The managerial philosophy of a company is generally based upon the top management's assumptions about people working in the organization. It reflects the attitude of the top management towards the human resources of an organization. Managerial philosophies of companies are embedded in the society. McGregor (1960) has labelled these managerial philosophies as ‘Theory X and Theory Y.’

This paper is an attempt to identify the relationship between human resource (HR) practices and the philosophy of management of the Indian business organizations. For this, the different variables of HR practices were studied and the management’s philosophy was identified by measuring beliefs of top management about employees in the organizations. The sample for the study consisted of 95 respondents from two private sector organizations and 119 respondents from two public sector organizations.

The findings of the study indicate that the variables of HR practices (planning, recruitment, and selection) were highly but negatively related to the philosophy of management in the private sector organizations. This meant that the Indian organizations were practising traditional philosophy of management in such organizations. The prevalence of traditional managerial philosophy focusing on managerial control has always dominated the managerial community in the sense that it is more prevalent and is more ‘tightly’ linked to managerial practice. As new managerial ideologies evolved, the older ones “never disappeared; instead, images and practices central to each were gradually institutionalized” (Barley and Kunda, 1992).

The philosophy of management showed a blurred picture in the public sector organizations. Though the top management’s views and balance sheet emphasized the belief of the organization towards Theory Y, the analysed responses proved that management philosophy was not clear to managers working in these organizations.

In fact, the Indian public sector organizations started as welfare organizations. However, the impact of market economy has led to a competitive environment. Though the public sector organizations have started realizing the impact of competition, it is difficult for them to understand when they lost their focus on the managerial philosophy.

The following key issues emerged from the study:

- Organizations will have to design managerial philosophy which is sensitive to human existence.
- The managerial philosophy in the organization has an impact on the organizations of the future.
- HR concepts that get packaged along with modern managerial philosophy are likely to revolutionize the workplace.
- The bottom line is that people want to be cared for and respected.

On their part, organizations want commitment and integrity. A successful combination of committed people and a benevolent organization could well be the way for organizations in this competitive environment in India.

Note: This paper is a part of a larger research project on HR practices in the public and private sector organizations in India.
he changes in the market scenario have necessi-
tated the Indian industry to look inward for the
development of human resources (HR). If the
Indian organizations are to develop and maintain their
competitive edge, the potential value of the employees
needs to be increased by enhancing and linking their
skills and capabilities in tune with the contemporary
requirements of the market. Barney (1991) felt that firms
could develop strategic capability and, for attaining this,
the strategic goal will be to create firms which are more
intelligent and flexible than their competitors.

The human resource management (HRM) function
has emerged as one of the most important areas
of organizational practice. It has not been developed in
isolation but rather in the context of industrial change
and economic development. The uniqueness of HR
requires a totally different type of attention from man-
agement. The HR function has the characteristics that
provide the greatest challenge as well as the opportu-
nity. A company’s HR is fragile, relationships are deli-
cate, contributions are unpredictable, and stability is
uncertain. Youndt (2000) felt that since employees are
free, within limits, to leave their firm, there is a signifi-
cant risk of organizations incurring an intellectual cap-
ital loss unless individual knowledge is transferred,
shared, transformed, and institutionalized. The crucial
inputs to an organization include, among others, its
human resources. People bring to their jobs diversity of
skills, needs, goals, and expectations. Barney (1991)
proposes that sustainable competitive advantage is
attained when the firm has a human resource pool that
cannot be imitated or substituted by its rivals. The
employees are socialized into the organization first by
way of recruitment and then through continuous func-
tioning in the organization. According to Schuller (2000),
“skills, knowledge, and competencies are the key factors
in determining whether the organizations and nations
will prosper.”

The interface between the individual and the or-
ganization is critical to full utilization of human re-
sources. The individual and the organization establish
a ‘psychological contract.’ The individual member ex-
pects to make contributions to the organization and
receives certain rewards in return. The organization
provides certain rewards and expects in return certain
contributions from the individual. This interface can be
effectively handled with the help of HR planning, work
analysis, career development, leadership, job motiva-
tion, appraisal-reward process, and a favourable organi-
zational culture. As suggested by Spindler (1994), psy-
chological contract creates emotions and attitudes which
form and control behaviour. Sims (1994) felt that ba-
lanced psychological contract is necessary for a continu-
ing, harmonious relationship between the employee and
the organization.

