEO and this can take up to six months on even minor issues. The HR Professional then slowly realizes that, unless old rules are discarded, any reorganization achieved will be no more effective than dusting the furniture in Pompeii.

Perhaps the greatest handicap the HR Professional faces is the mediocrity he has inherited which with its power broking capacity will now allow its incompetence to be made public. Hence sabotage begins at the door of the H.R. Division. The pulse rate of the H.R. H.R. Professional increases when he finds that every provision of labor legislation has been flouted with impunity. Premises are not registered either under the Factories Act or under the Shops and Establishments Acts; Provident Fund returns have not been submitted and it is anybody's guess where the funds have gone; graduate's is being paid below the statutory minimum rate; the provisions of the Employee State Insurance Scheme are quietly side stepped. And, when inspectors do call in, the management unite to decry what is emphatically called the "inspector raj". More freedom is demanded without specifying freedom to do what"?

The HR person's heightened pulse rate leads to a higher blood pressure when attempts to pay for performance are subjected to top management's perception of performance at the individual level. In comes the internal audit man or the "blood relative" to decide who has performed and who has not. Appraisal forms are filled, data may or may not be analyzed, but increments operate on their own logic.

The unkindest cut of all comes when despite weak fundamentals the CEO announces that the Company must grow from strength to strength, and in process more manpower needed. To give the illusion of growth, revenue earned, from the sale of equity shares is included in the turnover. Much to the chagrin of the HR professional who advises caution, he is told that either he is not effective or possesses no business sense. All this is fine until the market no longer swallows the pill and the product does not sell. Suddenly the bubble bursts and the reality of the market overtakes the mirage of the visionary CEO. The HR professional is then the fall guy who has to go ahead with reduction in manpower, agree to increments not necessarily based on the performance and justify the unjustifiable. What happen to HR professional? Does he make a transition from being an icon worshipper to an iconoclast? Does he resign to himself to his fate and become "his master's voice"? Or does he beat a speedy exit in the hope of flourishing elsewhere? And should he quite, what prevents his past employer from floating nefarious whispers against him in the employment market?

Whatever he finally does, the HR professional will end up being a better judge of corporate CEOs who wish to develop too fast for their own good. What of the rest of the employees? Well they become unwitting canon fodder, but what of the mediocrities? They are safe since they are willing to cajole, please, adept and carry on. But the greatest damage is inflicted on the national economy. Since it is the economy which permitted these companies to get rich quickly, it is the economy that must pay for their misdemeanors.

The liberalization theorists must not lose sight of the fact that when they sow the wind, they will also reap the whirlwind. So much for the political economist on the either end of the ideological polarity to munch over. As for the HR professional, he is caught in a cleft stick. He can not take sides, is expected thoroughly ethical and prepared to bear his own cross. He is that change agent whom the CEO afraid to empower. He fills like a fish out of water when surrounded by the mediocrities in whose company the CEO is quit comfortable.

Insecure trade unionists resist change and employ every trick in the book to retain status quo. The insurance first line supervisor aids this resistance. In organizations where trade union tendency is thankfully not present, the existence of mediocrity is sometimes compounded by the false consciousness of the management and the aristocracy of labor leaders from the outside the organization who are more interested in money, symbol of status, designations etc. than achieving the real progress. Trade unions then become super become superfluous, not so much because the growing consumerisms of the work force make them think unions can be dispensed with. Managements become more paternalistic and only mouth platitudes of progress from time to time. And lack the means of communicating ideas of the true progress.

Organizational change, must of necessity, is form the top ten downward. But will the top echelons of management accept change in regard to Human Resource Development. The CEO likely to fall back on the fact that although wages are low, labour productivity is also low, interest rates on capital are high and energy costs are exorbitant. He will be more likely to watch the bottom line than promote human relations. After all, the CEO would argue, with such a large reserve army of the unemployed he can afford to be high handed. (The cost of leaving, turnover and wastage rates and the cost of training seldom enter into his calculations.) Again, apart from the attitude of the CEO, labor and the structural – organizational constrains, the low productivity of labor is partly the result of the poor quality of manpower employed. And, this in turn, is partly the result of the low compensation packages offered. These catch 22 types of situation is quite a common feature in many smaller organizations which are springing up all over the country rendering them not as competitive as they need to be. In this situation, HR professionals supposed to "build team spirit" and "motivate the workforce" as if he possesses a magic wand to do so. The HR professional then has no choice but to first convince the CEO that promoting internal employee satisfaction is a necessary first step to take. However, the latter, reacting to the pressure of the market, will be reluctant to accept this. He will plan in the short term and immediate survival will be his major preoccupation. If the CEO is a fixer or a mediocrity himself, he will find hard to even understand the HR professional's argument.

Hence, this fall guy, the HR professional, has no choice but to either take the initiative or walk away. Should he opt for the former, he has a lot a lot of work cut out for him. He must being by eschewing mediocrity for himself as well as among those he recruits, for he knows that a team throws up its own leadership, and a team of mediocre persons can only throw up a mediocre leader. This is actually happening and one look around will convince anybody that mediocrity abounds in the world of small business. Today, unfortunately, we find that seldom before has so much managerial mediocrity been so adequately rewarded.

This LPG exercise (liberalization, privatization, and globalization) has forced the HR Professionals to undertake an exercise of its own. It is called PTG (Pray to God) in the pious hope He can provide an answer.

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