



## HUMAN RESOURCE MECHANISM IN AUTOMOBILE INDUSTRY

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### Abstract

Human Resources are the most important and valuable resource in any organization in the form of its employees. HRD variables are designed to link with Human Resource planning whereby employees contribute the maximum to the organization satisfying their own personal goals. The HR practices in automobile manufacturing companies are studied in general and the crucial subsystems, namely Organization efficiency increase, Productivity increase, Organizational culture change, Profitability, Employee satisfaction are analysed to know their impact on the working of the organization.

**Key Words:** Human Resources, Development, Organization.

### INTRODUCTION

Human Resources are the most important and valuable resource in any organization in the form of its employees. Human Resource Development is a “continuous process to ensure the development of employee competencies, dynamism, motivation and effectiveness in a systematic and planned way”. The following are the HR variables considered in this research study.

1. Organizational development.
2. Performance appraisal.
3. Rewards and incentives.
4. Recruitment and selection.
5. Career development.
6. Executive development.
7. Goal setting.
8. Interpersonal relationship.
9. Training and development.
10. Management policies.
11. Potential appraisal.
12. Job rotation.

Organization development has taken a renewed importance today. Organization development as a long term strategy for organizational change plays a key role in organizational improvement. OD attempts to bring comprehensive change in the organization, it is quite suitable for improving organizational performance on a long-term basis. The main aim of an organizational development is to increase openness of communication among the members and the level of trust and support among employees. It enhances the personal enthusiasm and satisfaction levels. It helps to develop strategic solutions to problems with higher frequency and it also improves the organization's capability to cope with change & ensures proper resolution of organizational conflicts.

The performance appraisal is the systematic examination of an employee's strengths and weaknesses in terms of the job. It is an ongoing (or) continuous process wherein the evaluations are arranged periodically according to a definite plan. The main purpose of performance appraisal is to secure information necessary for making objectives and correct decisions on employees. Performance appraisal is a significant element of the information and control system in the organization. It can be put to several uses concerning the entire spectrum of human resource management functions.

The reward management system tool includes financial and non – financial rewards which are also called as extrinsic and intrinsic rewards. Financial rewards are salary increase, bonus system, perquisite etc. on the other hand, there are non – financial rewards which are: promotion and title, authority and vacation time, the comfort of working place, social activities, feedback, flexible working hours, design of work, recognition, social rights etc. (Yang, 2008). The allocation of rewards for productive and non – productive staff was designed, in order to increase employee productivity and satisfaction (Navid Niki, 2012). The term incentive is used without any prefix or suffix, it is used in monetary term. Therefore, many human resource academicians and practitioners treat incentive in a narrow sense and include only monetary aspects in monetary. Recruitment



is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization. Famulrao defines the recruitment process consist of five elements, namely a recruitment policy, a recruiting organization, developing sources of recruitment, techniques used to tap these sources, and a method of assessing the recruitment programme depicts the elements of the recruitment process along with the place of the recruitment process along with the place of recruitment in the procurement function.

Career development is an ongoing, dynamic process, employees may need encouragement and support in reviewing and re-assessing their goals and activities. HR practice is the need to recognize that career development and self management is a process and not an event. The most important requirement of career development is that every employee must accept his/her responsibility for development. The career development process involves needs assessment, opportunity identification, alignment and monitoring.

The Executive development is now seen as a strategic lever for implementing change and transmitting the firm's core capabilities (competencies) in learning organization. Executive education and development activities are being highlighted as vital components of the strategic development of a firm. It can help to facilitate change and revitalization. Learning organizations maximize the effectiveness of executive development activities and their contribution to the organization by integrating development into the ongoing practices of the organization.

Goal setting works as a motivational process because it creates a discrepancy between current and expected performance. This results in a feeling at tension, which the employee can diminish through future goal attainment. Meeting goals also help satisfy a person's achievement drive, contributes to feelings of competence and self-esteem, and further stimulates personal growth needs individuals who successfully achieve goals tend to set even higher goals in the future. One review of research concluded that employee performance improved about 16 percent after the implementation of a goal-setting program a success rate that many firms would be happy to achieve. Goals influence individual's intentions because of that influence; an employee who establishes career goals is likely to advance his or her career, especially if the goals are specific, challenging and accompanied by regular feedback on progress toward the goals. Robbins (2000:166) and Locke and Latham, (2002) states it is difficult goals are important to an individual to progress are a constant reminder to the individual to keep exerting effort in the appropriate direction.

