The management has to recognise the important role of Human Resource Development in order to successfully steer organisations towards profitability. It is necessary for the management to invest considerable time and amount, and to learn the changing scenario of the HRD in the 21st century. In order to survive the competition and be in the race, HR department should consciously update itself with the transformation in HR and be aware of the HR issues cropping up. With high attrition rates, and poaching strategies of competitors, there is a huge shortage of skilled employees and hence, a company's HR activities play a vital role in combating this crisis. Suitable HR practices that would lead to the achievement of the organisation as well as the individual's goals should be formulated. HR managers have to manage all the challenges that they would face from recruiting employees, to training them, and then developing strategies for retaining them and building up an effective career management system for them. Just taking care of employees would not be enough; new HR initiatives should also focus on the quality and holistic development of human capital.

This paper focuses on HR innovative practices that make employees feel best at their place to work, enjoying working
and take the companies to a greater height in their own field of business.

Introduction

In the organisational context, HRD process involves certain mechanisms and techniques such as performance appraisal, counselling, training organisational development, etc. to facilitate the development of human resources. Since the process is continuous, the mechanisms and techniques need to be examined periodically to see whether they are promoting the process or not. Some new dimensions may be added, and those which fail to serve the cause may be excluded. The selection of the relevant dimensions of HRD in an organisation would much depend on the requirements of the organisation for developing its human resources. In today’s fast changing environment, the organisations have to develop and maintain an enabling culture to become dynamic and growth-oriented. An enabling culture is one in which employees use their initiative, take risk, experiment, and innovate, and make things happen. The purpose of HRD is to facilitate the development of such a culture in the organisation. Similarly, at the national level, the dimensions of HRD need to be reviewed periodically and adjustments are required to be made according to the changing environment. HRD dimensions are always need-oriented.

Even though ‘Human Resource’ is a relatively modern management term coined in the 1960s, the importance of Human Resource Management can be traced back to the Vedic ages. In the Bhagavad-Gita, Lord Krishna not only makes Arjuna spiritually enlightened, but also teaches him the art of self management, anger management, stress management, conflict management, transformational leadership, motivation, goal setting and many other aspects which have now become the essential parts of HRM.

The outlook to Human Resource Management in India has witnessed sea-change in the last two decades. Economic liberalisation in 1991 created a hyper-competitive environment. As international firms entered the Indian market bringing with them innovative and fierce competitiveness, Indian companies were forced to adopt and
implement innovative changes in their HR practices. Increasing demand for skilled performers forced the companies to shift focus on attracting and retaining high-performing employees in a competitive marketplace.

Human Resource policies, forming the framework for the culture in the business management, create awareness towards the need to achieve the business goals in the best possible and ethical manner. Indian companies have realised that in today’s competitive business milieu, the quality of people employed can make all the difference. In the last few years, the Human Resource has become a key player in strategic planning – it has come a long way from traditional HR operations like managing the recruitment process, and handling staff appraisals.

India has now become a player in the global stage. Everyone wants to do business with us; this change has given lot of opportunities to our country to grow further. At the same time, it posed lot of challenges to us like Indian companies gaining confidence to acquire foreign giant companies and trying to establish themselves very competitive than the foreign companies. Also, we have to lay emphasis on the various challenges before us like the gap between people in the corporate world and those in the rural areas is a matter of serious concern. Also, the wage differences between blue collared workers and senior managers, the candidates having good education and communication skills getting more chance in the job market than other people lesser than them, attrition levels are all time high in India, for example, business process outsourcing facing problems with talent retention. Human Resource Management has evolved considerably over the past century, and has experienced a major transformation in form and function primarily within the past two decades. Driven by a number of significant internal and external environmental forces, HRM has progressed from a largely maintenance function, with little if any bottom line impact, to what many scholars and practitioners today regard as the source of sustained competitive advantage for organisations operating in a global economy.
Four Critical Dimensions of Best Practices

Attract and Access

Attracting and retaining talent is becoming a big problem for every organisation; they are following every trick and strategy to recruit and retain the employees.

