

Human resource management practices in Nepalese organizations: Some observations

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Abstract

HRM practices aim to increase employee effectiveness in an organization. They care about the organization's people resources and work to grow and maintain their top-notch initiatives in a challenging and constantly shifting environment. That is why organizations need to concentrate on effective HRM practices. With this regard, this paper aims to explore some observations of HRM practices in Nepalese organizations using desk research, specific real-world examples, and various studies. It considers corporate planning and objectives, human resource planning, recruitment, selection and placement, training and development, performance management, pay and benefits, job design, and employee relations as the key HRM practices that are employed in the context of Nepal.

Keywords: Human resource management, Observation, Organizations, People, Practices

Introduction

Employees, or human resources, are the key to company success (Shrestha, 2013, 2016, 2020a). They are the focus of human resource management (HRM). People working in organizations are human resources (Adhikari, 2009). They combine energy and physical strengths with competencies. They work hard to produce goods that can compete in local or global markets, deliver high-quality services, and meet organizational goals in order to make a profit (Adhikari, 2006). Human resources can provide a competitive advantage to business organizations. To be successful, these organizations must focus on the development of effective human resources.

HRM is the efficient administration of employees. It is the procedure for acquiring, developing, using, and maintaining human resources within a business. It includes several tasks that are required to ensure that human resources are successfully managed for the benefit of individuals, society, and business enterprises. It lays special emphasis on the importance of the integration of personnel functions such as recruitment & selection, reward, appraisal, training and development, industrial relations, grievance, and discipline into the overall strategic management of the organization. Mainly, HRM combines business strategy (a preferred approach to compete in the marketplace) with HR outcomes (high-quality hires, appropriate compensation, effective training, and development) (Adhikari, 2001).

Thus, HRM is a proper and systematic arrangement and handling of human resources, competencies, and energies in the organization. It brings people and organizations together so that the goals of each are met (Mahapatro, 2010). HRM is concerned with managing human capital in an organization in the best possible manner. It entails a number of procedures, such as selecting, developing, and rewarding an organization's workforce (Shrestha, 2021). Its primary objective is to ensure the availability of a competent and willing workforce in the organization.

In order for a business to more successfully accomplish its goals, HRM practices aim to increase the workforce's effectiveness. They care about the organization's people resources and work to grow and maintain their top-notch initiatives in a challenging and constantly shifting environment. That is why organizations need to concentrate on effective HRM practices. HRM practices can be nearly everything that is combined with the management of employee relations inside a business. In order to secure the successful implementation and the survival of the organization and its members, HRM practices comprise that system, which recruits, develops, motivates, and retains personnel (Jackson & Schuler, 1995). In the literature on HRM development, there are four main approaches to be found: the "universal" or "best practice" approach (Huselid, 1995); the strategic HRM practices approach (Delery & Doty, 1996); the contingency approach (Dyer, 1985; Schuler, 1989); and the configuration approach (Wright & McMahan, 1992 cited in Ling & Mohd, 2010). Numerous recent studies have noted the significance of HRM practices for organizational success (Guest, 1999; 2003; Quansah, 2013; Mizanur et al., 2013; Uma et al., 2017; Alima & Faizuniah, 2018; Ana et al., 2019; Elrehail et al., 2019; Cherif, 2020). However, this paper considers corporate planning and objectives, human resource planning, recruitment, selection and placement, training and development, performance management, pay and benefits, job design, and employee relations as the key HRM practices that are employed in the context of Nepal.

Methodology

This paper explores some observations of HRM practices in Nepalese organizations using desk research, specific real-world examples, and various studies. In fact, this paper primarily evaluates academic works, journal papers, research reports, and projects of various organizations in order to ascertain the state of HRM practices in the context of Nepal.

Human Resource Management in Nepalese Organizations: Some Observations

HRM is relatively a new concept to Nepalese organizations. Following the introduction of the liberalization and privatization policies in 1990 A.D., the concept of HRM gained momentum in Nepal. Prior to this, Nepalese enterprises lacked well-defined HR strategies.

After 1990, the creation of private business communities and joint ventures provided Nepalese business organizations a new direction. For instance, firms began placing more emphasis on performance, and compensation and perks for capable workers became competitive. Programs for training and development that aimed to advance employees' abilities and knowledge were warmly received (Adhikari, 2010; Adhikari & Gautam, 2011). According to Adhikari and Muller (2001), Maharjan (2013, 2020b), and Shrestha (2013, 2020), Nepalese companies are still in the learning phase, and HRM's foundation is not yet firmly formed. But lately, things have started to change. Organizations employ managers to oversee HR operations, have separate HR departments, and are involved in developing business and HR strategies. HR-related decisions are made in the central offices as a result of centralized organizational structures. However, line managers and HR departments are now taking part in the implementation of these rules (Adhikari, 2009).

A number of organizations of different natures are operating in Nepal. Some are manufacturing, while others are service organizations. Mainly there are government organizations, private organizations, and public enterprises. All the activities and procedures that these organizations follow to perform their HR functions are known as existing HRM practices in Nepal. Based on the review of several studies, this paper presents some observations regarding such practices in the context of Nepalese organizations (Adhikari & Shrestha, 2022).