The interpersonal relationship which means dealing with subordinates includes administration, communication, interpersonal; leadership and motivation skills are five grouping of managerial skills, which is essential for a manager to be successful. Out of five groupings of managerial skills are needed for dealing with subordinates required for good interpersonal relations with them and the identification of managerial skills and roles, that interpersonal skills are essential skills, and that proficiency in those skills is what and good.(Davis et al.1996 and Hunt & Baruch 2003),(Goleman,1998)

Training development continuum has manual training at one end and philosophy at the other end the extreme left hand denotes the manual training which is given to operatives for performing specific jobs. Much of this training is job-oriented rather than career-oriented. As we go up in the hierarchy of the organization. We find more emphasis on other points of the continuum. Managerial personnel have greater needs for conceptual and human relations skills as compared to job-related skills.

Management policies with respect to training and job design may improve organizational efficiency directly, by improving employee's knowledge, skills, and abilities. On the other hand, HRM policies with respect to compensation and promotion may improve organizational development indirectly, by improving first the employee's attitudes of satisfaction and motivation and by diminishing next the employees' behaviors of turnover and disputes.

Potential appraisal is concerned with unfolding these hidden attributes. These attributes may be in the form of analytical power, creative imagination, sense of reality, the ability to see the future, ability to work in varied environments, risk propensity, an initiative being proactive. All these attributed constitute potential of an individual and through potential appraisal, all these are identified. From this point of view, potential appraisal differs from performance appraisal; the former is related to the future role of an individual while the latter is concerned with his present role. It may be mentioned that an employee who is doing his present job effectively may not be equally effective in a higher-order job, especially when transferability of skills relevant to his present job is limited because of the nature of different.



Job rotation refers to the systematic movement of employees from one job to another or any change in assignment, job content or department within the organization. It implies to a systematic change of employee by transferring employee between various areas of responsibility on the premise to enhance the employee experience in the job. From the view of human resource management, job rotation in broader perspective. Job rotation as opportunities for employee to gain an overall appreciation of organizational goals, to generate a broader knowledge of different functional areas, to develop a network of organizational contacts and to enhance employee skills. This is based on the argument that employees can use the information and skills acquired at one task to improve their performance at other tasks.

Job rotation applications support both employee learning and the employer learning. It is a training means of facilitating the acquisition of skills to make the work productive. It makes people in different functional areas more connected. It also provides individuals with a better knowledge of the other parts of the business. Hence the greater job rotation, the more consensus is created between workers, which influences the interpretation of information and provides a mechanism for organizational learning.

### **STATEMENT OF THE PROBLEM**

The HR practices and strategies followed by the automobile companies are designed to attract and retain the professionals and are formulated to meet the current market conditions. The organisation formulates strong HR practices along with effective strategies to accomplish goals utilizing human resource to the optimum extent. The study aims at examining the human resource practices in automobile manufacturing companies in Chennai. Hence this empirical study is directed towards automobile companies regarding HR practices and its outcome to trigger thoughts in the minds and find solution to face the future challenges.

### **OBJECTIVES OF THE STUDY**

1. To explore the employees perception of HRD climate in the study domain.
2. To make appropriate Human Resources Mechanism in the Industry.

### **RESEARCH METHODOLOGY**

The study is conducted using both analytical and descriptive type of methodology. The study primarily depends on primary and secondary data. The Survey is conducted in automobile manufacturing Companies located in Chennai city. Chennai hosts a number of automobile companies making the study realistic and meaningful. Chennai is referred to as the Detroit of South Asia. As automobile manufacturing companies have entered the economic arena, their level of play has raised the economic standing of young and educated professionals. Chennai, being the metropolitan city, truly represents employees belonging to various strata of the society. The primary data are collected through survey method. The survey is conducted using well formulated Questionnaire. Multi Stage Random Sampling is applied for generating data. Samples for the purpose of the study are selected systematically. Totally 850 Questionnaires were distributed and 585 collected out of which 540 completed questionnaires were found usable. The multistage random sampling method is applied to collect the primary data. The random sampling method is applied to obtain the responses from the employees. Hence, the multistage sampling method is justified to collect the samples from the automobile companies.