Develop and Grow

Nowadays, organisations try to recognise the aspirations of employees and focus on their growth and development. India provides job rotation opportunities to high-performing employees from operations division. This gives them broader understanding of the business.

Engage and Align

Employee engagement has retained the focus of organisational leadership and many companies keep launching new practices to woo employees. They are using innovative practices like ‘Loyalty Interview’- to find out what is it that makes its employees stay on; the feedback from loyal employees often reflects an organisation’s leadership style and is seen to work as a great motivation.

Transition

Movement of talent within the organisation and outside sends strong signals to the employees about the organisation’s care and concern. Right from the induction, which is often the first impression the employees carries, to the exit interview, the sensitivity displayed by the organisation has a lasting impact on all employees.

HR Innovative Practices

New trends in Recruitment and Selection

Most of the organisations have started preferring to sustain ‘Diversity among employees’: Ex-army men to experienced old block in the workforce. Organisations expect the person to be comfortable with technology and be optimistic about the future.
The company’s recruitment process ensures that it gets the people edge it needs. Tests and interviews are conducted rigorously. The detailed feedback on the candidate is given to an independent team in charge of hiring. Employee referrals are taken into account which comprises 50% of all hiring in the organisations. In certain companies, the HR department organises an elite group of employees – who have veto power in a recruitment decision. If a member feels a potential recruit does not match up to the company’s standards, he may use his veto power.

**Innovative way of Induction & Training**

*E Welcome*

When employees join the company, they have to interact with functionaries. A new employee is unfamiliar with the systems. The E Welcome gateway lists certain important systems of the company, and helps a new employee get familiar with such things. A standout feature is that if this checklist remains incomplete, it sends an automatic notice to the manager responsible for the employee.

*Orientation along with parents*

The company invites the parents of new recruits for orientation; it’s good for the parents to know the kind of organisation their children work for. This insight came from campus recruitment, where parents would stay with their children right till the results were announced.

Leading companies follow web-based learning to distribute e-learning modules among the workforce. The companies give equal importance to soft skill training.

*Sensitivity Training*

Members are brought together in a free and open environment in which participants discuss themselves and their interactive process. The discussion is lightly directed by a behavioural expert who creates the opportunity for participants to express their ideals, beliefs and attitudes. The objective of this method is to provide managers
with increased awareness of their own behaviour and of how others perceive them, to the behaviour of others and increased understanding of group processes. Specifically, it aims at increased ability to empathise with others, improve listening skills, greater openness, increase tolerance for differences and improve conflict resolution skills.

**Management or Business Game**

These are class room simulation exercises in which teams of individuals compete with each other in order to achieve a given objective. An atmosphere is created in which the participants play a dynamic role and enrich their knowledge through involvement and simulated experience. Usually, several teams are formed which represent competing units. Teams take decisions on specified matters for each period. Based on these decisions, the position of each organisation and the industry as a whole is given by the umpire, and then decisions are taken again for the next period. The game continues for 6 to 12 periods. Business games are designed to teach trainees how to take management decisions in an integrated manner and in a comparatively short time. Participants learn by analysing problems and by making decisions by a trial and error process.

**Role-Playing**

It has been defined as a method of human interaction which involves realistic behaviour in the imaginary situations. In this method the trainees enact a given role while others observe their projections. This method of training primarily involves employee-employer relationships.

**Merits**

- The trainees learn more effectively.
- Human sensitivity and interactions are stressed.
- Immediate results are known.
- A high involvement of trainees is seen.
- The trainees develop the necessary skills and ability to apply knowledge, particularly in areas like human relations.
• This method is successful in bringing a desired change in the trainee’s behaviour and attitudes.

Demerits
• Role-playing may not adhere to the objectives of the training programme unless the trainer engages in coaching. Reinforcement of the desired behaviour may be sometimes lacking when the trainer fails to state the criteria for behaviour.

