Human Resource Management Practices in Coimbatore - With Special Reference to the Manufacturing Sector

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HUMAN RESOURCE MANAGEMENT PRACTICES IN COIMBATORE – WITH SPECIAL REFERENCE TO THE MANUFACTURING SECTOR

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Deepa.R**

Abstract

Purpose - This study aims to bring out the extent of usage and perceived effectiveness of HRM practices in the manufacturing sector of Coimbatore, an important industrial city in Tamilnadu.

Design/Methodology/Approach - The study used a structured questionnaire to collect data on the prevailing HRM practices in the region. The HR managers of selected companies across the region were asked to fill the questionnaire, which contained descriptive questions to bring out the HRM functions in a detailed manner. Descriptive statistics was used to bring out the extent of usage of HRM practices in the region.

Findings - The paper found that the regional industries have given due care to implement formal HRM practices and have focused on training programs and social responsibility activities. However, they were on a low profile in certain critical aspects of HRM like career planning, workers participation in management and transparent compensation metrics for employees. It also found that the industries perceived their HRM practices to be effective in achieving their business objectives.

Research Limitations/Implications - Only a few direct interviews were possible, which limited the researcher from probing into the details of the practices.

Originality/Value - This paper shows the influence of context on HRM and implies to the HR managers that they should always design their HRM practices according to their context.

Keywords: Human, resource, management, manufacturing, sector, Coimbatore

INTRODUCTION

Human Resource Management is a body of science that correlates effective management of people with a firm’s success and competitive advantage. The goal of HRM is to cater to the strategic vision of the company and direct all its activities towards improving the quality of its human resources and products, thereby resulting in increased customer satisfaction.

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The HRM policies of an organization are influenced by national variables, contingency variables (Sparrow and Budhwar, 1996), and industry characteristics (Hofstede, 1991). The manufacturing industries of a particular region are subject to the same set of national factors. However, their contingent variables and industry specific characteristics may vary causing differences in the implementation of their HRM practices. It is with this background that the present study aims to explore the extent of usage of HRM practices and their perceived effectiveness in the manufacturing sector of Coimbatore. A review of previous studies was done to arrive at a framework for the study.

THEORETICAL FRAMEWORK

National Factors

The national factors that influence HRM practices are national culture (Bhatia 2005; Jackson 2007), professional bodies, legal framework, training and vocational set up, and trade unions. The private sector organizations use word of mouth strategies rather than recruiting agents as sources of recruitment (Budhwar and Khatri, 2001). According to Venkata Ratnam (1995) and Kuruvilla (1996), the rules governing the recruitment, training, and lay off practices are likely to be manipulated by employers due to their adhoc nature. In Indian organizations, the motivational tools are intellectual, spiritual and social and hence employees are oriented towards personalization rather than performance (Kanungo and Mendonca, 1994; Sharma, 1984). Despite their decline in number, unions are very strong in Indian organizations and hence lead to rationalized HRM polices (Soeters and Schwan 1990). The availability of labour influences the recruitment and retaining policies of organizations (Jackson and Schuler 1990). According to Hofstede (1991), industry characteristics and internal or contingency factors are strong determinants of HRM practices.

Contingency Variables

The contingency variables to be considered while studying HRM practices are age, size, ownership, status, life cycle stage of the organization, and level of technology used. According to Snell and Dean (1992), the advanced technology companies differ from the traditional technology companies in their hiring, compensation and development practices. The structure of an organization and its size has implications on its HRM policies. Larger organizations will use formalized HRM practices and sophisticated training practices (Kochan, Batt, and Dyer, 1992; Jackson and Schuler, 1995). The organizations will adopt HRM based on the various stages they are in like start-up, growth and maturity (Kochan and Chalykoff, 1987; Henry and Pettigrew, 1992).
Industry Characteristics

Differences in the nature of manufacturing and service industries appear to have implications for the various aspects of HRM systems, including recruitment and selection, training, compensation, stress management, use of temporary workers, and the development and maintenance of appropriate organizational climates and cultures (Jackson and Schuler, 1995). Hofstede (1991) suggested that organisational and industry characteristics are strong determinants of HRM practices, when compared to national culture.