### **REVIEW OF LITERATURE**

Brain Becker, Barry Gerhart (1996), in an innovative paper describes why human resource management (HRM) decisions are likely to have an important and unique influence on organizational performance and also the link between HRM and organizational performance. In this empirical research they focused on addressing the significance of findings, the relative emphases on theory and empirical research (and replication), and the measurement of effectiveness and also describes some of the typical specification errors research in this area is susceptible to and some thoughts on how to, avoid such errors. Finally, they summarize some of the key policy and research implications of the special forum and the broader body of work on human resources and organizational performance. Cathy A. Enz and Judy A. Siguav (2000), this article examines five categories of HR best practices, focusing on the specific practices adopted by champions selected for this study. They are I. Leader development II. Training and knowledge building III. Employee empowerment iv. Employee recognition v. Cost management. The papers discussed on the practical benefits and then conclude with the insights and advice of the practice champions to assist those who may want to adapt and improve a practice for the benefit of their own firms. Kenneth W. Green Jr, Bobby Medlin, and Dwayne Whitten (2004), in a critical study is to investigate the concept of developing attending optimism between employees and examine the influence of optimism on employee and organizational performance. This study is based on primary data, which is obtained from 133 manufacturers. They apply parametric and non-parametric



methods of cronbach's alpha, ANOVA, mean, standard deviation, chi-square test to analyze the data. The findings revealed that optimism subcultures with in organizations are characterized by an emphasis on the goal setting process and organizational goal setting does indeed positively impact employee optimism – and thus improve both employee & organizational performance. Bernice Kotey and Peter Slade (2005), the paper examines the rate of adoption of formal human resource management (HRM) practices with increasing firm size. The research was based on a primary data of 1330 micro, small and medium firms on the sunshine coast region of south east Queensland. They used parametric and non-parametric methods like ANOVA, chi-square and Wilcoxon signed rank tests to analyze the data. The paper concludes that static models cannot be used to portray HRM practices in small firms and that management training and advice for small firms must recognize the diversity of practices associated with various firm sizes. Anthea Zancharatos, M. Sandy Hershcovis, Nick Turner and Julian Barling (2007), this article aims to provide a quantitative review of the range and effects of human resource management (HRM) practices in the north American automotive Industry. This study provides data for an employee level of 14 studies. This application of correlation and meta-analytic method clearly reviewed the study. This paper provides an empirical review of HRM practices and outcomes in the automotive manufacturing context. The results revealed that the study provides support for the role of employee – level psychosocial outcomes a mechanism between HRM practices and employee performance, supporting an idea that is often discussed but rarely tested in the literature. Dr. Sonja Treven (2006), in an innovative paper various approaches to the management and recruitment of employees in subsidiaries that the company has established in different countries are presented at first. This paper discussed clearly about the basic functions of international human resource management among them recruitment and selection of new employees, development, and training of employees, assessment of work efficiency, compensation of employees as well as labor relations. This paper concludes that international human resource management focuses on the management of human resources on a global basis.

## DISCUSSIONS AND RESULTS

### Factor Analysis Pertaining to Human Resource Development Climate

This analysis pertaining to the factors directly influencing employees perception on HRD climate in the automobile manufacturing companies. In order to achieve the objectives tools used factor analysis by principal component method and followed by these factors act as basis to classify the sample unit in to heterogeneous clusters and finally the association between independent variables under the clusters of HRD climate and association is achieved through non-parametric chi-square analysis of association and one way analysis of variance. Here, Organisation Promotion (CL1), Organisation Performance and Productivity (CL2), Individual Performance (CL3), Managerial Effectiveness (CL4), Employee Employer Relationship (CL5), Openness & Cordiality among Employees (CL6), Employee Commitment (CL7), Employee Satisfaction (CL8), Cooperation among Employees (CL9), Organisational Outcome (CL10). These factors are compared of several variables in Likert's five point scale which ranges from strongly agree to strongly disagree. At this juncture, it is very important to reduce the variables into predominant factors. Therefore the researcher applies factor analysis by principal component method to reduce the variables into factors.