Mutual Admiration (MAD)

MAD refers to an event where every employee is given green cardboard leaves on which they scribble messages of appreciation and pin them onto the MAD tree. The leaves are a way of reaching out to colleagues and teams who have mattered. And at the end of the week, the foliage gets thick. Surely, the employees like being around each other.

Smart Work and Smart Reward

It improves the employees’ productivity. It rewards those who complete tasks in fewer working hours than stipulated. The reward process is well defined and transparent. It has helped in ensuring better work–life balance.

Career Success Centre

An online portal and a one-stop shop for all career related resources. The portal helps employees plan and develop their careers according to business needs.

New Approaches to Compensation System

In recent years, many experts in the field have begun calling for major changes to the existing reward systems. Their common argument is that the existing reward systems do not fit with the context and needs of the emerging downsized, flexible, participative, dynamic and diverse organisations. A number of new approaches towards compensation rewards have been suggested and some have already begun to be adopted.
## Four New Approaches to Compensation Rewards

<table>
<thead>
<tr>
<th>Approach</th>
<th>Benefits and Features</th>
</tr>
</thead>
</table>
| (i) Skill-based Pay | • Multi-skilled workforce  
                          • Job assignment flexibility  
                          • Learner staffing levels  
                          • Enhanced problem-solving capability  
                          • Higher employee satisfaction and commitment |
| (ii) Broad banding | • Ease in moving employees between jobs/roles  
                          • Logical complement to flat organizational structures  
                          • Greater scope for recognising individual differences in employee performance |
| (iii) Variable Pay | • Motivation of sustained high performance  
                          • Improved cost-effectiveness  
                          • Better linkages between individual and organisational goals. |
| (iv) Team Rewards | • Support for participative organisational structures  
                          • Improved effectiveness of work teams |

**Skill based Pay**

As technology progresses, newer skills are required. It is important for employee to upgrade their skills. Skill-based pay can help organisations pay its people for skills that are currently in need and what employees are able to use in an organisation. It forms a part of base pay but in the era of ever changing technology, skill-based pay is also used as contingent pay. One software company paid its people bonus for acquiring skills that were new and in high demand. The same bonus was withdrawn after the demand decreased. This helped the organisation in keeping the employees focused and upgrading their skills continuously. Such pay schemes work best in project-based and virtual organisations where people group and re-group based on time driven projects.
Skill-based pay is not necessarily contingent and varies from industry to industry. Industries that need its employee to continuously upgrade their skills can make it contingent as otherwise, it would continue to pay employees for skills that no longer are in use. Industries where technology changes are not rapid but people need to upgrade skills in case of changing business focus, and can make it a part of base pay. It is important that both the organisations and the employees are aware of changing technologies and the skills required that would help the organisations in executing projects, improving procedures, products and services.

This is an alternative method of determining base pay earned by employees. Paying employees on the basis of skills they know rather than the job they currently hold in the organisation is not a new idea. Historically, this approach has been mostly used for production employees. What is new is the trend in recent years to apply this approach to professional and management employees. Perhaps, the use of newer terms such as knowledge-based pay or competency pay is reflective of this extended applicability.

In skills-based pay, employees are paid according to the number of skills they possess. Skills are generally grouped into ‘skills blocks’ and as an employee acquires each block, his/her pay goes up. A ‘skill block’ can include one or more of these three different types of skills; horizontal or breadth skills focusing on all related jobs in an integrated production process; depth skills aimed at increased specialisation in a particular area and, upwardly vertical skills generally possessed by managers and professionals. An example of well established skill-based pay plans is briefly described. The skill-based pay plan of Northern Telecom covers three technical job families. For each job family, skills blocks are separately identified. An employee can move to the next skill block and attain higher pay only after learning all skills in the preceding block.