The idea that individuals are capable of develop-
ment is founded on the conviction that people are
important and their involvement is necessary for an
organization to be effective. This conviction is translated
into practice through a variety of programmes that
facilitate individual development and lead to better
adjustment with the environment. Thus, human resources
are a company’s most valuable and strategic asset and
the focused involvement of the top management with
institutionalized leadership down the hierarchy is a pre-
requisite to attract and retain people. The patterns of
work relationships at work reflect the HR philosophy.
The managers who are encouraged to follow the role
model of their seniors perpetuate the philosophy and
practices of HR. In the process of organizational
socialization, they internalize the values and attitudes
of their leaders. The entire process is thus institu-
tionalized. Schein (1990) indicates that people identify with
the visionary leaders — how they behave and what they
expect. Enterprise vision and mission will not become
a reality unless employees are involved and integrated
with the company’s goals. HR provides the enabling
work climate of the organization comprising of mana-
gerial values, attitudes, and styles.

With the ‘license system’ being replaced to a great
extent by the ‘market system,’ the new economic envi-
rонment is primarily marked by the freeing of shackles
for entrepreneurship and economic growth. The chal-
lenge of human resource development (HRD) practices
would be to create an environment of resilience which
can successfully accommodate and assimilate changes
in systems, structures, technologies, methods, etc. The
pressures of change are most likely to be felt by those
who have to lead and manage the change process in such
a volatile economic environment. HRD would have the
ability to attract and retain people and is the key to
manage this macro change—both in terms of pace and
rate. The change leaders would be confronted with the
need to reorient culture, thinking, and paradigms. The
challenge is for the change agents to get individuals who
would have a sense of belonging and commitment to the
organization and who would welcome the impending changes. Hamel and Prahalad (1991) contend that a firm would achieve competitive advantage if it can obtain and develop human resources which would enable it to learn faster and apply its learning more effectively than its rivals.

Managing in a turbulent environment is not easy and managers are constantly looking for new concepts, tools, and techniques to help them cope with the demand of accelerating change. There are 25 leading management tools and techniques and according to an annual survey, the average company used 11.8 of these tools in 1993, 12.7 in 1994, and 13 in 1997 (Micklethwait and Wooldridge, 1996; Rigby, 1998). Unfortunately, managers often find that the management tools that they adopt are not magic bullets. A study by Rigby (1998) found that 77 per cent of the executives reported that these tools promised more than they delivered. This finding is consistent with other accounts of implementation failure across the range of managerial innovations (e.g., reengineering, TQM) and technological innovations (e.g., flexible manufacturing technologies, enterprise resource planning systems) where failure rates are above 50 per cent. The result is that managerial innovations become management fads which are tried and then abandoned. These failures may be attributed to an organization’s HR practices and the underlying philosophy of management (Barley and Kunda, 1992).

HRM DEBATE AND HR MODELS
The debate about HRM could be regarded as an outcome of the current interest in corporate and business strategy. Strategic management has assumed an overwhelming significance among practitioners partly as a result of being heavily promoted in the management literature (Peters, 1988; Peters and Waterman, 1982). Mintzberg (1978) and Porter (1985) have also contributed to the populism of the concept of strategy in the HR lexicon. A number of researchers abroad (Ichniowski, Delaney and Lewin, 1989; Ichniowski, 1990; Huselid, 1993) and in India related a comprehensive measure of HR practices to the firms’ financial performance (Rao, 1982; Rao and Pereira, 1987; Business Today, 1996; Singh, 2000). The impact of HR practices on organizational level outcomes such as productivity, turnover, performance, and profitability was an important research issue in the early nineties. Most of the work was undertaken to study the relationship between HR practices and firm level outcomes like productivity, turnover, and market value (Becker and Gerhart, 1996; Becker et al., 1997).