There are some unique characteristics of the manufacturing sector Tyler K (2006). In this sector, the presence of unions is an important factor that affects the HRM practices. HR managers should take into account the union policies and views before implementing HRM policies. In a unionised organisation, all the communication and negotiation with employees is through the unions; whereas in a non-unionised facility, it is hard to get people respect a written handbook of HR rules. The discipline problems are directly dealt with the employees. In a manufacturing industry, HRM policies should make sure that the working conditions like light, ventilation, temperature and ambience are comfortable for the employees and the occupational health and safety measures are in place. Communicating with low level employees is very difficult and frequent face to face meetings are needed to set conducive relationships with employees.

HRM practices and perceived organizational effectiveness

When organizations use HRM policies to a higher extent, then they will perceive them to be helping them in their business objectives. Delaney and Huselid (1996) have proven that there is a positive association between HRM practices and perceived organisational outcomes. Research has also found positive correlations between perceived organisational performance and actual organisational performance (Dollinger and Golden, 1992). Many studies have brought out a positive association between firm level HRM practices and actual organisational performance (Arthur, 1994; MacDuffie, 1995). A significant relation was reported between the training and compensation practices and perceived organisational and market performance in India (Singh, 2004).

Thus it is evident from the literature review that HRM practices are influenced by national factors, contingency variables and industry characteristics and that the level of usage of HRM practices has a bearing on the perceived effectiveness of the practices, which in turn will have a bearing on the actual performance of the organizations. From this, a theoretical framework was arrived at for the study, as depicted in Figure 1.
OBJECTIVES

With reference to the framework in Figure 1, this study has a broader objective of studying the HRM practices in the manufacturing industries of Coimbatore region, during the period May 2008 to October 2008. It attempts to answer two specific questions stated below

1. To what extent do the Manufacturing Industries in Coimbatore use HRM Practices?

2. To what extent are these practices seen as effective in achieving the objectives of the organization?

METHODOLOGY

Sample and site

Coimbatore is the highest revenue earning district in Tamilnadu, which contributes 6.5 per cent of India’s Gross Domestic Product (GDP). It has 5 universities, which roll out 60000 graduates per year, resulting in a good employee potential for the regional industries (‘Coimbatore’ 2009). It has excellent potential for industrial growth and is rated by a recent Confederation of Indian Industry (CII) survey as the fourth investor friendly city in India. Coimbatore is the third largest city of Tamilnadu and is one of the most industrialized cities. It houses more than 25000 small, medium, and large enterprises. Coimbatore is the highest revenue earning district in Tamilnadu, due to its extensive textile industry. About 50 per cent of the cotton yarn exported from India comes from Southern Textile Mills. The region's textile industry is on a massive expansion mode and fresh investments to the tune of Rs.1500 crores are in the pipeline. The motor and pump industry supplies two thirds of India’s requirements (http://www.g-netsolutions.com/coimbatore.htm). It is also
known for its globally competitive Engineering and Auto components industries and foundries. The manufacturing sector of Coimbatore is depicted in Figure 2.

![Coimbatore Industries](image)

**Figure 2 Manufacturing Sector of Coimbatore**

In order to represent all the major categories of the manufacturing sector equally, five organizations were selected from each category, which yielded a sample size of 30. The five organizations in each sector were selected through convenience sampling.

**Measure**

A structured interview questionnaire was designed to extract information from the organisations on the extent of usage of HRM practices and their effectiveness. The structure of the questionnaire is shown in Table I.

**Table I: Structure of the Questionnaire**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Number of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Details pertaining to company like address, departments, HR executive's name etc</td>
<td>2</td>
</tr>
<tr>
<td>Recruitment &amp; Selection</td>
<td>Estimation of resource requirements, sources of recruitment, method of selection</td>
<td>5</td>
</tr>
<tr>
<td>Induction &amp; training</td>
<td>Induction process, training need estimation, sources of training, training evaluation</td>
<td>10</td>
</tr>
<tr>
<td>Work policies &amp; environment</td>
<td>Employee records, working hours, leave days, absenteeism</td>
<td>7</td>
</tr>
<tr>
<td>Appraisal &amp; Career Planning</td>
<td>Appraisal, post appraisal discussions, career planning</td>
<td>8</td>
</tr>
</tbody>
</table>

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The questionnaire covered all the HRM functions and also had questions on the effectiveness of the HRM practices towards business objectives, as perceived by the HR managers. Dichotomous questions were used to find out if the organizations have implemented certain practices like induction program, training, workers' participation in management (WPM) etc. Some of the practices like Induction, performance appraisal, career planning etc were asked to be described in detail. The perceived effectiveness of HRM practices in achieving business objectives was got on a five point scale for every function. In any organisation, HR executives are the best placed and the ones that can give valid information regarding the practices. So it was decided to get data from the HR executives of the chosen organisations.