Skill-based pay plans can offer many advantages to both the organisations and the employees. By encouraging employees to learn more skills, these plans help to create a workforce that can perform multiple tasks. This provides the organizations greater
HRD Practices in Contemporary Industries

flexibility to rotate employees to cover for absenteeism, overtime, turnover, work-flow interruptions due to production bottlenecks and variations in product demand. Such flexibility in workforce assignment can assist the organisation in maintaining learner staffing levels. Other potential advantages of skill-based pay plans to the organisations are better problem-solving capability, improved productivity and quality of products/services, and stronger employee commitment. These advantages can arise because employees working under these plans become more familiar and involved with the organisation’s operations and also gain better understanding of the value of their own contributions to the organisation. Individual employees too, can benefit from skill-based pay plans. They acquire more self-control over their own earnings, develop greater capacity for self-management and experience more varied and enriched task assignments. These can be important contributions to job satisfaction for many, if not all, employees. The application of such plans to professional and management employees remains quite small.

Broad banding

A pay structure typically consists of grades and ranges. A grade is a grouping of jobs falling within a certain range of job evaluation points. A grade also has a pay range, i.e. minimum-to-maximum spread attached to it. Successively higher grades, by definition, will have higher minimum and maximum pay rates. The traditional pay structures generally include a tall hierarchy of narrowly defined grades, each with a relatively limited pay range. Such structures create a strong incentive for employees to strive toward upward career mobility as a means to obtain higher compensation rewards.

Broad banding can be defined as delay ring of pay structure. It involves consolidation of existing pay grades into a small number of wide bands. This consolidation also automatically results in a broad minimum-to-maximum pay spread for each band. Thus, compared to conventional pay structures, broad band structures have fewer bands and broader pay ranges. Such pay structures are better suited to the needs of today’s flexible, flatter and performance-oriented organisations. First, they allow flexibility in moving
employees between jobs within a band without formal job title and pay grade changes. Second, broad banding is a logical complement to flat organisational structures. One consequence of flattening of organisational structures is the elimination of the traditional vertical career paths for many jobs. Flat structures place increased emphasis on lateral career moves and skill development, both of which can be supported and rewarded through broad banding. Third, a broader spread between the minimum and maximum pay rates in a band provides for more opportunities to recognise individual differences in performance. In broad band pay structures, there is a greater scope for pay growth through pay increases within band than through promotions to a higher band.

A leading HR consulting firm has only three bands across the organisations’ entry level, proficiency level and mastery level. Each band has distinct set of functional and behavioural competencies defined. An entry level would require good quantitative skills, knowledge of excel sheet, ability to analyse and ability to learn fast. The next level would require skills in project management, resource management, problem-solving, mastery in subject knowledge, etc. The leadership position would require visionary skills and ability to give direction to the organisation. In order to progress to the next level in such a flat organisation, an individual is required to add value that would clearly separate his acceptability and key performance indicator.

The organisation has a pay system that has a wide pay range in the same band. The wide pay range in the same band is commensurate to the performance that an individual is able to bring to the table. The employee, however, does not advance to the next band until he is able to add competencies that are required at the next level. Advancement in career no longer means climbing yet another grade or moving to quasi-supervisory roles; instead, advancement means adding newer competencies that would mean ability to contribute to the organisation in distinct form than the earlier level. As competencies change at different levels in the organisation, an identification of competencies/roles at different levels is essential. So, pay has to be more for higher band of competencies.
Variable Pay

Variable performance-linked pay is a financially measurable reward paid to an individual based on his/her overall performance. It is employed as a powerful tool that enhances employee performance/productivity. This is covered in a separate chapter.

Team Rewards

Companies reward employees for achievement of annual/quarterly results. Here periodic targets are monitored to encourage improved productivity and reward. Thus, there is visible link between performance and incentives for the groups/teams.

Team rewards provide an opportunity for each team member to receive a bonus based on the output of the team as a whole. Team incentives are most appropriate when jobs are highly inter-related.

In fact, highly inter-related jobs are the wave of the future and in many cases, the wave of the present. In the past, few firms used team incentives. In the future, they will need to be more creative in using team reward.

Individual rewards do matter a lot and a high performer has to be rewarded. A fundamental and unresolved problem with the team pay is the extent to which it should recognise individual performance-related pay and the other contentious issue is a model team-based pay system.