#### 1. Factors of Human Resource Development Climate (HRD Climate):

The human resource development climate consists of ten variables in five point scale. The application of factor analysis over the ten analyses derives the following results.

**Table 1.1: KMO and Bartlett's Test for HRD Climate**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.726
Bartlett's Test of Sphericity	Approx. Chi-Square	1903.028
	df	45
	Sig.	.000

Source: computed data

From the above table 1.1 shows that the KMO measure of sampling adequacy .726, Bartlett's test of sphericity with approximate Chi-square value 1903.028 are statistically significant at 5% level. This indicates the entire ten variables represent human resource development climate is normally distributed and they are conducive enough to reduce them into predominant factor. The individual variances are presented in the following communalities.



**Table 1.2: Communalities for HRD Climate**

	Initial	Extraction
CL1	1.000	.568
CL2	1.000	.699
CL3	1.000	.647
CL4	1.000	.735
CL5	1.000	.775
CL6	1.000	.690
CL7	1.000	.681
CL8	1.000	.729
CL9	1.000	.324
CL10	1.000	.674

Extraction Method: Principal Component Analysis. Source: computed data

From the above table, it implies that the individual variances of the ten variables range from .324 to .775. It implies the variance have the bounds from 32.4% to 77.5%, which is a statistically significant range. This leads to the reduction of factors as shown in the table below.

**Table 1.3: Total Variance Explained for HRD Climate**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.327	33.269	33.269	2.616	26.156	26.156
2	2.150	21.499	54.768	2.170	21.697	47.853
3	1.045	10.446	65.214	1.736	17.361	65.214
4	.862	8.624	73.838			
5	.753	7.531	81.369			
6	.533	5.332	86.701			
7	.445	4.451	91.152			
8	.338	3.376	94.528			
9	.313	3.133	97.661			
10	.234	2.339	100.000			

Extraction Method: Principal Component Analysis.

Source: computed data

From the above table, it seeks that the ten variables are reduced into three predominant factors. The cumulative variance of the three factors is found to be 65.214% and individual variance of the three factors are given by 26.156%, 21.697%, 17.361% respectively.

The variable loadings in each factors are given in the following. The first factor consists of six variables

4. Influences managerial effectiveness in the organization. (.856)
8. Ensure employee satisfaction. (.836)
2. Promotes organizational performance and productivity. (.809)
7. Promotes employee commitment. (.753)



3. Enhances individual performance. (.617)

1. Ensures organization promotions. (-.708)

Therefore, this factor can be named “**Managerial Effectiveness**”

The development of organization is based on the managerial effectiveness of top level executives. It enhances individual performance and promotes employee commitment towards organization development, HRD climate promotes and performance to achieve the goal.

The second factor consists of three variables

5. Improves relationship between managers and employees. (.865)

6. Enhances team spirit, top management support, openness & Cordiality among employees. (.680)

9. Brings cooperation among employees. (.567)

Therefore, this factor can be named “**Team work Encouragement**”

The interpersonal relationship among the employees and employers creates a good work environment. The human resource development climate enhances team spirit, top management support, openness and cordiality among the employee team work encouragement brings co-operation and confidence among the employees in the organization. Human resource practices influence the performance by creating a strong service climate between employee and organization.

The third factor consists of one variable

10. Plays a significant role in improvement of individual behavior and organizational outcomes. (.709)

Therefore, this factor can be named “**Work Assessment**”

HRD plays a significant role in improvement of individual behavior and attitude towards the organization. Assessing of employees work increases overall performance and organization outcomes workplace safety and security and employee performance are the key element of work assessment. It motivates employees and increases job satisfaction level.

## FINDINGS

The following are the findings relating to employee perception of HRD climate in the study domain.