**Data collection**

A formal permission was sought from the chief executives of the organizations. Then, the questionnaires were delivered to the HR executives of the organizations, either directly, through post, or through Email. As the executives were all busy, they did not encourage direct interviews. Only 8 direct interviews were possible. The rest of the questionnaires were left with the respondents and collected after a period of time. The low profile of direct interviews is a limitation for this study as more details on practices could not be collected.

**ANALYSIS**

The responses got were analyzed and a simple percentage analysis was done to find out the extent of usage and perceived effectiveness of HRM practices amongst the industries. The analysis is presented in two sections namely the extent of usage of HR practices (presented function-wise) and the effectiveness of HR practices, as perceived by the HR managers.
Extent of usage of HRM practices

The extent of usage of HRM practices is discussed as per the various functions involved in HRM namely Recruitment and Selection, Induction and training, Appraisal and career planning, work policies and environment (which includes trade unions, grievance handling, occupational health and safety), workers participation in management, Social responsibility and HR policy changes.

Recruitment and Selection

All the industries estimate their resource requirements either through a formal process or based on orders. The different sources of recruitment are depicted in Figure 3. Internal referrals are the major sources of recruitment (33 per cent), followed by recruiting agents (27 per cent).

Placement interviews are not used prominently by this sector. The candidates are selected through technical interviews, written tests and informal personal interviews. After selection, an offer letter is given by 71 per cent of the industries. The organizations use recruitment agencies and advertisements equally.

Induction and Training

The extent of usage of induction and training practices is depicted in Table II. Most of the industries (86 per cent) have a proper induction process in place. Induction programs range from a day to a week and is mostly done by the supervisor or the HR manager.
Table II: Extent of usage of induction and training practices

<table>
<thead>
<tr>
<th>HRM Function</th>
<th>Yes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of Induction process</td>
<td>86</td>
</tr>
<tr>
<td>Probation/training for new recruits</td>
<td>100</td>
</tr>
<tr>
<td>Assigning mentors for new recruits</td>
<td>86</td>
</tr>
<tr>
<td>Presence of Training program</td>
<td>93</td>
</tr>
<tr>
<td>Evaluation of training effectiveness</td>
<td>93</td>
</tr>
</tbody>
</table>

All the industries fix a probation period for the new recruits, and 86 per cent of them assign a mentor to the new recruits. Training programs are used in 93 per cent of the industries. The training effectiveness is evaluated through performance tests, feedback forms, and Pretest posttest methods. Training needs are estimated mainly based on project/order requirements. The usage of the methods of training is depicted in Figure 4.

Figure 4: Methods of training

The most frequently used training method is on-the-job training, followed by classroom session. Internal sources of training are used by 56 per cent of the industries.

Appraisal and Career Planning

The appraisal and career planning practices are present in the industries as shown in Table III.
Human Resource Management Practices in Coimbatore – With Special Reference To The Manufacturing Sector

**Table III: Extent of usage of appraisal and career planning practices**

<table>
<thead>
<tr>
<th>HRM Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of Performance appraisals</td>
<td>79</td>
</tr>
<tr>
<td>Post appraisal discussions</td>
<td>71</td>
</tr>
<tr>
<td>Career planning process</td>
<td>71</td>
</tr>
</tbody>
</table>

Among the industries, only 71 per cent of them have implemented career planning practices. Performance appraisal procedure is in place in 79 per cent of the industries and post appraisal discussions are held by 71 per cent of them. Job card analysis, wastage and rejection analysis, performance appraisal forms, 3-tier appraisal, and balance score cards are some of the mechanisms used for appraising the employees. The appraisal is done mostly annually and rarely biannually. The immediate supervisor or the HR manager handles the post appraisal sessions.

**Work Policies and Work Environment**

The study revealed that employee records are maintained by all the industries and absenteeism and turnover prevail at the rate of 8 per cent each. The presence of practices with respect to work policies is depicted in Table IV.