1. Corporate Planning and Objectives

Public enterprises (PEs) had their objective statements fixed by the concerned ministry at the time when they were incorporated. To take an example, the first objective of the Hetauda Textile Industry was to

reduce textile imports by manufacturing cotton textiles in the country. However, the Industry closed down due to its inability to compete with similar products. The main problem of the Industry was that it was not operating with a proper strategy to compete. The products of the Industry were more expensive than similar products imported from other countries.

In fact, many PEs are not operating with clear plans and objectives. This has largely affected the investment, personnel, and marketing decisions. On the other hand, all Joint Venture Banks (JVBs) are operating with clear-cut business objectives, visions, and missions. They are running in profit. For example, NABIL has a separate corporate office concerned only with corporate planning and Standard Chartered has a very specific corporate credit policy (Adhikari, 2000). Such offices and policies guide the management of human resources strategically. In Private Sector Organizations (PSOs), corporate objectives are determined and they channel all their resources including HRs, by any means, to attain those objectives.

2. Human Resource Planning

Except in the JVBs, both in the public and private sectors, human resource planning is the most neglected aspect of HRM practices. In the JVBs, manpower planning is the responsibility of the HR Division and Management Committee. Once they decide on the number of manpower for the coming years, it should be submitted to the Board for final approval. When they plan to open a new branch, the Strategic Planning Workshop decides on the number of employees required. They also prepare succession planning for top-level employees. In the case of small private sector organizations (PSOs), there are no hard facts of a manpower planning system.

However, they plan for HR if there is a possibility of branch expansion, new plant establishment and an increase in their market share in the future. In PEs, their autonomy for HR planning is handicapped by the frequent interventions of the government. Although there are legal provisions for estimating manpower requirements while presenting the budget for the new fiscal year, these provisions are not followed in practice. They have no system of formal succession planning specially to appoint chief executives. Instead of succession planning, the government interferes in their HR planning activities by sending non-professional persons to take the positions of chief executives.

3. Recruitment, Selection and Placement

This process is followed in all organized enterprises. The process includes attracting, collecting, short-listing candidates, and interviewing and selecting employees. Prior to the restoration of democracy, some PEs were authorized by the Public Service Commission to complete the recruitment process for the selection of employees required. After the restoration of democracy, PEs have conducted their entire recruitment and selection process on their own. Accordingly, they have a formal process of announcing vacancies for promotion and externally for the new recruits.

As per the rules, of the total vacancies in the classless/non-gazetted fifth class, 100 percent are filled by open competition, non-gazetted second class, 70 percent are filled by open competition, 20 percent by internal competition, and the remaining 10 percent by seniority and performance basis, and gazetted third class, 70 percent are filled by open competition and remaining 30 percent by seniority and performance basis (MoLJPA, 2015). But this rule may differ in the banking sector, where most of the vacancies are filled externally. The Employee Recruitment Committee makes the final selection decisions. The new selection is made based on credentials, written examination and interview whereas for internal promotion, job experience and the results of job evaluation play a dominant role. Once the selection process is complete and candidates are finally selected for particular assignments, they are appointed for

a probation period of six months (for non-officers) to one year (for officers). The probation period for the new recruits is 6 months. In small PSOs, owner-guided recruitment, selection and placement processes are followed.

4. *Training and Development*

Nepal Rastra Bank, Agricultural Development Bank, Nepal Bank Limited, Nepal Airlines Corporation, and some other government organizations have their in-house training divisions and centres. In the Bankers' Training Centre (organized by Nepal Rastra Bank) training is provided for the banking sector employees. In addition to the in-house and in-country training, officer-level employees are sent to India and overseas for training. The suggestions of line managers are sometimes used in PEs to determine the necessity for training. However, according to Pradhan (1997), the majority of these enterprises lack training objectives, policies, and concepts. The knowledge that is acquired through program attendance is not appropriately disseminated in the workplace.

Actually, very few training programs are created with the trainees' and employers' actual needs in mind. In addition, there is a lack of qualified instructors, training centers, and training resources (Pant, 1993). In JVBs, employees are sent for training based on the evaluation of training needs on the job. In small PSOs, the importance of training has been realized by many entrepreneurs and managers. However, training is still regarded as a costly affair in these organizations.

5. *Performance Management*

A performance evaluation system is mandatory in different public and private sector organizations in Nepal. The performance of personnel is assessed using a straightforward rating scale based on personal and professional aspects, and each division is required to determine its performance standards. However, career development, incentive management, and employee training and development do not consider the the performance results. The main purpose of these findings is to determine whether or not to promote employees. Most of the time, the final evaluation results are kept private and are not shared with the affected employees.

In fact, performance evaluation is not linked with other HR management practices. In JVBs, the performance of each employee is evaluated once a year. The annual increment is linked with the results of the performance evaluation. In PSOs, performance evaluation is rarely done. HR transfer and promotion decisions are made on an ad hoc basis. This is also due to issues related to employment requirements. In traditional manufacturing, it has been observed that approximately 44 percent of the positions don't even call for literate people, and 33% of the workers need specific instructions in order to accomplish their duties, making it exceedingly challenging to apply a performance evaluation system (CEMIR, 1993).