In the US, there are two opposing models of HR: the Harvard model (Beer et al., 1985) which stresses on the developmental aspects of HR and the Michigan model or the ‘matching model’ (Fombrun, Tichy and Devanna, 1984) emphasizing its utilitarian/instrumental functions in the achievement of managerial objectives. Arguments made in related research are that a firm’s current and potential human resources are important considerations in the development and execution of its strategic business plan. This literature, although largely conceptual, concludes that HRD practices can help create a source of sustained competitive advantage.

The Harvard model is conceived as an analytical framework which is premised on the view that if general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, they would solve most of the problems of HR. Compared to the matching model, this model is termed as the ‘soft variant.’ It stresses on the human aspect of HR and is more concerned with employer-employee relationship. It also highlights the interests of different stakeholders in the organization.

This model allows for multi-level analysis of these outcomes. It can provide a useful basis for comparative analysis of HRM (Poole, 1990). Such an approach is completely missing in the matching model. The main criticism of this model is that it does not explain the extensive relationship between strategic management and HRM (Guest, 1991).

The Michigan model is based on the paradigms developed by Chandler (1962) and Galbraith and Nathanson (1978). It is argued that an organization’s structure is an outcome of its strategy (Chandler, 1962). This argument was extended by linking different personnel functions such as career paths, rewards, and leadership styles to the organization’s mission (Galbraith and Nathanson, 1978).

The matching model has been criticized as being too prescriptive by nature mainly due to the fact that its assumptions are too unitarist (Boxall, 1992). It emphasizes a ‘tight fit’ between organizational strategy and HR strategies and, while doing so, completely ignores the interest of employees and hence considers HR as a totally passive, reactive, and implementationist function. The model’s emphasis on tight fit makes the organization inflexible and incapable of adapting to the required
changes and hence is a ‘misfit‘ in today’s dynamic business environment. The very idea of the model to consider and use human resources like any other resources in an organization seems unpragmatic as it misses the human aspect.

Despite many criticisms, the matching model provides a good framework to theory development in the field of HRM. It also provides a promising schema to look at the HR practices in universal and generic term. It, however, ignores the cultural processes.

The matching model and the Harvard analytical framework represent two very different emphases — the former is closer to strategic management literature while the latter to human relations tradition.

Some aspects of the basic philosophy of ‘soft HRM’ can be traced back to the writings of McGregor (1960) who, as mentioned by Truss (1999), even used the terminology ‘hard’ and ‘soft’ to characterize the forms of management control. McGregor’s Theory X describes the ‘control’ model of management (Walton, 1985) while Theory Y emphasizes the importance of integrating the needs of the organization and those of the individual — the principle of mutual trust again being expressed by Walton (1985). The soft model of HRM traces its roots to the Human Relations School. It involves “treating employees as valued assets, a source of competitive advantage through their commitment, adaptability, and high quality of skills, performance etc.” (Storey, 1992).

HRM as a concept emerged in the mid-1980s with the efforts of the writers of management of that decade including Pascale and Athos (1981) and Peters and Waterman (1982) who listed the attributes which they claimed as characterizing successful companies. The ‘school of excellence’ writers may have exerted some influence on management thinking about the need for strong culture and commitment (two features of HRM) but, they were ‘right enough to be dangerously wrong’ (Guest, 1993).

It has, however, been observed that “even if the rhetoric of HRM is soft, the reality is often hard with the interests of the organization prevailing over those of the individual” (Truss, 1999). Gratton et al. (1999) identified a combination of soft and hard HRM approaches in the eight organizations studied.

The Western countries, especially the US, have done a lot of empirical studies in the area of HR practices. In India, on the other hand, no attempt has been made to systematically evaluate the extent of HRD function or its components or practices, its expected impact on the organization, and its internal working and support provided to it by the management (Pareek, 1997). In an era of competitive market, implementation of HRD practices without extensive empirical studies may turn out to be disastrous for the Indian organizations.