For example, XEL uses a team-based variable pay system as part of its compensation plan. For the team-based pay system, XEL sets aside a percentage of its total payroll, and payouts are determined by team rankings. A team ranking is based on three criterion – ratings by internal and external customers, achievements of quarterly team objectives, and the management input recognising special circumstances.

In this system, members on the same team do not all receive the same payout since the final payout is adjusted to reflect peer evaluation. For example, if the overall merit pay budget is 5 percent of payroll, the top ranked team may get 5 percent and a bottom
ranked team nothing. Further, within the top team, there may be a spread of 5 to 10 percent member ratings.

For setting up team-based variable reward system, the following steps are to be planned:

**Appraised Teams:**
- Evaluate the performance of team against preset targets/KRA's
- Communicate the results to ensure transparency
- Measure the performance of the team (actual vs. targets) every month

**Rewarding Teams:**
- Make the minimum level of performance the benchmark of team reward
- Make team performance mandatory for individual rewards
- Distribute the team reward in proportion to the basic pay of the grade to which each team member belongs
- Build a geometric rate of progression of the award for each successive target
- Link the individual award to the basic pay of the grade to which the individual belongs

**360° appraisal**

In 360-degree appraisal, superiors rate the performance of their subordinates; subordinates also evaluate the performance of superiors on general traits viz. communication skills, leadership, interaction with colleagues, punctuality, innovation, initiative etc., and peers appraise the performance of each other. Thus, it becomes a round of 360° thereby, giving it the name 360° appraisal.

360-degree appraisal system has started gaining ground in the organisations. It identifies development plans about current and future roles of employees, generates basis for rewards and other decisions pertaining to personnel and helps in team building, career planning, role clarity and culture building. In this appraisal system,
an individual’s performance is rated through boss, immediate subordinates and peers, periodically. It requires strong people, not fragile minds.

In order to make it effective, the following salient points should be considered in the larger interest of the organisations:

**Support of the top management**

Adequate support of the strategic apex is required. Preferably, it should be started with the top management and gradually at all levels. Environment of the organisations should be characterized by openness, trust, authenticity and honesty. Vision of the employees should be broadened to create a developmental environment enriched by a positive, progressive and pragmatic approach. If any organisation is interested in developing the capabilities of its employees, it should understand the nature of capabilities required to perform different functions as well as the dynamics underlying the development of these capabilities in an organisational context.

**Clear objectives**

It is very essential to outline the purpose of the feedback, agree on it and communicate it clearly. The HRD department can perform a significant role in this regard. Unless all apprehensions are cleared, such a system cannot be implemented successfully.
Choose instrument carefully

Specificity, objectivity and clarity of questions should be maintained to check the accuracy of the instrument. Thus, the instrument should be customised for the organisation. A questionnaire should be designed by the organisation concerned that is relevant to its culture and goals as a specifically designed questionnaire ensures high acceptability and commitment to the system.

Raters should be asked to evaluate those dimensions of a person’s performance that they know best, as the chart depicts below:

<table>
<thead>
<tr>
<th>Performance Dimensions</th>
<th>Subordinates</th>
<th>Peers</th>
<th>Supervisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td></td>
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<tr>
<td>Leadership</td>
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<td>Communication</td>
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<tr>
<td>Interpersonal</td>
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<td></td>
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<tr>
<td>Decision Making</td>
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<tr>
<td>Motivation</td>
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</tbody>
</table>

Anonymous feedback

Due importance should be attached to the anonymity for fair assessment, and for making the feedback very authentic and reliable. Otherwise, subordinates may rate bosses high because they are afraid of retaliation and peers tend to evaluate each other positively as well, to avoid disrupting the group. On the other hand, peers who are competing against each other for promotions may tend to rate their colleagues on the low side. Researches suggest that ‘anonymity’ on the part of appraiser should be maintained for the sake of free and fair appraisal. (Antonioni, 1994.)