**Table IV: Details of work policies, work issues and effectiveness of work environment**

<table>
<thead>
<tr>
<th>HRM Attributes</th>
<th>Percentage/Av</th>
</tr>
</thead>
<tbody>
<tr>
<td>People Issues</td>
<td>64 Av</td>
</tr>
<tr>
<td>Grievance Handling</td>
<td>86 Av</td>
</tr>
<tr>
<td>Suggestion Boxes</td>
<td>71 Av</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>93 Av</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>36 Av</td>
</tr>
<tr>
<td>WPM</td>
<td>71 Av</td>
</tr>
<tr>
<td>Sharing Financial Matters</td>
<td>50 Av</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>71 Av</td>
</tr>
<tr>
<td>Absenteeism</td>
<td>7.79 (AV)</td>
</tr>
<tr>
<td>Turnover</td>
<td>7.54 (AV)</td>
</tr>
</tbody>
</table>

*Note: Av=Average prevalence; WPM=Workers Participation in Management*

People issues are present in 64 per cent of the industries and 86 per cent of the industries have a grievance handling procedure in place. Grievances are redressed by the immediate supervisor and the HR manager is the next point of escalation. Suggestion boxes are used by 71 per cent of the industries and 93 per cent of them
have provided occupational health and safety measures to their employees. Some of the employee benefit schemes implemented by the industries are Provident Fund, Employees State Insurance, Profit sharing incentives, performance based incentives, medical insurances and interest free loans. The industries have implemented measures like providing better work environment, accommodation, increased salaries, motivation and counseling sessions etc to minimize turnover. Trade unions are present in 36 per cent of the industries and the relationship with the same is good. Only 7 per cent of the sample feels that the work environment needs improvement. Workers participation in management is prevalent in 71 per cent of the industries and only 50 per cent of them share financial matters with employees.

**HR Policies and changes**

The study revealed that only 71 per cent of the industries have written HR policies in place. A change in HR policy was needed for 36 per cent of the respondents. All the respondents who felt that they needed changes in their HR policies stated that policies are to be changed in the areas of training and development, appraisals, and career planning.

**Effectiveness of HR practices**

The perceived effectiveness of the HRM Practices in achieving the business objectives is shown in Table V

<table>
<thead>
<tr>
<th>HR PRAC</th>
<th>SDA%</th>
<th>DA%</th>
<th>N%</th>
<th>A%</th>
<th>SA%</th>
<th>TE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;S</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>57</td>
<td>43</td>
<td>443</td>
</tr>
<tr>
<td>I&amp;T</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>57</td>
<td>36</td>
<td>429</td>
</tr>
<tr>
<td>WRK ENV</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79</td>
<td>21</td>
<td>421</td>
</tr>
<tr>
<td>APP</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>79</td>
<td>14</td>
<td>407</td>
</tr>
<tr>
<td>COMP</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79</td>
<td>14</td>
<td>400</td>
</tr>
</tbody>
</table>

Note: SDA=Strongly disagree; DA=Disagree; N=Neutral; A=Agree; SA=Strongly Agree; TE=Total effectiveness; R&S = Recruitment and Selection; I&T = Induction and Training; WRK ENV = Work environment; APP= Appraisal; COMP = Compensation practices; CARPLG = Career Planning practices

The respondents perceive that the recruitment and selection practices are most effective, followed by induction and training and appraisal practices. However they consider that the career planning practices are least effective in achieving their business objectives. The results are discussed in the next section.
DISCUSSION

The industries had more similarities among themselves in the various HRM practices they follow. Institutional Theories suggest that organizations sharing the same environment will gradually adopt similar characteristics and hence become isomorphic with each other (Brewster, Wood, and Brookes, 2007). Some practices which are seen as effective will be uniformly adapted by others and certain practices which are not so effective will be discarded. This theory seems to be proven in this study also, by way of the uniformity of HRM approaches of the firms.

All the industries estimated their resource requirements based on orders or through a formal process. They used internal referrals the most and placement interviews to the least. The sample studied comprised small and medium industries to the tune of 64 per cent. The time and money resources of the small and medium industries are limited and so they go for low profile activities like internal referrals (Maryse and Erik, 2002). Also private sector organizations use word-of-mouth strategies rather than recruitment agencies (Budhwar and Khatri, 2001). These are some of the reasons for the prominence of referral system. Coimbatore rolls out over 60000 graduates per year from its premier educational institutions. The least use of placement interviews shows that these graduates are not absorbed by the local industries. This is an important aspect to be noted by the manufacturing sector industries. Given the dearth of quality human resources, the organizations should chalk out means to attract these home produced graduates to them.

