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Case Study on Human Resource Management by Dr Rohit Ramesh



Introduction

Established by Anant and Bhanu brothers in 1978, A B Carpet & Dari Export Co (A B C D E Co). has emerged as a leading export house in India. It is headquartered at Bhadohi near Varanasi in North India. Its entire manufacturing and processing facilities are located in state of Uttar Pradesh, mostly at Bhadohi and Gopiganj, an adjoining town in the district. A B C D E Co has numerous businesses under its ownership, however carpet business accounts for a major part of its turnover. In 1992, A B C D E Co. was regarded as the largest exporter of carpet products in India with 32% of Carpet industry's' turnover, and in cotton it was at 1500th position.

The A B C D E Co owns a diversified range of businesses and non-profit activities which include:

- printing and processing units
- hospital with 100 beds
- a degree college
- a school for girls
- mineral water plant, etc.

The carpets manufactured by A B C D E Co are 100% handmade making the business highly labor intensive. However, printing and processing has under-gone automation, hence, only 150 workers are needed for this activity. In total the group provides employment to 1500 persons. A B C D E Co. alone employs 500 people.

Background

The carpet industry is primarily regarded as a cottage industry in India. It is also a major foreign exchange earner. There are only a handful of players in the organized sector of the carpet business.

The state of Uttar Pradesh, where A B C D E Co is based is the a state with a literacy rate of 67% (2011 census). Even though the workers/labor unions are not very active in the region, the natives of Bhadohi have a very strong hold in the district and are politically aligned to different political parties of the state, the result being once a person gets

employed at any of the Carpet industries in the area, his/her employment is treated as permanent. The natives are feared by the business community as well as the state administration. This has made them generally arrogant, disobedient and "strikes or bandh (closure)" have become a common phenomenon.

Structure of A B C D E Co.

The company was established as a partnership between the brothers Anant and Bhanu . Mr. Anant is the Managing Partner and the CEO of the firm since 1978. Of his two sons, Ajay Prakash, is the partner in charge of the textile business, and Bharat Prakash, is the partner responsible for finance and accounts. Anant and Bhanu are responsible for marketing. As the CEO, Anant is involved in all the activities and especially in solving local labor problems and trade disputes. While Bhanu has strong liaison with the natives and local representatives of all political parties.

Existing System at A B C D E Co.

The firm does not have a separate Human Resource Department.

1. Since there is no separate Human Resource Management department, decisions regarding the culture, way of working, etc. are decided by top management.
2. The recruitment policy can at best be termed as '*Interesting*'.
 - It has been the company's policy that for employment purposes "recommendations and canvassing" will not be accepted, i.e. if a prospective employee uses any form of personal recommendation from influential people to get a job, that application would automatically be rejected. The lessons of the past have been responsible for the framing of this policy.
 - In case the applicant is a woman, she has to be married and above the age of 35. This policy has been adopted to minimize absenteeism/pregnancy leave.
 - If the applicant is male, he also has to be married, and be at least of 35 years of age. This particular policy has been a big success since the majority of trouble-makers in the factory have been young, single males.
 - There is no discrimination on the basis of sex, caste or religion.

3. Recruitment decisions are decentralized, e.g. if there is a vacancy in the accounts department, then a replacement is sought within the firm. However, if a replacement is not available from within, then the accounts manager has the authority to select a person for that position from outside. Managers take full responsibility for their selection decisions. This has been quite successful since the department managers are very careful in their selections and they make sure they find the right person for the job. The adequate supply of labor facilitates this task.
4. The salary structure is decided by the top management
5. Bonus and benefit decisions are also arrived at in the same way as for salary structure. i.e. by top management. For instance, in 1992 the bonus was fixed by the management as three months' basic salary at the basic rate. But since the firm had a very profitable season in 1992, the management decided to give an extra month's salary as a bonus, in the form of a surprise New Year package.
6. Personnel administration is handled by one individual; no separate department exists.
7. Performance appraisals are carried out informally. Managers keep their superiors informed about high performers and hard-working people. Even though promotions are rare because of a lack of vacancies, these people do get their just rewards. Rewards may include a tax-free cash bonus, admission for their children and relatives to the school or jobs for their close relatives, etc.
8. Training programs are basically in-house. Only in a few cases are staff sent out for training (e.g. quality controllers are sent for training at the government research institutes). On being recruited, a person is taken as an apprentice for six months' training and evaluation before giving full-time employment.
9. It says something about the above approach to Human Resource Management that A B C D E Co. has not experienced a strike in its 42-year history. This is remarkable for a company operating a labor-intensive production process in a State notorious for bad industrial relations. Full credit goes to top management for their personal involvement and for giving utmost priority to settling dispute.

10. Most of the employees are given at least part-time work after they retire. Thus we can say that employees generally get "life-time" employment.

Reasons for the Success of A B C D E Co.

Analysis of the existing approach to Human Resources at **A B C D E Co.** yields the following possible reasons for the success of the company.

1. The CEO and the top management are wholeheartedly involved when dealing with Human Resource problems. According to the CEO, employees are the lifeblood of any organization.
2. The staffing policy and the decentralization of related authority to line managers. Since most of the employees are older people, the workforce is more mature and responsible.
3. In the hiring of employees preference is given to neighbors and to people from the same town. This has helped create a bond between the employees and the firm, and has also created a better image for the firm in the eyes of the community.
4. Since the firm provides a great many employment opportunities, indirectly and directly, the unions adopt a very accommodating approach during negotiations with the company.
5. Industry considers A B C D E Co. to be a trend-setter because of its wage levels.
6. All employees can use the hospital facilities free of charge, and it is subsidized for their families.
7. Senior management considers the firm not just as a profit-making organization, but as an integral part of the community, generating profits and employment.
8. When in need, employees are given financial and other support.

Questions

1. What do you see as the main reasons for A B C D E Co strike-free record?
2. Is the absence of strikes adequate proof that the present Human Resource Policy is a success?

3. What do you think of the reasons given for the successful Human Resource Policy in the company?
4. How would you categorize the company's Human Resource Policy?
5. What are the major advantages and disadvantages of this policy?

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