MANAGERIAL PHILOSOPHIES

The managerial philosophy is based upon the top management’s assumption about people working in the organization. Whether managers are aware of these assumptions or not, they decide how to deal with their superiors, peers, and subordinates. In the words of Schein (1970), the kinds of assumptions a manager makes about the nature of people will determine his managerial strategy and his concept of the psychological contract between the organization and the employee. Schein (1970) also felt that the tradition of philosophy of management underlies the doctrine of rational-economic man derived originally from the philosophy of hedonism which argued that man calculates the actions that will maximize his self-interest and behaves accordingly. The economic doctrine of Adam Smith which was built on this assumption led to the theory that relationships in the marketplace between organizations and customers or buyers should be left alone because the separate pursuits of self-interest would regulate market relationships. The ideas of Adam Smith propounded in his Wealth of Nations have served for about two hundred years as the basis of our capitalistic system.

The modern philosophy of management is based upon an optimistic view of the nature of men and women. They are considered to be potentially creative, trustworthy, and cooperative. McGregor (1960) has labelled this managerial philosophy as ‘Theory Y.’ The traditional managerial view that the average human being working in an organization has an inherent dislike for work, avoids responsibility, lacks ambition, and wants to be closely directed is termed ‘Theory X.’ Faced with this fundamental ‘fact,’ the only option open to management is to exercise close control and to coerce and threaten people working in the organization in order to attain the organizational objective. A basic tenet of the traditional point of view is that the authority of the employer is supreme, is synonymous with power, and that authority comes from the top and is transmitted down through the organization structure. Control is exercised through command. The power and the right to make decisions
must be centralized at the top.

‘Theory Y’ holds that all motives — economic, social, egoistic — must be activated. The employee is highly motivated to work when he derives satisfaction from doing it himself. Emphasis is placed upon activating the higher needs such as responsibility, recognition, achievement, and innovation. People are taught to accept responsibility and exercise self-control. The philosophy of management reflects the attitude of the top management towards the human resource of an organization.

Argyris (1964), McGregor (1960), and others felt that the jobs in modern industry are so specialized that they neither permit the people working in the organization to use their capacities nor enable them to see the relationship between the job done by the human beings working in the organization and the overall organizational mission. In the self-actualizing man theory, the contract involves the exchange of opportunities to obtain intrinsic rewards (satisfaction from accomplishment and the use of one’s own capacities) for high-quality performance and creativity. Herzberg, Mausuer and Snyderman (1959) found that the self-actualizing man felt good about his job which invariably had to do with accomplishments and feeling of growth in job competence. Pelz and Andrews (1962) confirmed the findings that productivity and creativity are strongly related to challenge, job accomplishment, and autonomy.

In summary, the assumptions underlying the concept of self-actualizing man emphasize on higher order needs for autonomy, challenge, and self-actualization. Such needs exist in all men and become active as lower order security and social needs come to be satisfied.

Organizations and managers have both tended towards a simplified and generalized conceptualization of man. Consequently, many decades of research has resulted in vastly complicated models of man and attitude of the management towards the human resources of the organization. Schein (1970) felt that man is a more complex individual than the rational-economic, social or self-actualizing man. Not only is he more complex within self, being possessed of many needs and potentials, but is also likely to differ from others in the patterns of his own complexity. It has always been difficult to generalize about man.

The top management of an organization makes assumptions about the human resources. Managerial effectiveness will depend on the degree to which these assumptions fit empirical reality. Historically, the assumption about people in organizations largely reflected philosophical positions on the nature of man. On the one hand, there is a genuine interest in human beings and, on the other, there are fears about the consequences of human growth and deep pessimism about human beings changing their behaviour.

Tannenbaum and Davis (1969) do see a trend towards acceptance of ‘Theory Y’ as a philosophy of management. They assert that growing evidence suggests that humanistic values not only resonate with an increasing number of people but are also highly consistent with the effective functioning of organizations built on the newer organic model.

Hofstede (1987), who surveyed employees from 50 countries, suggests that American management theories are not universally applicable. He points out that McGregor’s ‘Theory X’ and ‘Theory Y’ reflect the American’s cultural emphasis on individualism and hence do not apply in South East Asia. According to him, people in South East Asia behave as members of a family and/or group and those who do not are rejected by the society. Haire, Ghiselli and Porter (1966) found that the Indian managers report the highest degree of fulfilment of security needs as compared to the managers in any other country; the lowest degree of fulfilment of esteem and autonomy needs; and the second lowest fulfilment of self-actualization needs in comparison with managers from all the other 13 countries. This points to the fact that people working in the Indian organizations are in the category of ‘Theory X.’