- The HRD climate of manufacturing companies directly depends upon managerial effectiveness of the employees as well as the teamwork engagement and further found that work assessment of the employees plays a major role in developing the organization in the manufacturing sector.
- It is found that 11.29% of the employees in the sample unit are “perfection seekers”. They disagree HRD climate in the manufacturing companies. 37.78% of employees are “mechanical employees”. They more moderately agree HRD climate in the manufacturing companies and 50.93% of employees with moderate climate. Therefore, it can be named as “supportive employees”.
- It is indicated that there is no association between gender of the employees and their perception towards HRD climate.
- It is indicated that there is no association between their age of the employees and their perception towards HRD climate. Therefore, it concludes that they have similar kind of perception towards HRD climate.
- It shows that there is no association between their managerial level and HRD climate. Therefore, it is finally concluded that the managerial level of the employees is very important to understand their perception towards HRD climate.
- It depicts that there is no association between their experience of the employees and their perception of HRD climate.
- It is revealed that there is an association between income level of employees and their HRD climate perceptions. It is concluded that similar kind of perception towards HRD climate.
- It is informed that there is no influence of gender, age, managerial level, experience and income factors of HRD climate in the manufacturing companies.

## SUGGESTIONS

- HRD climate is not very conducive for the employees. The top management should take necessary steps for making the climate more conducive for the employees and Organization should retain highly skilled professionals (employees) to foster a conducive developmental climate that enhances innovation, team spirit and support from employees.



- From the study, it is suggested that the following are the few HRD mechanisms such as rewards, improved training methods, genuine promotion decisions and excellent interaction among various HRD instruments creates better impact among employees and the management should endeavor to provide a daily favorable working environment where employees are comfortable to develop and utilize their potential without any form of inhibition.
- Performance reviews, promotions, salary may help truly to measuring employee competency level in the organization. Management should also regularly measure the prevailing climate within their units (or) department/organization to understand the current nature which helps to promote organizational development.
- Job rotation among employees, proper information about future plans, enough details about personal policies which facilitate employee development and it also increases the overall development of an organization.
- The employees desired values of risk taking, variety, autonomy; lifestyle and creativity towards works were to be rewarded by the organization. The employees are also encouraged and appreciated through proper incentives.
- Career management (or) career development should be conducted by both individuals and organization for achievement, recognition, growth, the goal and quality of life.
- The organization should follow clear and standard recruitment policy for all the level of jobs. The job searchers may approach the organization through some sources, such as advertisements, factory gate recruitments and so on.
- From the study, it is suggested that the executive development therefore involves helping people to understand how to build relationships to access resources, coordinate activities, develop commitments and build social networks.
- Last but not least, the organization may formulate a new human resource policy to promote its employees education and status.

## CONCLUSION

The automobile sector needs to grow in harmony with world industry to stay competitive in the automotive market. India has the potential to be a global automobile power. However, concerted efforts will be required to take auto manufacturing to be self-sustaining level, where the organization shall have to increase volume generate requisite technology and meet evolving emission requirements. The elements of HR practice to exact human resource from the employees. In that organisation development increases knowledge and performance of an employee towards work. Performance appraisal system helps to improves and overall performance of and growth of an organisation and career development provide self confidence, career plans and improvements. Human resource management and development style, such as a fresh intake of workers from college and universities and continuous training and development brings skills, attitudes, energy, enthusiasm, and commitment towards work. Training and development programmes and rewards & incentives are the instruments which determines the efficiency of the employee, hence result in high profit. Employees are the heart of any organization. When employees feel the organization is responsive to their needs and supportive of their goals, managers and leaders can count on their followers' commitment and loyalty. The human resource manager and leader work on behalf of both the organization and its people, seeking to serve the best interests of both. The result obtained from this study indicates that HRM is moderately practiced by companies operating in Chennai and that performance symbolized by the growth rate of revenue, financial strength and profitability are reasonably enhanced by all twelve HRM practices mentioned in the study.

## SCOPE FOR FUTURE RESEARCH

A number of avenues for future research arise from this study in terms of high performance; research is required to understand how human resource management practices co-exist to produce their effects. It remains to be seen whether some practices have a greater impact than do others or whether certain practices should be grouped together to maximize their benefits and so, on how to develop strategies for implementing best management practices that create a system of rewards which greatly influence innovative behaviour in the organization. Furthermore, the study examined only twelve HRM practices in the automobile manufacturing sector. The upcoming researcher may include other few HRM practices and its impact to know better outcome. The subsequent research needs to be engaged in the development of more valid and reliable definition of the proposed constructs, overcoming most the limitations posed by the data sources used for this study.

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