Training programs and the evaluation of their effectiveness in highly prevalent in the industries studied. On-the-Job Training is the most used mode of training. Small and medium enterprises have high probability of labor turnover because they offer less career development opportunities. The proposed solution to overcome this problem is to use on-the-job training (Brand et al, 2002). This explains the significant use of on-the-job training programs by the sample, which constitutes Small and medium enterprises to the tune of 64 per cent. The advancement in technology and the dynamic business environment have forced the organizations to be on a continuous learning process. A focus on continual improvement is also necessitated by the increased adoption of ISO and other quality standards by the organizations. This is a reason for the importance given by the industries to training programs. The significant use of external training agencies shows that management development programs and technology improvement programs are made available to the workforce. Training needs are estimated mainly based on project requirements. However, it will be more effective if the industries link performance appraisal results, career planning goals and training needs so that it will result in continual improvement both for the employees and the employers.

Career planning practices are implemented in 71 per cent of the industries. The industries do not seem to have a clear compensation model in place. It is essential for the employees to understand on what basis they are compensated. The HR executives did not explain the compensation model clearly. This is an area for improvement for the industries.
Grievance handling mechanism is in place in 86 per cent of the industries and 93 per cent of them have occupational health and safety measures. In the manufacturing sector, the presence of unions is an important factor that influences the HRM practices. This explains the high prevalence of grievance handling mechanisms. The inherent characteristics of the sector demands occupational health and safety measures and hence this is also highly prevalent. Only 50 per cent of the industries share financial matters with their employees and 71 per cent of them encourage WPM. In Indian organizations, employees are oriented towards personalization rather than performance (Kanungo and Mendonca 1994; Sharma 1984). The industries should improve on their WPM and should share financial matters with their employees, to create a sense of belongingness amongst the employees, which in turn will improve organizational commitment and well-being. The Coimbatore industries have immense scope for improvement in this area. The social responsibility of Coimbatore industries involves environmental preservation, producing pollution free products, medical aids for needy, and donations for orphans. This is a welcome sign and the Siruthuli movement (rejuvenating River Noyyal, the important water body of Coimbatore) is one of the best examples for the environmental rehabilitation activities of Coimbatore industries.

Among the industries studied, only 71 per cent had a written HR policy in place. This is surely an area for improvement. Clear policies will reduce ambiguity and will help build better relations with employees. So the industries are requested to focus on this aspect. Only 36 per cent of the respondents wanted a HR policy change. The respondents were all HR managers, who had decided the policies themselves and have implemented them. This represents the soft aspect or rhetoric of HRM (Gill, 1999). But if we put the same question (Do you need a HR Policy change?) to the employees, then the response is more likely to be the other way around, which will be the hard aspect or reality of HRM.

All the HRM policies were perceived as being effective by almost all the industries. This has confirmed the impact of HRM on organization performance as established by previous studies (Wright, Gardner, and Moynihan, 2003; MacDuffie, 1995). The respondents of this study were HR managers. In their perspective, the HRM practices are effective. The receiving ends of these practices are the employees and there is going to be a day and night difference in the effectiveness of the HR practices as perceived by them. This is an important aspect to be noted in this study.

CONCLUSION

The study revealed a significant level of formalization of HRM practices in the manufacturing industries of Coimbatore and the due care given to training and development and social responsibility. The study has some implications for the regional industries as stated below

- The industries should have written HR policies and should communicate the same to employees. They should also be consulted for changes in the policies, to create awareness about the policies.
• Training needs are estimated mainly based on project requirements. However, it will be more effective if the industries link performance appraisal results, career planning goals and training needs so that it will result in continual improvement both for the employees and the employers.

• The industries should have a compensation plan based on clear cut metrics and should also educate their employees regarding the same.

• The career planning activities, workers' participation in management and sharing of financial matters are other key areas to be tuned to retain the employees and to bring down the rate of employee turnover.

The study has also brought out the influence of contingency variables and sector specific characteristics on the HRM practices. This is an implication for the HR managers to design context friendly HRM policies for the benefit of their organizations. The respondents of the study were HR managers, who are the policy makers themselves. Their response will give the soft version or rhetoric of HRM practices. The employees of an organization are in the receiving end of the HRM policies and their response will give the hard version or reality of the level of implementation of HRM practices. Hence the future directions in this line of research would be to use the employees as the respondents and see the extent of practical implementation of HRM practices in the industries. The other variables like strategy, life cycle stage of organization and size can also be used to bring out the detailed impact of internal environment on the usage of HRM practices.

REFERENCES


http://www.g-netsolutions.com/coimbatore.htm