6. *Pay and Benefits*

Although it is understood that rewards have an important effect on factors like productivity and commitment, they are the most dissatisfying factors in the PEs. Perhaps, due to the perennial losses of the majority of these organizations in the past, these organizations are unable to offer a sound reward package.

In practice, the government, as an employer, announces any pay increments and benefits. In some cases, unions, at the enterprise level, following the process of the Labour Act, pressurize the government and employers to increase pay and incentives. On the other hand, JVBs offer pay and benefits above the government rates. In these organizations, a certain percentage of pay is in keeping with the level of performance. They offer incentive packages that are more than any other private and public organizations do. The reason for the selective pay and incentive systems in these organizations is their better financial position in comparison to the PEs in terms of economy in their scale of operations.

7. *Job Design*

The overall consensus among workers was that job design dimensions were unsatisfactory on the shop floor; the manufacturing sector failed to humanize the workplace, struggling to simply survive (Adhikari, 1992). The main characteristics of the jobs in the PEs are (Adhikari, 2000):

- a. Since job technology is traditional, jobs are difficult to perform for employees;
- b. Employees, especially those who are working in the production shop floor, do not need to improve skills and knowledge to work in the current jobs;
- c. The main need strength factor is pay increase;
- d. Employees are not willing to leave the current job even if they do not see their future to be bright there; and
- e. The present pay level is one of the most dissatisfying factors. For division chiefs and other line managers, jobs and assignments are not so challenging because of less job discretion.

PSOs were established over the last 5 decades and they are small and medium-sized on an international scale. Many of these organizations have a manual system of production. In these organizations, supervisors control from 12 to 136 workers depending upon the nature of the products they produce. Jobs are very short-cycled, simple, repetitive and conventional, involving traditional process technology requiring a low degree of dexterity and initiative. Physical conditions of work are normal. Workers are not insured for any health hazards and the current medical allowance is not enough to cover health and sanitation needs (CEMIR, 1993). In the JV Banks, jobs are challenging and employees see a desirable future to work in these organizations. Employees are having high growth needs and are less dissatisfied with the pay level. The overall job design factors are quite satisfactory in terms of job variety, difficulty, challenges, and pay and benefits.

8. *Employee Relations*

Employee relations in the PEs are not in a good state. Due to the lack of a communication system and democratic workplace norms as well as management's frequent attempts to advance competing worker groupings, there is a significant increase in tension on the shop floor (Pant, 1993). They disregard the value of delegating authority and responsibility to their subordinates because they are confident in their own abilities (Koirala, 1985). The over-centralization of power, the lack of trust between top management and line management, the perception of seniority and position, the lack of funding for training and development, and the absence of performance management are the key obstacles that the management system faces (Adhikari, 2000).

Conflicts have occurred in a number of Nepalese organizations as a result of poor employee relations, communication problems, personality conflicts, inconsistent roles and statuses, and ambiguous relationships (Agrawal, 2001). The situation of employee relations in PSOs is similar to that of the PEs. In JV Banks, there are fewer problems with employee relations. This is mainly because of timely communication between supervisors and subordinates.

Regular staff meetings, management committee meetings, and inter- and intra-departmental meetings help these firms' employee interactions to grow. There is open communication of business and HR-related information. The majority of line managers concur that open communication and information flow reduce workplace friction among employees. A sustainable employee relations system is necessary in the current

environment to build and manage firms in order to achieve economic success. To build and manage firms in the current environment and achieve economic success, a sustainable employee relations system is necessary (Adhikari, 2021).

Conclusion

Utilizing energy is a major focus of HRM practices in Nepal. The possibility for employee growth and the development of human competencies are of the least importance to them. Without any consideration for the personal ambitions of the employees, their primary concern is fulfilling organizational goals. In actuality, Nepal's HRM practices are mostly traditional. In Nepal, HRM has not taken on a strategic role.

Due to Nepal's recent industrialization, management techniques are still in their infancy. The HRM procedures of some firms, like banks and financial institutions, undergo significant transformation. Employees are accustomed to contemporary HRM procedures. These firms employ highly skilled and competent individuals. Top managers are expanding their knowledge of strategic planning, goal-setting, and the value of communication and information. Young managers from Nepal, India, and other countries are joining firms; they have received their education there and are knowledgeable about a variety of management techniques. Organizations are emerging in the airline and communication sectors. These organizations are also following new HRM practices in Nepal.

Moreover, the advent of foreign/multinational/global organizations and information technology has facilitated innovative approaches to HRM in Nepal. International NGOs have also been practicing innovative HRM concepts in Nepal. They are bringing along with them global HRM practices in Nepal. Growing financial sector organizations are also practicing new HRM approaches. Recently, there have been some changes in the use of computerized HR data, hiring of competent and skilled labor, interest in employee training and development, and other areas.

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