The liberalization, privatization, and globalization of the Indian economy has resulted in a competitive market economy. The need of the hour is to attract high level of initiative and innovation. Before recasting the philosophies and practices, there is a need to understand the philosophy of management of Indian organizations. The initial stimulus came from the realization that the paternalistic philosophy of management in the past gave little momentum for growth in future. Managements had developed plans for growth but they have now realized that they had not developed the attitudes and skills within them to take initiatives, make decisions, and take risks (Theory Y).

While there is empirical evidence of relationship between the philosophy of management and organizational culture, in the Indian context, one finds little evidence of research on the relationship between the philosophy of management and HR practices. It is in this
context that this paper examines the relationship between HRD practices and the philosophy of management. In other words, it explores the impact of HRD practices on the philosophy of management and, at the same time, maps the attitude of the management towards employees working in the private and the public sector organizations.

**HRD PRACTICES AND MANAGEMENT PHILOSOPHY IN INDIA**

The objectives of this study are to:

- examine the assumptions of the top management about the people working in the organization
- understand the social organization through HRD belief and the philosophy of management in the organization
- examine the nature of differences in the philosophy of management subscribed to by the organization towards employees working in the public and the private sector
- examine the nature of relationship between HRD practices represented by planning, recruitment, selection, performance evaluation, training and development, career management and rewards and the philosophy of management in the private and the public sector organizations.

We hypothesize that HRD practices in terms of planning, recruitment, selection, performance evaluation, training and development, career management, and rewards are significantly related to the philosophy of management.

**Measures**

*Measure of Human Resource Development Practices*

For the purpose of measuring HRD practices, the questionnaire developed by Gordon (1986) was used. The questionnaire was standardized and split-half reliability was calculated to be 0.81. It consisted of 69 items including the following variables:

- **Human resource planning**: The items focused on the process of analysing an organization’s human resource needs and developing the activities necessary to satisfy these needs under changing conditions.
- **Recruitment**: The items focused on identifying and attracting candidates for current and future jobs.
- **Selection**: The items focused on obtaining employees who are most likely to meet the desirable standards of performance.
- **Training and development**: The items related to the set of activities designed to increase an individual’s skills, knowledge or change an individual’s attitudes to preparing individuals to assume higher level or different responsibilities.
- **Performance evaluation**: The items focused on measuring and evaluating an employee’s past performance against a standard of performance.
- **Career management**: The items related to the process of designing and implementing goals, plans, and strategies to satisfy the organizational needs while allowing individuals to achieve their career goals.
- **Rewards**: The items focused on repaying equitably for a service based on the quality of service.

*Measure of Philosophy of Management*

The management belief questionnaire examined the theory and beliefs of managers regarding the top management’s philosophy on people working in the organizations. Haire, Ghiselli, and Porter developed this questionnaire in 1966 and surveyed the attitudes of 3,000 managers in 14 different countries across the world. This questionnaire consisting of eight items is used in this study to examine the philosophy of management towards people working in the organizations.

The questionnaire probed four areas of management belief system:

- belief in individual’s innate capacity for initiative, individual action, and leadership
- belief in the value of sharing information and objectives
- belief in participative management
- belief that individual control should be by self-control rather than control by supervisors.

**Characteristics of Organizations Studied**

The sample consisted of 214 participants working in four different organizations — two belonging to the public sector and two belonging to the private sector (see Box for a profile of the organizations). There were 95 respondents from the private sector organizations (Organization ‘A’ and Organization ‘C’: 54+41) and 119 from the public sector organizations (Organization ‘B’ and Organization ‘D’ = 68+51).