Making feedback meaningful

Feedback should comprise of written description as well as numerical rating to make it more meaningful. The feedback should focus on development of employees. An appraisee should also be mentally prepared, particularly for negative feedback. The feedback is given to an employee to get him/her to understand his/her strengths and weaknesses. Appraisee should be helped at this stage to identify
two or more developmental areas for which action plans should be chalked out effectively. Action plans should comprise of specific measurable and time bound goals. Periodic monitoring of efforts made by the appraisee, is done by the appraiser. 360-degree appraisal feedback can change an individual’s self-ratings based on an understanding of the expectation from him by others (Atwater & Yammarino, 1992). An expert should make interpretation of feedback. Moreover, those who have exchanged the feedback could meet formally to discuss action plans, experiences, etc. Locus of control should be internal rather than external so that the employees may take feedback in the right sense.

Performance coaching is a vital part of meaningful feedback. It should consist of opening, exploring and committing. Opening stage refers to description of the issue and clarification of the viewpoints. Exploring deals with exchanging information and generating ideas to solve a problem. Committing is concerned with action planning for results.

Follow up Survey

Feedback should be followed by a follow-up survey three to six months later to know the progress in action plans on low scoring areas.

Cutting the length of review periods: 360-degree appraisal is less effective when viewed by employees as an annual event. A better alternative is to divide the year into two or more periods.

Designing Training Calendar: Training calendar should be designed for sharing common weaknesses of employees and provide development opportunities for those wanting to leverage on their strength. Training should be imparted to appraiser to understand the response scale so that halo effect and stereotyping may be avoided. Research shows that halo effect is common in upward ratings (London & Wohles, 1991).

HRIS Database: The organisations should have a reliable up-to-date Human Resource Information System database that gives great help in identifying participants for 360-degree appraisal.
360-degree feedback has a lot of potential. Feedback from multiple sources bears more credibility as individual biases are minimised and a more complete picture is obtained. 360-degree assessment is useful for both the employees as well as organisation. Constant evaluation of the effectiveness of the system needs to be carried out to ensure its reliability and validity.

**Progressive HR Policies are as follows:**

(i) Flexi and part-time

(ii) Organisations allow the employees to shift jobs, if they wish to, across its different functions.

(iii) Organisations create new position called ‘Employee Engagement Manager’: the major task of the manager will be to energise the workplace with fun-filled events and effective communication.

(iv) ‘People Champions’: every project team has one facilitator from the HR department. The people champion takes care of any administrative need a project might have, leaving the project members free to concentrate on their work.

(v) ‘People Movement Management Review Committee’: it ensures talented employees are trained by re-assigning them to other groups. The company also hires consultants to assist those who are asked to leave to find jobs in other organisations.

**Entrepreneurship by Employees**

India Inc. is encouraging ‘entrepreneurs’ or employees who have ideas that could potentially become a venture. Organisations like Pepsico, NIIT, and Adobe are actively promoting practice of entrepreneurship by employees within the organisation. HRM has taken a leading role in encouraging CSR activities at all levels. Companies like Wipro inculcate CSR values amongst its workforce right at the beginning during the induction process. Corporate presentations and keeping employees updated through regular newsletters are the instruments used by HR to keep employees energised about the organisation’s socially responsible initiatives.
Over the last decade, India’s vast manpower has played an instrumental role in its economic success story. Indeed, the success of Indian organisations is not based on superior access to raw materials or technology or patents, but fundamentally on human skills. The synergy between the strategic planning and innovative HRM practices will be pivotal as Indian Inc. embarks itself on the global journey.

CONCLUSION

The employers are increasingly realising the value of trained human resource. Some organisations are changing their HR policies to stick with their valuable employees. In recent years, HRD has moved beyond a narrow conception of training and development, and many organisations now attempt to take a holistic view that embraces the idea of learning at individual and organisational levels as a crucial source of competitive advantage. An organisation’s HRD provisions represent the pivotal components of HR practices. A key image is that of high-performance working with high-level skills and high discretion in the performance of work.

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