All the organizations in the sample were either listed in Group A of the Bombay Stock Exchange or contributed significantly to the development of the nation. At the time of selection, all the companies were profit-making organizations. The sample size consisted of...
executives in various positions (right from entry level to top position). We collected the data personally and also by mail using non-probability incidental sampling with an assurance that information obtained would be kept confidential. The sample size comprised of all management levels but most of the respondents were from middle level management with an assumption that they would possess an accurate perception of HRD practices employed in their organizations. The sample also included other departments such as production, marketing, finance, HRD, etc. The purpose of including managers other than the HRD function was to get an honest account of HRD practices in their organizations; it was felt that their personal involvement in policy formulation would be much less than the HRD department.

RESULTS AND DISCUSSION

We analysed the data and computed the correlations considering that our main objective was to examine the nature of relationship between various aspects of HR practices and the philosophy of management. The findings are presented in Tables 1 and 2.

The perceived negative correlation of philosophy of management with HRD practices showed that the private sector organizations still had belief in ‘Theory X’ of McGregor. In the fast changing scenario of the Indian economy, especially after liberalization and globalization, it is a cause for concern that Indian private sector organizations still have faith in ‘Theory X.’

The philosophy of management projected a blurred picture in the public sector organizations. Though the top management’s views and the balance sheet emphasized the belief of the organization towards ‘Theory Y,’ the response showed that the management philosophy was not clear to managers working in the organization.

Contrary to the hypothesis, the results showed that there was no significant relationship between the variables of HR practices and the philosophy of management in the public sector organizations whereas, in the private sector, the variables of HR practices, particularly training and development and rewards, were highly but negatively related to the philosophy of management. Thus, the hypothesis has been partially proved by this study.

The issue of HRM practices in large business organizations was explored in this study to determine whether organizations were practising traditional or modern philosophy of management. The findings pertaining to private sector organizations reflected that Indian organizations were practising traditional philosophy of management. The traditional philosophy of management depends primarily upon economic motivation, i.e., ‘the carrot and stick’ policy — the rewards go to the perform-
ers who are retained and promoted while those who are less efficient are not rewarded and, at times, demoted, laid off or discharged.

The results are paradoxical: on the one hand, while managers believed in shared objectives, participation, and individual control, yet they tended to have serious doubts about the capacity to demonstrate initiative, individual action, and leadership.

The top managers of the public sector and their public documents show belief in modern philosophy of management; however, the survey results project a blurred picture of the philosophy of management. It has also been observed by Micklethwait and Wooldridge (1996) that managers often find themselves “living in dual world: the real world and the world of officially sanctioned ideology. Thus, they talk about ‘empowerment’ but habitually hoard power or they proclaim that they are ‘reengineering’ their organizations when they are really just firing a few of the lackluster workers.”

Haire, Ghiselli and Porter (1966) suggested that managerial beliefs can be better understood by having a knowledge of cultural traditions. They felt the need to consider both economic and cultural traditions as they were broadly taken as determinants of managerial philosophies, values, and the concept of man.

Looking back, the origins of the modern Indian organization can be traced to the British rule. The British were the first to introduce the Western type of administration in India. The belief that the colonizers are superior to the colonized on the scale of social evaluation is part of the colonial psychology which legitimizes colonial rule and coercive ways of dealing with those ruled (Nandy, 1982). This psychology requires the rulers to maintain their distance and yet keep a close control over the ruled lest the latter defy their authority. Hence, emotional aloofness combined with high control of subordinates characterized the British style of Indian management. This was the model that Indian managers inherited from the British (Sinha, 1990).

On the other side of the parallel stream emerged a contrary trend particularly after the opening up of the economy. It provided conditions where the outward-looking market-oriented globalized economy constituted the bulwark of economic transition. The Indian organization could compete in the global market in which maximum utilization of human resource is possible by adopting the modern philosophy of management. In this era of globalization, organizations will have to deal with the convergence of technologies and a mature set of customers and employees.

Organizations would have to design managerial philosophy which is sensitive to human existence. The managerial philosophy in the organization has an impact on the organizations of the future. HR concepts that get packaged along with modern managerial philosophy are likely to revolutionize the workplace. The bottom line is that people want to be cared for and respected. On their part, organizations want commitment and integrity. A successful combination of committed people and a benevolent organization would be beneficial in the long run. This is possible only if organizations adopt HR practices with modern managerial philosophy.

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